STRICTER PROPERTY RULES 'NOT NEEDED'

Central bank governor says no irregularities in market; stimulus behind buying spree

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The authorities and developers agree that Thailand has no need to adopt measures to control speculation in the property market, akin to those introduced in Singapore this past weekend.

Bank of Thailand Governor Prasarn Trairatvorakul yesterday insisted there were currently no irregularities in the property market under the central bank's radar. He attributed the increasing activity in the market to higher purchasing power resulting from the government's stimulus measures.

The central bank has placed property loans under special attention, for fear that over-lending could destabilise financial stability. Greater concern has, however, been accorded to consumer loans, he said.

Nonetheless, the increasing number of property projects in the pipeline may convince many observers that Thailand will soon need similar measures to those adopted by the authorities in Singapore.

Last year, more than 80,000 residential units were snapped up in Thailand. This year, 13 listed companies have announced plans for 216 projects together worth nearly Bt300 billion. This is on top of the inventory of 106,900 units worth about Bt320 billion at the end of last year. Property developers still insist that they enjoy real demand, which ensures fast sell-outs of new projects. This allows them to maintain their debt-to-equity ratio while rolling out new projects.

According to a survey by *The Nation*, most listed companies' debt-to-equity ratios as of September 30 last year stood below two times.

Sansiri president Srettha Thavisin yesterday commented that the property market was still far from a bubble, and said there was no necessity for more measures to tame the market. "Most of our home-buyers are purchasing property for their own living, with less than 10 per cent buying for investment purposes. They are not speculators," he said.

LPN Development managing director Opas Sripayak said demand for its condominiums priced up to Bt3 million showed that real demand was replacing the rental market. "All of our customers bought units to live in," he added.

Singapore, meanwhile, has rolled out the most comprehensive housing measures since it started cooling the market in 2009. Home-buyers have since Saturday had to pay between 5 and 7 percentage points more in stamp duties when purchasing a property. The authorities there have also introduced a levy on sellers of industrial buildings whose values have doubled over three years, and imposed a tax of as much as 15 per cent if the properties are sold within a year.

The latest measures follow government efforts that started almost four years ago to rein in residential property prices. Those steps have included barring interest-only loans for some housing projects, and developers from absorbing interest payments.

Barclays said in a report that coupled with the large supply pipeline of public and private housing in the island-state over the next few years, property prices would very likely stabilise, if not fall, this year.

Singapore-listed property stocks yesterday were battered on the poor outlook.

Real-estate services firm CB Richard Ellis noted that the Singapore measures had sharpened the focus on filtering speculative demand, with investors, including citizens investing in their second property purchase, being the main targets of the latest round of measures.

The sales volume of new homes has remained strong since 2009 despite the measures taken at the time in Singapore, with a record volume of more than 21,000 units expected for last year.

"Volume will fall below 20,000 units, most likely dropping 10-15 per cent. The latest property measures will be an additional factor impacting the drop in volumes," said Joseph Tan, executive director for residential at CB Richard Ellis.