

INTERVIEW

Sansiri revises investment plan



AMID FALLING MARKET, FIRM SUSPENDS PLAN TO BUY LAND FOR FUTURE PROJECTS, BUT PRESSES AHEAD WITH 19 LAUNCHES

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THE NATION

SANSIRI HAS revised its 2014 investment plan, given that the residential market looks likely to decline by at least 20 per cent this year.

"We have suspended plans to buy more undeveloped land this year for the launch of additional residential projects. However, we are continuing to launch 19 projects worth Bt33.26 billion combined this year, in accordance with our business plan," Srettha Thavisin, president of the listed developer, said during an interview with The Nation this week.

Sansiri had set aside an investment budget of Bt6 billion for the year, but will now only use it for land purchases if the best plots can be found, he said.

Not investing outside Bangkok

The company has also suspended new investment outside of greater Bangkok, both in provinces where it already has a presence and in new locations, especially in second-tier provinces such as Phitsanulok, Kanchanaburi and Maha Sarakham, he said.

"We will continue our existing projects in the provinces, rather than launch new projects this year," he added.

At present, the company has 49 residential projects worth Bt52.47 billion in 11 provinces outside Bangkok and its surrounding provinces.

They are located in Khon Kaen, Chiang Mai, Prachuap Khiri Khan (Hua Hin), Chon Buri, Phuket, Chiang Rai, Surat Thani, Songkhla (Hat Yai), Nakhon Ratchasima (Khao Yai), Rayong and Udon Thani.

Srettha said the company would also delay the issue of a Bt5-billion debenture because it had sufficient

cash flow to support its business investment plan for 2014. Shareholders had approved the issuance of the debenture early in the year.

The residential market both in Bangkok and the provinces has fallen by between 10 and 20 per cent so far this year, due largely to home-buyers delaying their decision to purchase a property, he said.

This caused Sansiri to revise its investment plan and adopt a wait-and-see stance in regard to the market.

However, the developer continues to maintain its presales target of Bt30 billion and total revenue goal of Bt34 billion for the full year, he said.

The company recorded presales Bt2.59 billion in the first five months of year, but it has an overall backlog worth Bt52.69 billion of homes that will be booked as revenue when transferred to customers.

Meanwhile, Sansiri reported revenue of Bt5.5 billion and net profit of Bt829.9 million for the first quarter.

"Our business strategy now emphasises how to transfer homes to our customers on time and reduce the rejection rate to below the current 10 per cent," he said.

The rejection rate is the proportion of customers who have to pull out of the final step of buying a home because they are unable to get a bank mortgage.

Srettha said that in such cases, the company would talk to the bank in question with a view to finding a way for the customer to receive a home loan.

Bank restrictions

He accepted that the main problem for property firms at this time was the fact that commercial banks had tightened the criteria for pro-

viding mortgages to customers, especially to those who do not have a prior bank statement to show but who do have earnings from their own business or from freelance work.

"We have to monitor our customers and help them get a mortgage from the bank so that we can transfer our residential projects at this time," he said.

The company chief said that if the banks were to relax their restrictive policy, it would go a long way to supporting the property market this year.

Customers most at risk of having their loan applications rejected are those planning to buy homes costing up to Bt2 million, he said.

Meanwhile, Srettha said his group continued to hold a 13-per-cent stake in Sansiri, and that it continued to be the developer's management team.

"Although I have reduced my stake in the company, our family group continues to hold a major stake and is still the company's management team," he explained.

Residential market in key provinces faces state of oversupply

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THE RESIDENTIAL market in provinces such as Khon Kaen, Phuket, Chiang Mai, Prachuap Khiri Khan (Hua Hin) and Chon Buri is in a state of oversupply, with the number of new projects launched since the start of 2012 exceeding demand, according to property experts.

A joint survey by the Government Housing Bank's Real Estate Information Centre (REIC) and the Agency for Real Estate Affairs (AREA), along with another by Pruksa Real Estate's research department, shows the number of residential projects launched in the major provinces outside greater Bangkok had grown by more than 200 per cent since the beginning of 2012.

This rate of growth exceeds the ability of demand to absorb them from the market.

For example, the supply of detached housing, townhouse and condominium projects launched in Chiang Mai in 2011 was worth Bt2.1 billion, but the value of new launches had risen to Bt14 billion last year – nearly 600 per cent higher in the space of just two years.

In Chon Buri province, the supply of residential projects was worth Bt22 billion in 2011, but this had risen to Bt50 billion by the end of last year after Bangkok-based property firms such as Sansiri, LPN Development, NC Housing, Supalai and CP Land expanded their investment in the area, which includes Pattaya.

Phuket, meanwhile, recorded project launches worth Bt3.3 billion in 2011, while new supply increased to Bt12 billion over the next two years.

Launches in Khon Kaen

Khon Kaen recorded zero units launched by property firms in 2011, but then followed this with Bt6.1 billion worth of new projects in 2012 and Bt3.18 billion the following year.

Pruksa Real Estate managing director Prasert Taedullayasatit said that according to the company's own research, combined with the joint REIC-AREA survey, the supply of residential projects in the main provinces now exceeded demand.

As a result, the company has had to delay the launch of additional projects in the provinces.

"We are focusing on Bangkok and its suburbs rather than expanding our provincial investment, as we believe supply in the provinces exceeds demand," he said.

Sansiri president Srettha Thavisin, whose company has expanded its investment in the provinces since 2011, said the developer had delayed the launch of new provincial projects this year after witnessing only slight demand growth.

"We will focus on selling our existing projects in the provinces, rather than launching new provincial projects at this time," he said.