

Political turmoil dents full-year market growth

RESIDENTIAL SECTOR EXPECTED TO EXPAND BY JUST 5% AS MORE CUSTOMERS DELAY TRANSFERS, MANY POSTPONE DECISIONS TO BUY

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THE POLITICAL turbulence of the past one and a half months has caught up with the residential property sector, with full-year market growth now likely to come in at just 5 per cent.

This is due to many buyers postponing the transfer of their homes, and others delaying the decision to buy in the first place, according to leading developers.

The previous estimate for this year's growth was 10 per cent.

"We have had to revise down our presales and revenue targets in the last quarter, as customers are delaying both transfers and visiting our residential projects during a period of political uncertainty," Sansiri president Srettha Thavisin told The Nation in an interview early this week.

Sansiri has cut its presales target from Bt48 billion to Bt45 billion and its revenue target from Bt35 billion to Bt30 billion, after the company reported presales of Bt42 billion for the first 11 months of the year.

Srettha said the number of potential customers visiting the developer's projects had dropped nearly 10 per cent from the normal level, while they are also taking longer to decide whether to buy in both the middle- and upper-income segments - out of concern over the political turmoil.

Normally, the last quarter of the year is the best period for developers in regard to both buying decisions and the delivery of homes to customers.



Thongma Vijitpongpun

Thongma Vijitpongpun, president and CEO of residential-market leader Pruksa Real Estate, also accepted that the political situation had impacted the property market this quarter, with most potential buyers deferring their decisions to step onto the property ladder.

"Although our sales have continued to grow in line with our target, the overall market will expand only 5 per cent - lower than the earlier estimate of 10 per cent," he said.

Meanwhile, Land & Houses president Naporn Sunthornchitcharoen said the number of people visiting its residential projects had fallen by between 5 and 10 per cent since the political uncertainty gathered momentum early last month.

"This impacts directly on the property market in the current quarter, which is [normally] the best period for home sales each year. It means the overall property market may see only slight growth compared with the estimate made early in the year," he said.

Another factor negatively affecting the market in the current quarter is the fact that commercial banks are restricting the provision of mortgages to potential home-buyers, he added.

"We have a rejection rate of about 15 per cent, which is higher than early



Srettha Thavisin

this year, as commercial banks now investigate buyers' financial statements and their ability to repay before approving new loans," he explained.

Q1 also at risk from turbulence

Leading developers also forecast that if the political troubles continue into next year, the residential market will continue to suffer - at least in the first quarter.

This would then force property firms to delay the launch of new residential projects from the first quarter to the second.

"Although we cannot estimate what will happen at this stage, we will be flexible and manage our new residential projects for next year by launching them in line with market sentiment.

"If the market still faces a negative impact from the political situation, we will delay launching new projects in areas directly affected by the turbulence. Meanwhile, we will launch new projects in other locations such as in the provinces. That will help us to manage our business during the political crisis," said Sansiri's Srettha.

However, Pruksa's Thongma believes the property market will continue to grow by at least 5 per cent next year because of demand momentum,



Naporn Sunthornchitcharoen

especially for condominiums located close to the mass-transit system.

Although the country's economy growth will be lower than 5 per cent in 2014, the developer still believes the market will maintain growth of at least 5 per cent because of the new mass-transit routes being completed from 2014 to 2016, which will open up business opportunities for new locations for condominium projects, he said.

Since 2010, the emphasis of the greater Bangkok residential market has changed from low-rise detached housing and townhouses to condominiums situated near to the mass-transit system, he said, adding that when the new rail routes open they will provide the momentum for 5-per-cent average growth through to the end of 2017.

Ananda Development president and CEO Chanond Ruangkritya said condo demand close to the mass-transit system was still strong, as homebuyers generally seek a place to live that makes it easy to get to and from their place of work.

"Although the economy will see only slight growth, I believe the demand to buy a condominium close to the mass-transit system will remain strong - in line with the completion of the new routes," he said.