

FIRST-CAR SCHEME MAY HIT BUYING POWER IN LOW-PRICED-HOME SEGMENT

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Property developers that sell housing priced between B1 million and B3 million may suffer from a drop in purchasing power of potential customers with monthly incomes around B20,000 if they bought vehicles under the first-car tax-incentive scheme last year.

Sales volumes in this price range are expected to drop by 5-10 per cent because people whose monthly income does not exceed B20,000 and now are saddled with car payments are unable to buy homes, according to a Kasikornbank executive.

In general, a monthly income of B20,000 is sufficient to allow purchase of a home whose price does not exceed B2 million.

However, the first-car scheme encouraged people in this income

bracket to buy vehicles instead of housing, said Chatchai Payuhanaveechai, executive vice president at KBank.

He said a customer who earned B20,000 a month and bought a vehicle with a term loan of five years would have a monthly instalment burden of B9,000-B12,000, which meant this customer would be unable to buy a home during those five years.

Meanwhile, people earning B40,000 a month who joined the first-car scheme might be unable to buy a home costing more than B2 million, so the low purchasing power of some potential customers would have an impact on the homes costing up to B3 million, he explained.

Currently, homes costing between B1 million and B3 million represent 30-40 per cent of the total housing market.

Projects in this segment are condominiums and townhouses.

Wichit Payuhanaveechai, execu-

Changing situation

Buyer income	First-car instalments (payment for five years)	Ability to buy home*
B20,000	B:9,000-12,000	no
B40,000	B:9,000-12,000	yes

*Homes costing not more than B2 million

tive vice president for mortgage products at Bank of Ayudhya, agreed there was a high possibility that the low-priced housing segment would be affected by the first-car scheme.

Still, he noted that consumer purchasing power had a bright outlook thanks to the Kingdom's strong economic growth, so there was little need to worry about non-performing loans.

The NPL rate for mortgages at BAY is less than 2 per cent, he said.

Chatchai said the NPL rate for the housing-loan industry had stayed around 2 per cent for several years, while KBank's bad-loan rate in this segment was just 1.4 per cent. He added that this low rate reaffirmed that a bubble in the property market had not arrived yet.

Even though major developers during the first two weeks of the year announced greater volumes of new projects, the bankers predicted that

the residential segment would not face risks from oversupply.

Chatchai said about 120,000-130,000 units were yet to be transferred from the total sales of 970,000 homes last year.

Weidt Nuchjalearn, senior executive vice president of Krungthai Bank, the second-largest holder of outstanding mortgages, said it was monitoring the bubble situation as well but had not seen any cause for concern yet, as reflected by the low rate of bad mortgages. The NPL rate for housing loans at KTB is 1.7 per cent at present and should drop to 1.5 per cent soon. Mortgages are secured loans, and customers don't want to see their assets to become bad debts, so the NPL rate is low compared with other segments, he said.

The loan-to-value rule can help prevent a bubble in real estate, he said. The delay in housing transfers is a concern for banks and developers because

lending will decrease when the housing units are finished, Weidt said.

NEW MARKET SEGMENTS

Though property developers agree that purchasing power in the low-price segment may be lower because of the first-car programme, they have looked for new market segments to cover the shortfall.

For example, Sansiri plans to launch dCondo Campus Resort in Chiang Mai. This is a pilot project to replace its dormitory market.

"This market will comprise families who did not suffer any negative impact from the first-car scheme," Sansiri president Srettha Thavisin said.

Opas Sripayak, managing director of LPN Development, which develops condominiums in the under-B3-million segment, said the company was focusing on new market segments. They include condominiums close to workplaces and universities.