

# Leading developers post double-digit profit margins

MOST RESIDENTIAL PLAYERS BUCK SLUGGISH ECONOMIC TREND IN FIRST HALF, EXPECT RECOVERY

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DESPITE THE country's sluggish economic growth, seven of the top 10 listed residential developers have continued to achieve double-digit net profit margins, thanks largely to real demand for purchasing condominiums in 2013 and 2014 at projects that are starting to be transferred to customers this year.

Meanwhile, the companies' construction and energy costs have also been lower than originally estimated.

According to financial results reported to the Stock Exchange of Thailand last week for the second quarter and the first half of the year, six of the top 10 listed players recorded strong revenue growth, thanks to their backlogs from projects launched in 2013-2014, many of which have been delivered to customers in the first half of this year.

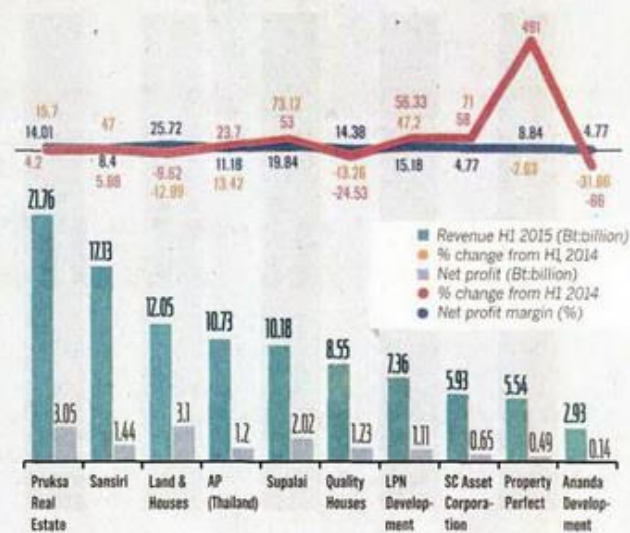
They are Pruksa Real Estate, Sansiri, AP (Thailand), Supalai, LPN Development and SC Asset Corp.

Three others – Land & Houses, Quality Houses and Ananda Development – recorded a drop in their revenue and net profit after failing to transfer sufficient units to achieve their targets.

Meanwhile, Property Perfect posted a 2.63-per-cent fall in first-half revenue from the same period last year, but its net profit came in at Bt497.83 million, up 491 per cent year on year.

## HIGH PROFIT MARGINS

Despite the sluggish economy, seven of the top 10 listed property firms posted double-digit net profit margins in the first half compared with the first six months of 2014 thanks to real demand, transfers of pre-sold homes to customers, and lower-than-estimated construction and energy costs.



Sources: Stock Exchange of Thailand, The Nation

NATION GRAPHICS

### Lower construction costs

Seven of them also showed net profit margins higher 10 per cent thanks to reductions in construction and energy costs, while also successfully cutting their management costs.

Land and Houses recorded the highest net profit margin at 25.72 per cent, followed by Supalai's 19.84 per cent, LPN Development with 15.18 per cent, Quality Houses' 14.38 per cent and 14.01 per cent from Pruksa Real Estate.

AP (Thailand) posted a margin of 11.18 per cent, while SC Asset Corp achieved 11.1 per cent.

The other three top-10 listed developers posted net profit margins below 10 per cent after shouldering higher marketing costs than their peers.

Property Perfect achieved 8.84 per cent, while Sansiri posted 8.4 per cent and Ananda Development generated a margin of just 4.77 per cent.

Ananda Development chief executive officer Chanond Ruangkritya said the company's net profit margin was still lower than those of other major property firms because it had to shoulder the marketing cost from condominium projects launched since

the start of the year.

"Normally, our business will generate a high net profit margin when we are ready to transfer our condominium projects to customers, and we expect to drive our margin to double digits in 2017," he said.

Meanwhile, the company continues to control its administration costs, which actually fell by 9 per cent in the second quarter from the same period last year, said chief financial officer Muntana Aukitkajorn.

Sansiri president Srettha Thavisin said his company would show a double-digit net profit margin for the full year, after more of its condominium projects have been transferred to customers.

The developer has a backlog worth up to Bt35 billion, which will generate revenue from 2015 through 2018.

In the first half of the year, Sansiri recorded presales worth Bt15 billion, accounting for 45 per cent of its presales target of Bt33 billion for the full year.

"We plan to cut our management, administration and marketing costs this year, which will boost our net profit margin to double digits at the year's end," he said.

Property Perfect chief executive officer Chainid Adhyanasakul said his company was trying to cut its administration and marketing costs to boost its net profit margin into double-digit territory this year, having completed the acquisition of a major stake in Thai

Property – another listed developer – that will generate recurring income to the company.

Property firms, both listed and non-listed, plan to launch residential projects worth more than Bt200 billion combined during the second half of the year.

"Despite the country's slight economic growth, we are confident that the property market this year will expand by up to 15 per cent thanks to real residential demand returning to the market," said Thongma Vijitpongpan, president and chief executive officer of Pruksa Real Estate.

### Dented by political problems

He added that in the first half of this year, the overall sales value of residential projects in greater Bangkok was Bt179.34 billion, up 31 per cent from the same period last year, when the market was dented by political problems.

Pruksa Real Estate posted presales of Bt23.93 billion during the first six months, 33.5 per cent higher than a year ago.

With strong demand in the market, the company plans to launch 40 projects together worth Bt25 billion over the remainder of the year, which will boost presales to the full-year target of Bt47 billion, said the CEO.

According to a survey by The Nation early this week, 13 listed developers plan to launch 162 projects worth Bt202.55 billion in Bangkok and suburban areas in the latter half, while three non-



listed companies plan to launch seven residential projects worth Bt14 billion.

Most of the 16 developers are confident the property market will show a recovery during the remainder of the year, with the policy interest rate currently at 1.5 per cent.

Sansiri is planning to launch 12 projects worth over Bt20 billion combined in the second half, boosting full-year presales to Bt35 billion, its president said.

"We have seen a demand recovery in the market this month, thanks to lower interest rates and the government's investment spending entering the economy. This [investment spending] also will be the engine boosting the economy in the second half," added Srettha.

Quality Houses president and CEO Chadchart Sittipunt said the company now intends putting 14 residential projects worth about Bt10 billion in total on the market by the end of the year, down from the original business plan to launch 18 projects in the second half.

"We had to revise down our new project launches after witnessing only slight demand growth early this year. However, if the market shows a strong recovery in the second half, we are ready to revise our plan again, because the four delayed projects already have the land and design ready for development as soon as possible," he explained.

Golden Land Property Development president Thanapol Sirithanachai said the company planned to launch eight projects worth Bt7.8 billion during the rest of this year, after recording pre-sales worth Bt4.1 billion in the first half.

"We are confident the property market will recover in the second half as the country has lower interest rates, while purchasing power has showed signs of recovering due to the government's speeding up its spending in order to drive the economy," he said.

AP (Thailand), meanwhile, intends to launch 15 residential projects worth Bt24.02 billion over the remainder of the year after seeing a strong build-up of demand, said CEO Anuphong Assavabhokhin.

Four of them, worth Bt15.24 billion combined, are condominium projects, six worth Bt5.49 billion are for townhouses, and five worth Bt3.29 billion are for detached housing.

Univentures plans to launch 13 residential projects worth Bt14.9 billion, comprising two high-rise projects costing about Bt3 billion and 11 low-rise projects of Golden Land group valued at roughly Bt11.9 billion, said company president Worawat Srisa-an.