

Luxury condo developers head overseas in bid to boost sales

MOST RESIDENTIAL PLAYERS IN LISTED TOP 10 POST STRONG RESULTS FOR FIRST SIX MONTHS, BUT DOMESTIC DEMAND SLUGGISH AT HIGH END OF MARKET

SOMLUCK SRIMALÉE
THE NATION

A NUMBER of leading property developers plan to roadshow their luxury residential projects overseas in a drive to boost sales during the latter part of the year, after most of the top listed players posted strong results for the first six months.

Eight of the top 10 listed developers achieved revenue growth of more than 20 per cent in the first half compared with the same period last year, while their net profit performance was also strong. (See graphic.)

This was due to improved domestic demand amid the government's stimulus package for the property sector, under which it reduced the combined transfer and mortgage fee for home-buyers who had properties transferred to them by April 28.

However, the overall residential market in Bangkok and suburban areas in the first half dropped 4.5 per cent by recorded sales value to Bt171.22 billion, from Bt179.34 billion in the same period last year, according to research by Pruksa Real Estate.

That said, property companies continue to have confidence that the market this year will be worth Bt383.18 bil-



lion, up 8 per cent from Bt354.79 billion last year.

To boost sales in the second half and achieve an 8-per-cent revenue increase for the full year, overseas roadshows for luxury projects are seen by some developers as the way to go, as domestic demand growth remains slight at the high end of the market.

"We plan a roadshow in Hong Kong in September to sell out the remaining 30 per cent of the project value of Bt14.5 billion at the Ritz-Carlton Residences at MahaNakhon, after witnessing demand from foreign investors interested in owning a place to stay in Bangkok," Pace Development Corp's chief executive officer, Sorapoj Techakraisri, said recently.

Demand among foreign buyers for

luxury condominiums in Bangkok is still strong because luxury condo prices in the city are still lower than those for similar properties in Hong Kong and Singapore, he said.

Seventy per cent of the project value already snapped up at the Ritz-Carlton Residences at MahaNakhon was bought by customers in Asia, Europe and the Middle East, the CEO added.

"Although the baht was stronger in the first half of the year compared with last year, it did not impact on demand to buy luxury condominiums in Thailand because most foreign investors were confident that Thai property prices were still lower than those in other countries in Asia," Pace Development's chief financial officer, Natha Kittiakson, said.

Sansiri, meanwhile, is another listed developer hoping to expand overseas.

"We plan to roadshow our condominium projects in Singapore, Japan and Hong Kong in the final five months of the year, in order to boost presales to our target of Bt42 billion," president Srettha Thavisin said.

White-collar market

Meanwhile, most listed residential developers that are focused on domestic demand are targeting their strategy on the middle-income market segment – that is, those earning between Bt50,000 and Bt100,000 per month.

"We focus on potential customers who are officials or white-collar workers, because they have sufficient purchasing power to buy and also find it easier to get bank approval [for a mortgage] than those in the lower-income market," said Piya Prayong, Pruksa Real Estate's president for the value market.

He said that with the country's commercial banks continuing to restrict the approval of mortgages for lower-income applicants with high debt, the company had witnessed a 7-per-cent rejection rate in the first half, against 5 per cent in the same period last year.

"Most of our customers whose home-loan applications have been rejected by the banks are those earning less than Bt20,000 a month," he added.

Given the market trend, the developer has had to revise its customer target to the middle-income market segment, which comprises those with the purchasing power to buy a home costing between Bt3 million and Bt5 million.