Not all doom and gloom

Big infrastructure projects, especially mass transit lines, are among the positive factors that should cheer the market, says AP

For starters, the property transfer tax and mortgage registration fees have been slashed to 0.6% until April 28. What’s more, first-time homeowners shelling out 3 million baht or less on a new abode are eligible for a generous personal income tax deduction until the end of the year.

The decision by commercial banks to use more conservative criteria when approving project financing loans for property developers has also sounded a positive note on the supply side of things. The stricter standards will inevitably serve to cut off less than professional developers from moving ahead with substantial residential projects in the coming months, says Mr. Arunaphong.

In my opinion, a number of small and unprofessional developers are facing hard times as they can no longer borrow massive loans to buy land,” he said.

Moreover, bank approval for post-financing is not as readily available, resulting in some customers not being able to obtain home loans.

This year Sansiri aims to achieve 12 billion baht in pre-sales, up from 10.5 billion in 2015, which increased from 9.8 billion in 2014. Revenue is estimated to jump to 36 billion baht from last year’s record 28 billion. It has a sales backlog of 38.1 billion baht from 2015.

It also has an inventory worth 3 billion baht, with about half the units qualifying for property tax incentives offered by the government.

The cabinet on Oct. 13 had approved property stimulus measures, including cuts in housing transfer and mortgage fees to 0.6% each for six months, down from 2% and 1%, respectively. The transfer fee is usually paid equally by homebuyers and developers, at 1% each.

The company will continue overseas investments, aiming for gross profit of 28% from residential development in London.

It plans to renovate a three-storey office building of 3,000 sq m near Oxford Street into residential units for sale in the next three years after it renovated 39 units with rents ranging from £800 million to £2.2 million.
According to the Bank of Thailand, the Thai economy is projected to grow around 3.5% this year, down from an earlier estimate of 3.7%. This has prompted several developers to exercise more caution when developing new projects this year, said Mr. Anuongphong. Although Mr. Anuongphong believes property demand will not increase much this year given the fragile state of the economy, consumer confidence has shown some positive signs. The government’s property stimulus measures are also helping to sustain the overall market from taking too hard of a fall.

In his view, the property segments that are expected to enjoy growth this year will be quality city condominiums along the mass transit routes, single houses priced in the 5 to 10 million baht range and townhouses ranging from 2.5 to 4 million baht.

Single-house projects targeting small- and medium-sized enterprise owners will, however, take a hit as SMEs have been struggling during the economic downturn. Luxury and super luxury houses priced from 50 million baht and over, on the other hand, will still find customers as the rich always have money to spare though the market is relatively small, he says.

Mr. Anuongphong subsequently believes that despite lower demand, the natural realignment on the supply side will keep property developers from feeling pressured to slash prices.

“Developers are trying hard to buy land in good locations but land prices are very high today. Land represents 45% of the total cost when developing a residential project, up from 35% in the past 7-8 years,” he said.

AP realises that the overall property market is best by glides this year, Mr. Anuongphong says. Keeping expenses under control and otherwise showing strong financial discipline are musts.

The company plans to keep its debt-to-equity ratio at a maximum of 1:1, compared with 1.8:1 last year.

That said, the company will launch 20 residential projects this year worth a combined 32.7 billion baht, comprising 15 single houses and townhouse projects worth 14.3 billion and five condominium projects worth 18.3 billion.

The new one-rise projects will comprise eight single house estates worth 8.27 billion baht and seven townhouse projects worth 11.1 billion. All of them will be in Bangkok.

Mr. Anuongphong says AP will launch more low-rise residential projects because such buyers represent real demand from people who are looking to live in the properties they purchase.

“Normally, big developers such as AP can adjust to the changing market faster than small players. At present, we have a plan to launch 20 new projects this year but the realisation plan can be adjusted from time to time,” he said.

Last year, AP announced it would launch 15 residential projects, though its actual project launches were 30% lower than projected.

AP is thus keeping an eye on innovation to stay a step ahead of the pack. Its project designs and functions are tailored made to suit the needs of target customers, he said.

Project quality will be a motivating the hearts and minds of potential buyers, both in terms of the physical properties themselves along with the intangibles, such as after-sales service and property management.

“We’re learning from our Japanese partners about quality control every step of the way, from actual construction to property management,” Mr. Anuongphong added.

The company entered a partnership with Mitsubishi Estate Group, a leading Japanese developer, to jointly launch a number of city condominium projects along the mass transit routes in Bangkok.

This year, AP is set to achieve 31 billion baht in presales and 33.7 billion in turnover, increasing from 28.2 billion and 33.1 billion in 2015, respectively. Presales last year rose 24% from 2014, though revenue declined 4.8%.

Presales this year are expected to surge by 14.5 billion baht from single detached houses and townhouses and 17.2 billion from condominiums. Revenue from single houses and townhouses would total 22.8 billion baht, while condo revenues at 11 sites would pull in 9.8 billion.

The company posted a net profit of 26.2 billion baht in 2015, rising from 2.78 billion in 2014, on revenue of 22.1 billion baht, down from 21.1 billion.

AP’s staff now stands at 1,000.

At the end of last year, AP sold a sales backlog of 11.9 billion baht to be realised this year and next.