

Sansiri changes focus to mid- to upper-income buyers

REJIGS STRATEGY AFTER PURCHASING POWER OF LOWER INCOME FALLS; INVESTS IN SECOND LONDON PROPERTY

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RESIDENTIAL property developer Sansiri has revised its business plan to focus on the middle- and upper-income market due to a decline in purchasing power among lower-income people, president Srettha Thavisin said during an interview with The Nation on Wednesday.

The listed company has also expanded its investment overseas by buying an apartment building in London for 15 million (Bt742 million) early this year.

The property will be renovated with a view to putting the apartments up for sale in two years' time.

This is Sansiri's second project in the United Kingdom, after investing in an apartment building in London in 2011. That property has already sold out.

Srettha said household debt in Thailand had risen to the extent that purchasing power to buy a home among the lower- to middle-income market had dropped since the beginning of last year, with those at low end of the scale particularly affected when it came to applying for a mortgage.

"Our low-income customers faced a [rising] number of mortgage-application rejections last year, so we have had to revise our business model to focus on the middle- to upper-income market this year," he explained.

Sansiri plans to launch 17-19 residential projects worth Bt32 billion combined over the course of this year, with two or three of the projects being low-rise properties such as townhouses and luxury detached housing located in provinces such as Phisanulok, Chiang Mai and elsewhere in the North.

This is in line with its business plan, in which after launching low-cost condominium projects in provinces outside greater Bangkok since 2012, the

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company will now focus its effort on launching low-rises in those provinces where there is demand in segments above the lower-income market, he said.

Meanwhile, in regard to the company's new investment in London, the company chief said: "We are confident that the market will still have residential demand [when the apartments go on sale in two years' time]."

Investment budget

This year, the company has set aside a domestic investment budget of Bt31 billion, Bt7 billion of which will be spent on buying land for the development of residential projects this year and next.

The other Bt24 billion will be used for the construction of infrastructure at its projects.

The budget will come from the company's cash flow, new capital as the result of an increase in Sansiri's registered capital last year, and a debenture issue of between Bt1 billion and Bt2 billion, said the president.

Some of the funds raised via the planned debenture will replace its existing debenture, which expires this year, while the remainder will be available to spend on investment under the business

plan.

The developer targets presales of Bt30 billion-Bt32 billion and revenue of Bt35 billion this year, he said.

Last year, presales totalled just Bt9 billion after the company faced cancellations by some customers, especially for condominiums priced lower than Bt2 million apiece.

Presales were well below the company's early target of between Bt36 billion and Bt37 billion for 2014.

Meanwhile, Sansiri's joint venture with BTS Group Holding - BTS Sansiri Holding One - plans to launch three condominium projects worth more than Bt10 billion combined this year.

One of them, worth Bt5 billion and part of the developer's business plan, will launch in the first half, with the other two set to be launched in the final quarter, in addition to the business plan.

The strategy under the joint venture is to develop projects located close to both the existing mass-transit rail routes and route extensions, with a project value of over Bt3 billion apiece, said Srettha.

"If the investment value is lower than Bt3 billion and a project is located close to mass transit, it will be invested in by Sansiri [alone]," he added.

He forecast that while the overall residential market would improve this year, it would witness only single-digit growth because of limited purchasing power as household debt rises, and commercial banks continuing to restrict the approval of mortgage applications.

However, the company is confident that its presales and revenue targets can be met this year, especially the latter, due to a backlog worth Bt45 billion, up to Bt35 billion of which will be booked during 2015, he said.

Sansiri reported nine-month 2014 revenue of Bt19.04 billion and a net profit of Bt2.16 billion.

The company will also increase its residential prices by 5 per cent this year, following the rise in land prices, he said.

"Although oil prices have fallen and construction-material prices are being maintained, our land costs are still high following the limited amount of land [available in Bangkok]. As a result, our new residential launches this year will be priced 5 per cent higher than last year's level," he added.