

Companies must **team-up or diversify** to weather the storm

KEYS TO SURVIVAL AMID STIFF COMPETITION ARE STRATEGIC PARTNERSHIPS OR JOINT VENTURES

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THE NATION

FINDING a strategic partner, entering into a joint venture and diversifying into new businesses have since last year been the keys to survival for both listed and non-listed property firms facing stiff competition from the largest players as well as high costs, according to a survey by The Nation.

Some owners have also decided to sell their stakes, as they believe that this is the best way to drive growth sustainably by bringing in new shareholders and management team.

Since last year, Sansiri formed nine joint ventures with BTS Group to develop nine condominium projects worth more than Bt50 billion.

AP (Thailand) joined with Japan's Mitsubishi Estate Group in 2013 to develop projects in Bangkok worth over Bt20 billion.

Two years ago Ananda Development set up a joint venture with Mitsui Fudosan to develop condo projects in Bangkok worth over Bt30 billion.

"This is how to synergise our strong points to develop residences when the market faces high competition. We have the experience to develop premium condominiums, while BTS Group also owns more land close to the mass transit system.

"This is a win-win situation for us," Sreetha Thavisin, president of Sansiri, said recently. Anuphong Asawabhokhin, CEO of AP (Thailand), said the company can learn more about developing and designing residences from its Japanese partner, which also has business channels to expand their investment in Thailand's property market.

Branching out into new businesses, especially those that generate recurring income, is one of the strategies adopted by property firms. "We decided to expand to hotels, retailing and solar roofs because we want recurring income. The property market has dropped. Our target is for 10-20 per cent of revenue to come from recurring income in three to five years," said Kessara Thanyalakpark, director of Sena Development.

Sena operates its retail business under the "Sena Fest" brand. It also has a joint venture with power generating firm B Grimm Group.

Normally, the corporate movement will see contractors turning into developers, as

STRATEGIES FOR SURVIVAL

With high competition in the property market, developers have adopted new business strategies to survive.



Source: The Nation

NATION GRAPHICS

the property business has a higher net profit margin than the construction business. But last month, Major Development began a joint venture with Israel's Danya Cebus in Thailand called TMDC Construction.

Suriya Poolvoralak, managing director of Major Development and chief executive of TMDC Construction, said Major saw strong demand in the construction business and also believed in the long experience and construction technology of Danya Cebus.

"That will create a strong construction business in Thailand for the long term.

"In five years, construction will contribute 10-20 per cent of our revenue," he said.

Pace Development Corporation added a food-retail business, Dean & DeLuca, to its portfolio in 2013.

"This will help maintain our income with the property business growing slightly in the long term," CEO Sorapej Techakraisri said.

Property Perfect targets recurring income achieving 20 per cent of its revenue after it took over hospitality businesses in Thailand and Japan.

"From my experience since the economic crisis of 1997, property firms have to balance their portfolios between sales and recurring income, so our strategy is to expand into businesses that generate recurring income over the long run," CEO Chainid Adhyanasakul said.

The property market is confronting competition from both leading local firms and foreign heavyweights elbowing their way into Thailand. Small and medium firms have to differentiate themselves from their rivals.

Thailand's millionaires are expanding into the property business since 2013. Most landlords, such as the Siriwattanabhakdi, Bhirombhakdi and Chearavanont families, have shifted to the property industry. This forces small and medium-sized players to craft a survival strategy.

"Our challenge is how to drive our business growth sustainably by penetrating the hospitality business in both retail and hotels, while also investing in developing residences to maintain our top 10 ranking in the property industry," he said.

With the cut-throat environment, some property owners have chosen to withdraw from the business to make way for new blood.

Chuan Tangmatitham, 78, sold his family's major stake in MK Real Estate Development Plc to Castle Peak Development and CPD Holding early this week after he established the business over 50 years ago and managed it since then.

MK's founder, Chuan Tangmatitham, said this handover of the business that he has nurtured for more than 50 years to a team determined to drive the firm forward, embracing opportunities to expand into new areas. "I believe that with the strong foundation of experienced staff, financial strength and a long-standing reputation, the new executives will be able to continue the company's sustainable growth. All stakeholders - customers, employees and shareholders - will be taken care of. From now on, as chief adviser to the board of directors, I am willing to help guide the company towards its business targets," he said.