



Strategy rethink

Sansiri shies away from low-end developments in the face of a challenging year

Story: Piyachart Maikaew

Thailand's poor economic prospects have prompted some property developers to rethink their business strategies, at least for the short term.

Among them is SET-listed Sansiri Plc (SIRI), which this year plans to focus more on middle and high-end customers and shy away from low-end developments.

President Srettha Thavisin declared in January that 2016 would be a challenging year with several negative factors, including political uncertainties and the tepid economy. But he was hopeful that the government's initiatives, particularly investment in infrastructure, will help improve market sentiment.

Other positive factors include low interest rates, which raise housing affordability, low oil prices, which reduce development costs, and property tax incentives, which can improve housing demand in the first half of this year.

Sansiri plans this year to almost double its new projects to 21, worth a combined 50.5 billion baht. Seven are single house projects in Greater Bangkok, Udon Thani and Phuket, where demand remains strong. Three will be townhouse projects worth a total 1.7 billion baht.

The company will also develop 11 condo projects with a combined project value of 35.1 billion baht. Ten of the 11 high-rise condo projects will be developed in Greater Bangkok — six worth a combined 23 billion baht under a joint venture with Bangkok Mass Transit System Plc under The Line and The Monument brands, and five developed by Sansiri itself.

The latter will include 98 Wireless, a 77-unit luxury project worth 8 billion baht on Wireless Road, where it will introduce its highest price per square metre of 630,000 baht.

The company will launch only one low-end project this year, in Chiang Mai under the DCondo brand.

The company expects the sales rates of mid-market condos (priced from 100,000 to 199,999 baht per sq m) and the high-end segment (200,000 baht per sq m and above) will remain strong at 50% and 60%, respectively. The rate for the low-end segment (below 100,000 baht per sq m) is estimated at less than 40%.

"The high-end segment remains very healthy with no bank rejections, because the segment is rarely affected by economic slowdowns," said Mr Srettha. "On the other hand, the low-end segment has been hit by lower purchasing power, high household debt and the declining prices of agricultural products."

Sansiri is going in the right direction as indicated by the selling out of four midrange and premium condominium projects under two brands, The Monument and The Line, he says.

Senior executive vice-president Uthai Uthaisangstak expects the condominium supply in Greater Bangkok to grow by 5-10% this year from 165,000 units last year. Of the growth, 30,000 to 40,000 units will be in the mid-market and high-end segments.

Sansiri expects condo presales will reach 28 billion baht this year, up 65% from 2015, with revenue of 20 billion baht.

Mr Uthai says Sansiri's condo revenue was 23 billion baht last year, up 64% from 2014 and

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