

Top developers pursue strong investment strategies this year

BOOSTED BY BRIGHTER ECONOMIC PROSPECTS AND RISING DEMAND, FIRMS EARMARK HIGHER SPENDING ON LAND AND CONSTRUCTION

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THE NATION

FIFTEEN LISTED property developers have announced investment budgets worth Bt212 billion combined for this year, with nearly half the total earmarked for buying vacant land, and the remainder largely for the construction of residential projects.

Up to half of the overall investment budget will come from the companies' cash flow, with the rest accounted for by debenture issues, bank borrowings and the establishment of real-estate investment trusts.

The funding route will differ from company to company depending on their financial strategy, but those with a bank loan will have to manage their debt-to-equity ratio so that it does not exceed the promise made to their lender.

Banks will normally cap the debt-to-equity ratio at 2:1.

Pruksa Real Estate has announced the highest investment budget among the listed developers, in support of its business plan to launch 75 residential projects nationwide worth Bt61 billion this year.

The company has set aside Bt34

billion, Bt14 billion of which is for purchasing vacant land for developing projects in 2016 and 2017, and Bt20 billion mainly for the construction of projects for delivery to customers this year.

The budget will come from its cash flow and the issuance of a Bt3-billion debenture this year, said its CEO, Thongma Vijitphongpun.

Sansiri ranks second in terms of investment budget, setting aside Bt31 billion for this year, 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 company's president, Srettha Thavisin.

Next comes Land & Houses, which has earmarked Bt22 billion, up to Bt8 billion of which will be used to buy land for residential developments this year and in 2016.

About Bt2 billion will be used to buy apartments in San Francisco, and a further Bt2 billion will be invested in similar ventures in Bangkok.

The remaining Bt10 billion is for construction of residential infrastructure and the delivery of projects to Land & Houses' customers this year.

Part of the investment budget will come from the company's cash flow and the Bt6.05-billion LH Shopping Centres Leasehold Real Estate Investment Trust, which was launched last year.

The developer will also issue debentures worth Bt10 billion, about Bt8 billion of which will be for a previous debenture that expires this year, with the remaining proceeds for investment, said managing director Adisorn Thananun-Narapool.

For the investment budgets of others listed property firms, please see the accompanying graphic.

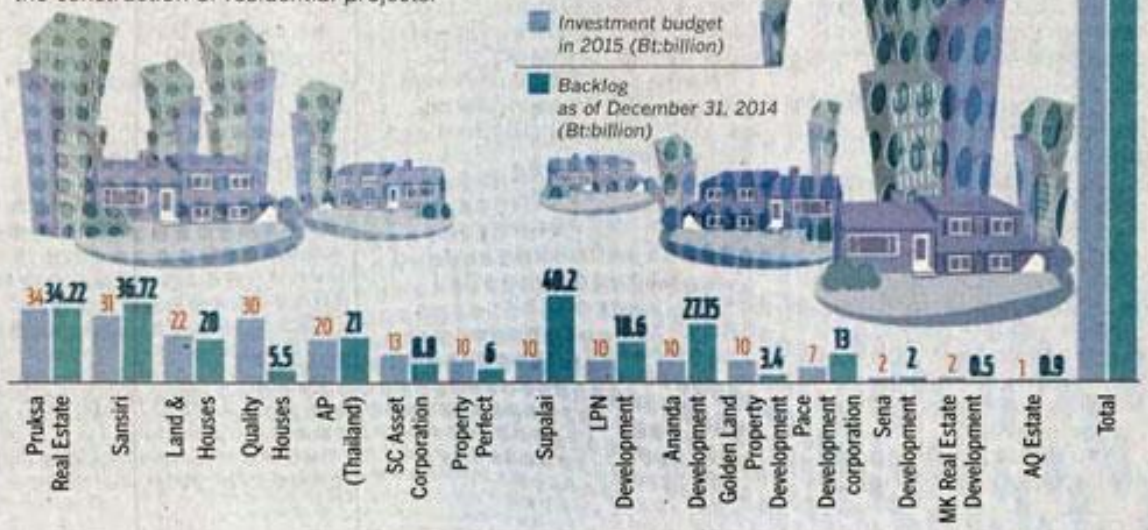
Economic recovery boost

The main reason the 15 listed property firms have an aggressive policy to expand their investment this year is their general confidence that the economy will recover from last year's level, as residential demand should recover in line with such an economic turnaround, especially for units priced above Bt3 million.

"We believe the market will recover this year to double-digit growth from last year's level, thanks to the country's economy showing signs of recovery due to the government policy to expand [public] investment in infrastructure during the course of this year," said AP (Thailand) CEO

DEVELOPERS REVEAL INVESTMENT BUDGETS

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Source: The Nation

NATION GRAPHICS

Anuphong Assavabhokhin.

AP (Thailand) has set aside Bt20 billion for investment this year, Bt8 billion of which will be used to buy land, and the remaining Bt12 billion for construction of project infrastructure.

The investment budget will come from cash flow, bank loans and a debenture issue worth Bt3.5 billion.

Most of the proceeds from the debenture will be used to replace an earlier one worth Bt3 billion that expires this year, with the remaining Bt500 million going towards investment, he said.

Pace Development Corp chief executive Sorapoj Techhakraisri, meanwhile, said the company had introduced its first condominium project of the year, the Nimit Langsuan, with prices ranging between Bt25 million and Bt260 million per unit, or an average of Bt300,000 per square metre, in mid-February.

It had succeeded in selling 70 per cent of the project value of Bt7.5 billion within just a week of the launch,

proving that there was still good demand at the luxury end of the market, he said.

Alongside their optimism over a property market recovery this year, and their aggressive investment plans, the country's top developers are confident that their 2015 revenue will grow by between 10 per cent and 20 per cent compared with last year's performance.

This is largely due to their high backlog of projects already sold and waiting to be transferred to customers.

Clearing backlog

According to a survey by *The Nation*, the 15 listed companies had a total backlog worth Bt237.99 billion as of December 31.

Up to Bt22.86 billion of Pruksa's backlog worth Bt34.22 billion will be booked as revenue this year, said Thongma.

As a result, the company is confident it can generate revenue of Bt47 billion, up 10 per cent from last year.

Land and Houses, meanwhile, aims to transfer Bt28 billion worth of homes to its customers this year, up 12 per cent from last year's transfer target of Bt25 billion.

About Bt5 billion worth of this year's transfers will be from its backlog of homes already sold, which totalled Bt20 billion at the end of 2014, said company president Naporn Sunthornchitcharoen.

AP (Thailand) is also confident that its business will be on-target this year.

The company has a backlog worth Bt21 billion, Bt15.3 billion of it in condominiums and Bt6.1 billion in detached houses and townhouses.

Up to Bt11 billion worth of the total will be transferred to customers and booked as revenue this year, forming part of its full-year revenue target of Bt28.3 billion, up 10 per cent from last year.

Ananda Development targets revenue of Bt10.58 billion from this year's residential sales.

CEO Chanond Ruangkritya said Bt6.22 billion would come from its backlog, which is worth Bt27.15 billion.