

BANGKOK CONDOMINIUM MARKET Q4 2019

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PROPERTY DEVELOPMENT AND CONSULTANCY

“Bangkok condominium market reflects a lack of confidence on the economy”

Bangkok condominium market reflects low confidence in both developers and buyers in Thai market. The financial and mortgage loan policies from Bank of Thailand has a direct impact in condominium market. Many developers have reduced the launching of a new

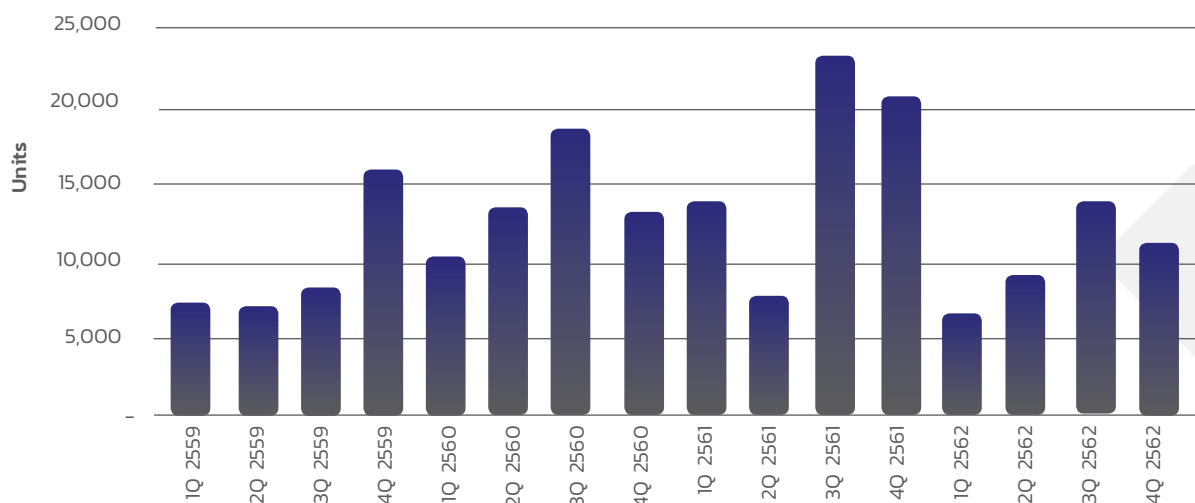
Surachet Kongcheep
Managing Director



project. They have tilted their focus to condominium with price point lower than THB 100,000 per sqm. to match Bangkok buyers demand and attract new demand from the first jobber in Bangkok.

Supply

New Condominium Units Launched in Bangkok by Quarter

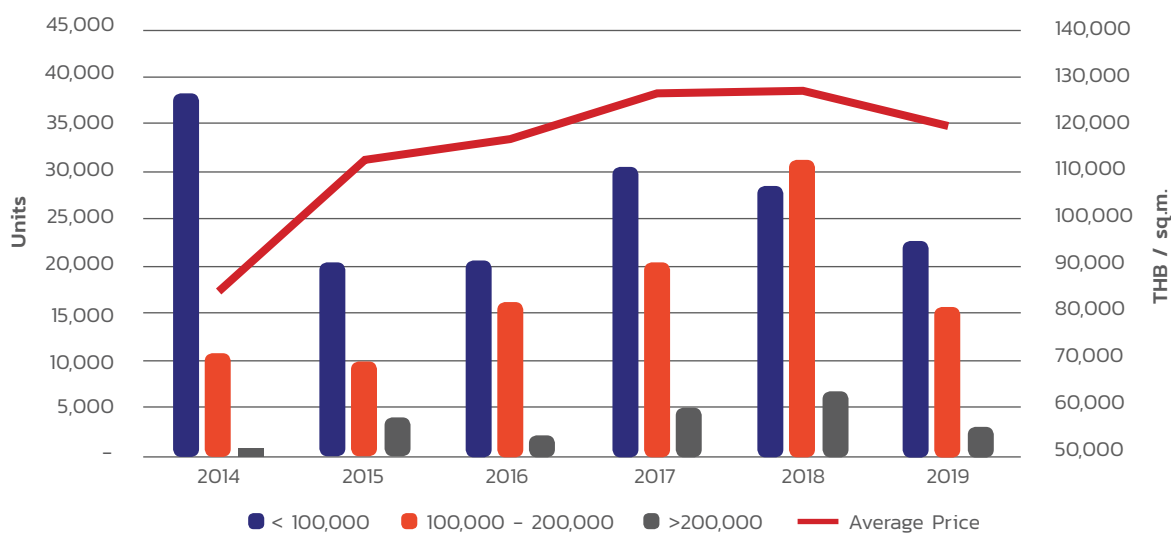


Source: Phoenix Property Development and Consultancy Co., Ltd.

Approximately, 11,362 condominium units were launched in the last quarter of 2019 which is 20% dropped QoQ. The newly launched units in 2019 were around 41,568 units, which is less than last year by 37%. The total project value amount 200 billion baht. The lower newly launch unit in 2019 reflects the movement of all developers. Developers had postponed launching new condominiums projects because of lower confidence in the market and lower purchasing power across Thai buyer. In addition, Chinese buyer has significantly lowered interest in buying condominiums in Bangkok. This is the result of Yuan depreciation in 2019 and slower growth in China's economy from trade war.

Many developers had launched new condominium projects with selling price lower than THB 100,000 per sq.m. or lower than 3 million baht per unit in 2019, which accounted for 55% of new condominium units compared to 43% in 2018. Bangkok condominium market in 2020 will have the same sentiment in 2019. Developers will be monitoring the market carefully and will try to speed up their construction progress, especially all projects which are suitable for government policy.

New Condominium Units Launched in Bangkok from 2014 – 2019 by Price Range



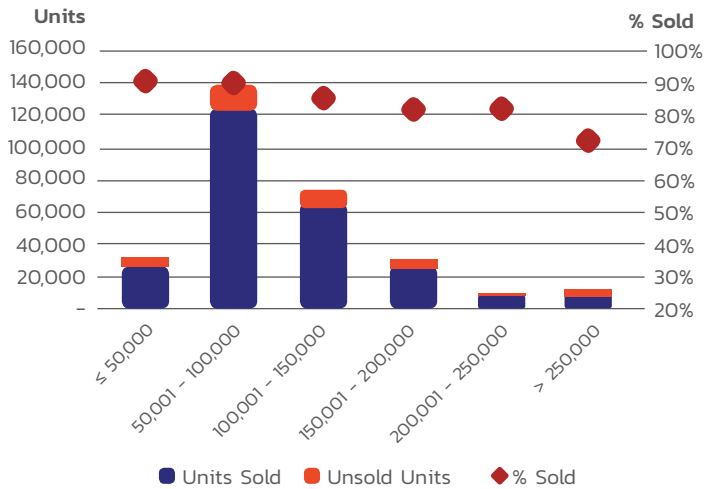
Source: Phoenix Property Development and Consultancy Co., Ltd.

Condominium units with selling price lower than THB 100,000 per sq.m. has shown the biggest shared in Bangkok condominium market. Condominium units with selling price around THB 100,000-200,000 per sq.m. is the main factor that affect the average selling price of Bangkok condominium. The average selling price had been increasing in the past 3-4 years but drastically dropped in 2019 because of the lower proportion of condominiums with price point around THB 100,000-200,000 per sq.m.. However, the average selling price of new condominium units in Bangkok was still higher than those in the past 4-5 years by around 41%.

During economic slowdown period, developers focus more in launching condominium units with lower than THB100,000 per sq.m. selling price to attract buyers with lower purchasing power in tough times. However, some developers still keep their high price position to diversify revenue source from many levels of buyer groups. In addition, many buyers in lower than 3 million baht per unit range have financing issue and cannot get a mortgage loan from the bank.

Demand

Average Take-Up Rate of New Condominium Launched since 2014 onwards as of Q4 2019



Source: Phoenix Property Development and Consultancy Co., Ltd.

Average take-up rate of all condominium units in Bangkok as of 2017 until Q4 2019 is around 86% from the total unit of 287,714. Therefore, approximately 40,000 units are still available in the market. However, the number would be dramatically higher if include the unsold condominium units from the past and in all investors portfolio.

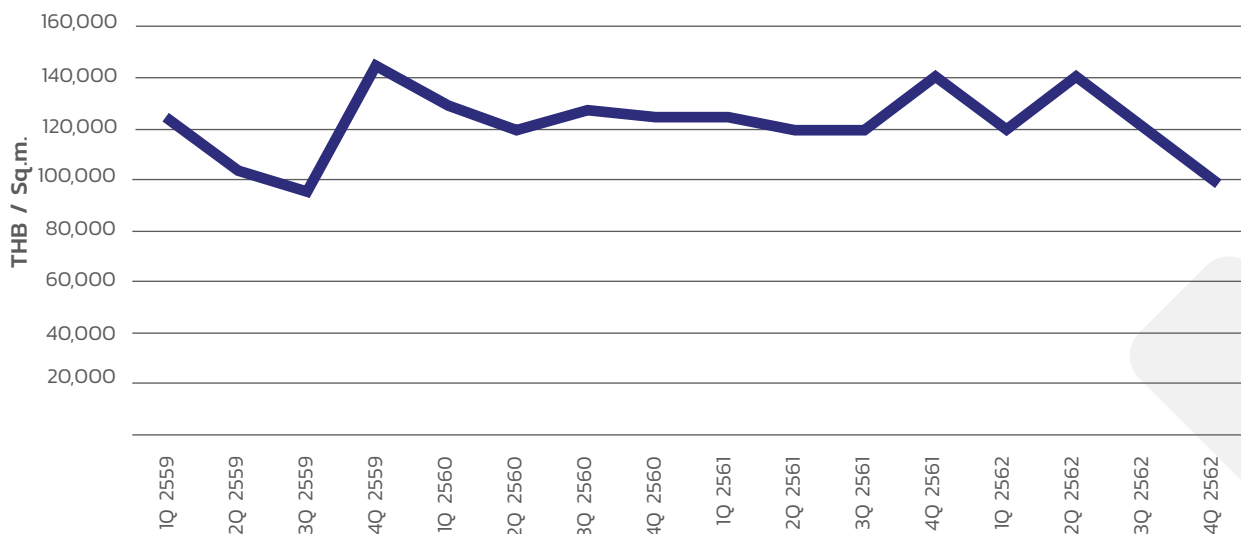
Thai purchasing power in 2019 is lower from the past few years due to the lower confidence in the economic situation, the stricter bank consideration to issue loan, and the new LTV policy that ban second mortgage loan for those with the mortgage currently shorter than 3 years. All factors have a direct impact on condominium market since all government policies do not aid the market.

Foreign buyer, especially Chinese buyer, had decreased by 40% this year from Yuan depreciation and limitation policy of money transfer to other countries. In addition, China's economy has slower growth rate from trade war with the USA, although the situation had a more positive sign in December 2019 but the situation continues in 2020.

Bangkok Condominium market in 2020 will be similar to those in 2019. Due to excess condominium options in the market, decisions depend mostly on buyer consideration. In addition, purchasing power are affected by government instability and economic unconfident.

Price

Average Price of New Condominium Units were Launched in Bangkok by Quarter



Source: Phoenix Property Development and Consultancy Co., Ltd.

Average selling price of condominium units in Bangkok in Q4 2019 was around THB 100,000 per sq.m., continuingly declined from the third quarter. Because some developers launched condominium projects with selling price lower than THB 100,000 per sq.m., average selling price of newly launched condominium units in Bangkok had declined and was the first drop below THB 120,000 per sq.m. from many quarters.

Many developers had launched condominium project with average selling price lower than THB 100,000 per sq.m. or lower than 3 million baht per unit because most Thai buyers in Bangkok fall within this price range.

In addition, developers were trying to attract new buyer group that has never bought residence and have not got mortgage loan while trying to educate buyers about mortgage loan consideration. The stricter rejection policy of mortgage loan had a direct impact on developers; therefore, some developers had offered longer down payment to some buyers who got rejected from mortgage loan.

Summary of Bangkok Condominium Market 2019

- > Many developers were reduced to launched new condominium projects and try to sale their completed projects.
- > Many developers try to complete some condominium project before the expiration of government policy.
- > Condominium units with selling price lower than THB100,000 per sq.m. were increased if compared to 2018.
- > Many developers had educated their buyer about mortgage loan consideration.
- > The foreign buyer is not the buyer group that all developers should focus on.
- > All banks are the main controller of residential market in Thailand.
- > All government policies are cannot boost up demand and does not contribute to the purchasing power.



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