

# Bangkok Condominium Market 1Q 2020

Phoenix Property Development and Consultancy Co., Ltd.



The real estate market situation in Thailand is expected to decline in 2020. Many factors were influenced by the confidence of both developers and buyers. Many have predicted that the condominium market will slow down by at least 10 - 15% and the number of newly launch projects will decrease. The confidence are decreased to almost zero with the Covid-19 virus pandemic. Most developers choose to sell ready to move in units rather than launching the new projects and start compete for a small purchasing power in the market by opening a price war. The results was somehow

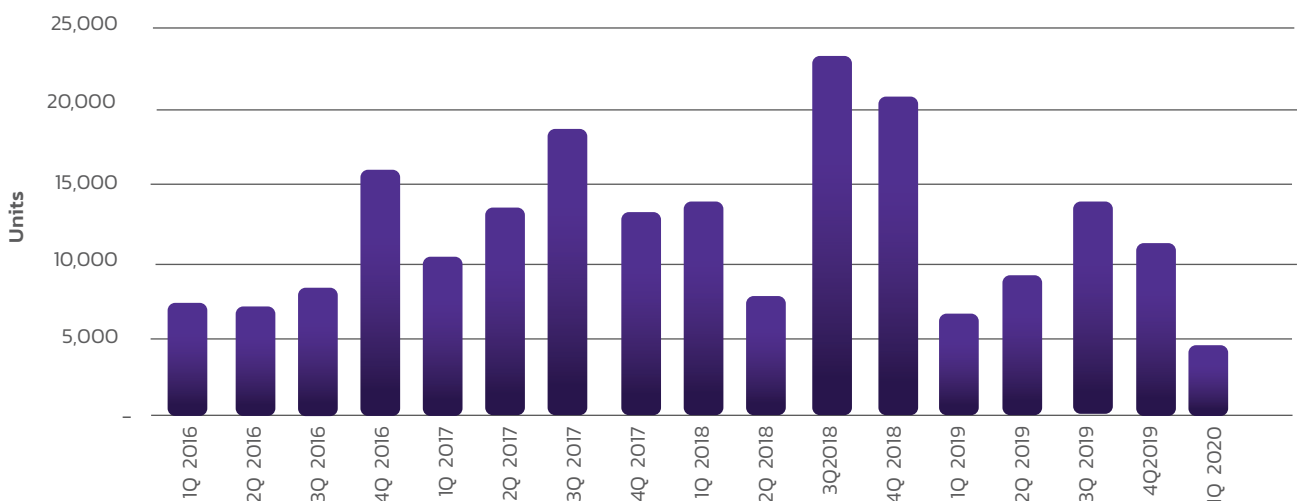
*Surachet Kongcheep*  
Managing Partner



...durable, enough for the developer side to have a revolving income in the first quarter of 2020

## Supply

Newly launched units in Bangkok by quarter



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

## “Approximately 4,611 condominium units were launched for sale in the first quarter of 2020”

59% decrease from the previous quarter and 32% less than that of the same quarter in 2019. Most condominium projects opened for sale in the first quarter of 2020 were in January and February, only a few projects were launched in March. Some developers decided to open the sale gallery only and not officially launched in the first quarter of 2020, knowing that it would be difficult to attract buyers to decide to buy in 1Q 2020.

## “Most developer are focusing on ready to move in units”

because they prefer the lump sum payment rather than small amount of income from a long-term down payment from a new project launch. When rushing to close the sale of the completed project, the price war occurred in the first quarter of 2020. However, the average price is expected to increase in April 2020. Many developers reduced the price of ready-to-build projects at the rate of 10 - 35%; however, some units in some projects were reduced to the pre-sale price with more special gifts or something more beneficial than pre-sale period.

Some developers choose to reduce the price and allow people previously bought to blame and complain. Although the remaining units will be units that may have bad corners or located at the lower floors, but this marketing strategy still boost up more interesting to the market.

Marketing campaigns proposed by developers in this period

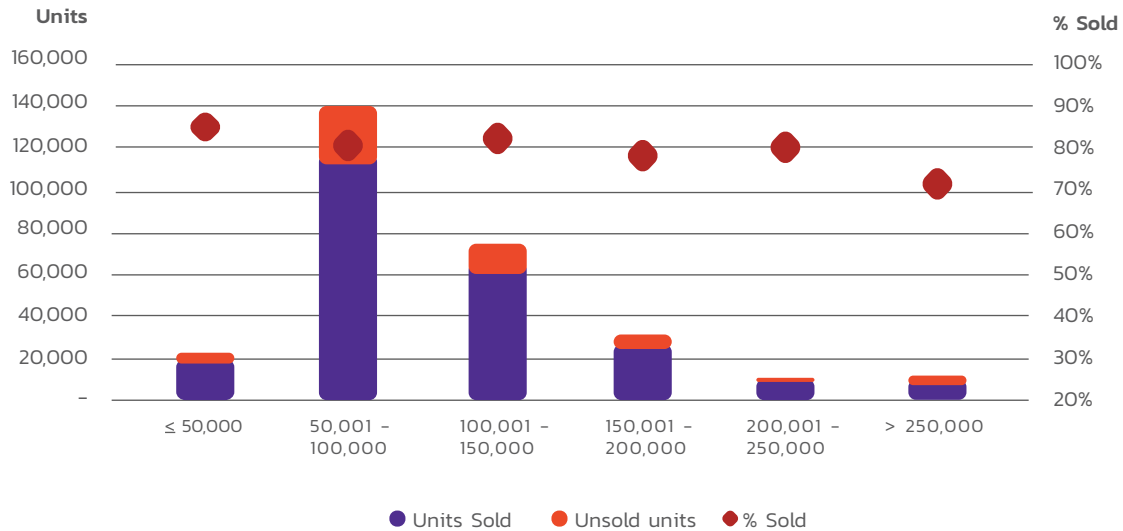
- > Immediate price reduction for those who are ready to transfer.
- > Free transfer fee and mortgage loan fee.
- > Free furniture.
- > Free water supply-electricity meter request fee.
- > Free management fees 1 - 3 years.
- > Free sinking fund.
- > Free fire insurance
- > Free insurance for Covid-19
- > Stay first, pay later.
- > Rent first and then buy.
- > Various additional extras.
- > Extend the installment period.

Discounts and gifts or various marketing campaigns, which came out to stimulate purchasing power for projects that are ready to transfer in the first quarter of 2020, are more diverse and much more than the previous period. Especially in terms of price reductions, which clearly show that most of developers agree to reduce the selling prices. Therefore, this period is the most suitable period for ready buyers. But one of the major obstacles affecting to residential market in this period is the LTV which directly affects some buyers which are ready to buy. In addition, the issue of requesting a bank loan is still strict, even in this market condition.

Any developers that have a debt burden or bank interest to pay in this year or have under construction project probably must find income or reduce expenses as soon as possible to pass this crisis period. Because the export and tourism sectors are still not returning in a few months, the economic situation also needs time to recover as well in the year 2020-2021.

## Demand

Average take-up rate of all condominium units was launched from 2014 to 1Q 2020



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

New condominium sales in the first quarter of 2020 was the lowest in the past 10 years. Average take-up rate of newly launched condominium units in each quarter reflecting to the confidence and market situation. The lowest take-up rate in the past many years has shown the declining confidence in the Thai market. The figure is consistent with the suitability index for buying a new home in February 2020 from The Center for Economic and Business Forecasting of The University of the Thai Chamber of Commerce, which was also the lowest in the past 10 years at 29.6. The impact is not just in the real estate business only, but every business that is affected by this crisis.

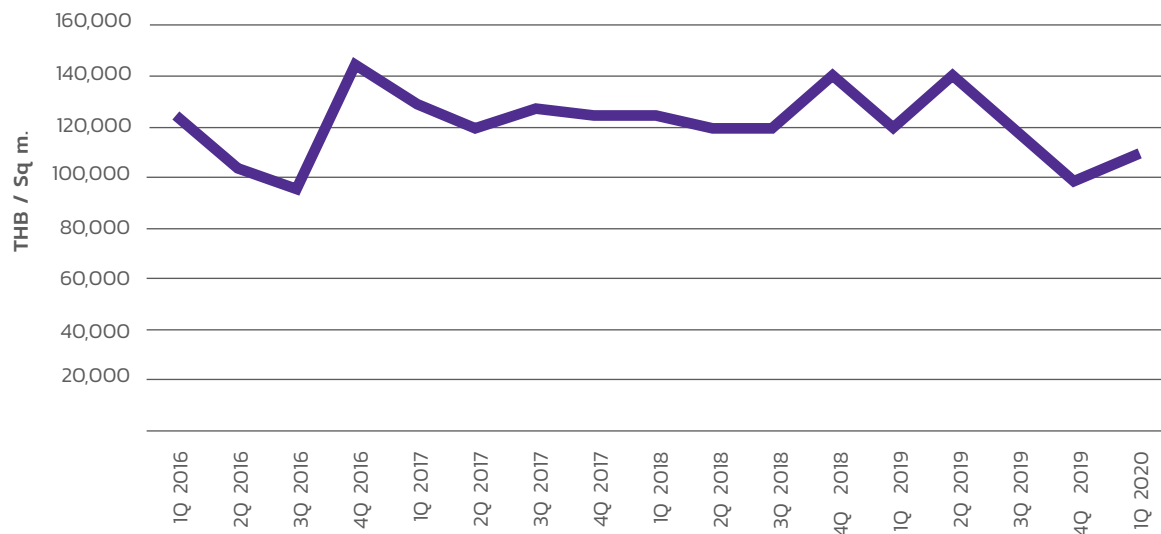
“The purchasing power of Thai people has diminished without any signs of recover in the near future”

The purchasing power of foreigners also disappeared from the market. Because of the spread of the Covid-19 virus, many countries around the world has suspended traveling - in - out of their country. Especially, in China which is the largest buyer group in Thailand. At the beginning of the year, there were still some Chinese buyers, but in February to March, there are only few Chinese buyers in Bangkok condominium market. Except those who do business or have a family in Thailand who are still looking to buy condominiums and houses continuously, but the number is very limited. All developers who sell condominiums to Chinese buyers and are due to transfer at this moment currently need to extend the installment period to wait for them to come back and not want to lose this group of customers.

All listed developers are clearly focusing on online sales, various online platforms were immediately released and activated during this period. All online platform to support all buyers that may be interested in buying condominiums but are afraid of Social Distancing. Online platform is also to stimulate the desire of buyers in foreign countries by bringing condominiums into various online sales channels. Every developers tries to find income to compensate for the income from the opening of a new project, including more emphasis on housing projects.

## Price

### Average selling price of all newly launched condominium units in Bangkok by quarter



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

Although, condominium market in the first quarter of 2020 was in the declining trend, but the average selling price of all new condominium units launched in Bangkok were increased from previous quarter by around 8% because the higher proportion of higher than THB150,000 per Sq.m. condominium price. However, average selling price in overall market is declining. Many developers decided to launch new condominium projects in the area outside Bangkok city as they are need to catching up highest buyer group in Bangkok.

Covid-19 Virus Crisis should be an accelerating factor for developers to look at the purchasing power of Thai people and develop projects or set selling prices that are in line with the Thai purchasing power rather than looking at the purchasing power from foreign countries. Foreign buyers decrease or disappear immediately when there is an incident related to the global economy or local political problem. In addition, the residential market in Thailand will not recover until the covid-19 pandemic ends. Because the coexistence of many people will become more careful, sales process and all marketing activities has changed more than ever.

## Conclusion

- > New condominiums were launched in the first quarter of 2020 lowest in the past 10 years.
- > Many developers were more focusing on ready to move in units than launching new projects.
- > Condominium market in 2020 probably decrease around 30% from prior year depends on the Covid-19 situation in the rest of the year.
- > Ready buyers are can negotiate and asking for more special from developers.
- > Developer who has a debt or not good cashflow may facing the problem in 2020.
- > Real estate situation needs to long term monitoring in 2020 – 2021.
- > Foreign buyers are still not back to the market in the first half of 2020 and need to see the situation in the second half too.
- > Housing projects are the majority way for survive of all developers.
- > Intense competitions for attractive buyers.
- > The government may be launching some policies for real estate market after the crisis.



**PHOENIX PROPERTY DEVELOPMENT AND CONSULTANCY CO., LTD.**

*"Comprehensive Property Consultant"*

We provide real estate market studies and analysis, sales agent business, consignment business as well as financing investment in real estate and other businesses in Thailand. With the vision to be one of the leading reliable property consultants in Thailand

**PHOENIX PROPERTY DEVELOPMENT AND CONSULTANCY CO., LTD.**

43/1, Building A, 3<sup>rd</sup> floor Phahonyothin Rd, Khwaeng Anusawari, Khet Bang Khen, Bangkok 10220

Website: [www.phoenixproperty.co.th](http://www.phoenixproperty.co.th)

Email: [marketing@phoenixproperty.co.th](mailto:marketing@phoenixproperty.co.th)