

Bangkok Residential



Bangkok Metropolitan Region's post-pandemic condominium market trends towards a mild recovery

ECONOMIC OVERVIEW

After the pandemic, the economy has recovered at a steady pace this year, thanks to higher tourist arrival numbers, government support to households and some easing of travel restrictions. A further rebound in the tourist sector has begun but is likely to need longer than expected to recover to pre-pandemic levels, due to the on-going zero-covid stance of China, and the absence of Chinese visitors. The figures

show that Malaysia has taken top spot in terms of the number of tourist visitors to Thailand this year, beating the pre-pandemic conqueror, China. The Baht has suffered as a result of the Fed's aggressive posture on interest rates, as well as demand for safe-haven currencies. Rising interest rates and tourism income should help the Baht gain momentum towards the end of 2022 and into 2023. Despite the rise in GDP, tightening financial conditions and rising

inflation cutting into real earnings pose hazards. Inflation rose to 7.9% in August 2022. Because of lower commodity prices, inflation should begin to moderate in Q4 and continue to moderate into 2023. Energy price volatility poses a risk to the pace of recovery, however.

FOREIGN BUYERS

According to the Real Estate Information Center (REIC), condominium transfers by foreigners in 2022 stood at approximately 2,326 units in Q2/2022, a rise of 15.1% from last year, 62.9% involving the transfer of new units and 37.1% resale units. The number of resale units has increased for six consecutive quarters. For the transferred new units, 81.9% of rooms transferred were under five million Baht. Foreigners are increasingly acquiring condominium rights. There is also no additional purchasing pressure from non-Chinese purchasers to replace Chinese condo unit purchases lost owing to overseas travel restrictions. The proportion of ownership transfer of condominium units to foreigners is currently no more than 10% and more than 30% for second-hand condominiums.

The topic of permitting foreigners to buy property in Thailand has resurfaced after the government's efforts in 2021 as an attempt to stimulate the economy through the mechanism of real estate. The government was preparing to welcome foreign buyers by allowing them to buy a house with 1 rai of land but kept the ceiling at 49% for foreign condominium buyers in the end.

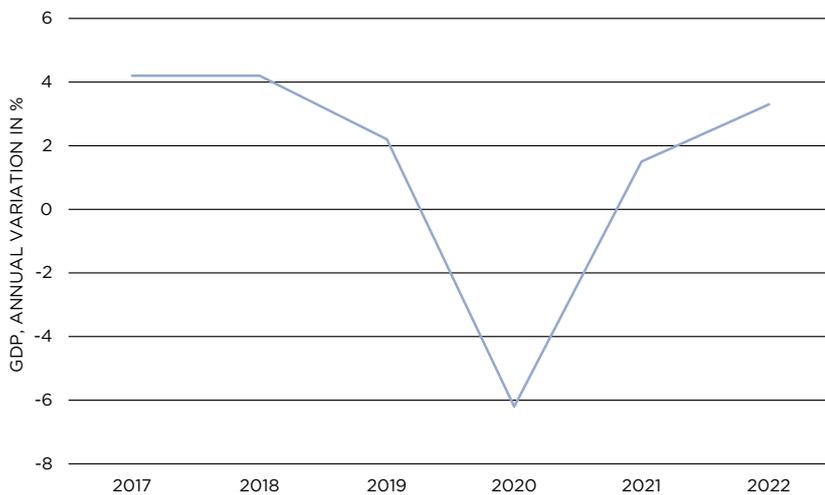
THAI BUYERS

The real estate sector received a boost from the measure to reduce the transfer fee and the mortgage fee for housing not exceeding three million Baht, which was intended to run until the end of 2022. In positive news, the reduction of the transfer fee for land to 0.01% is likely to be extended until 2025 and also cover second-hand houses. The Bank of Thailand also temporarily relaxed the LTV ratio, stimulating the market.

CONDOMINIUM MARKET

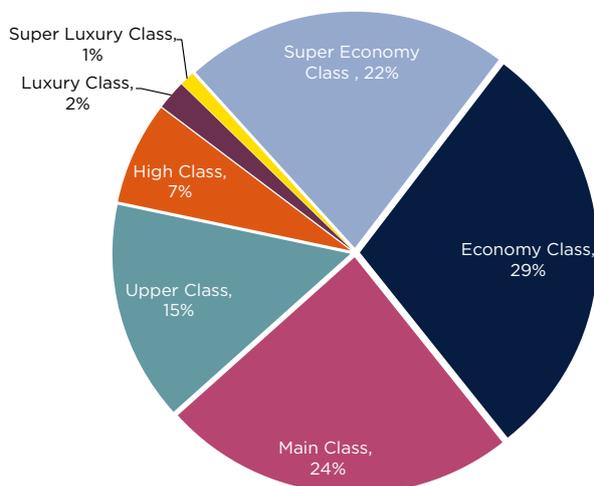
From 2021 onwards, after the mild economic recovery, we have seen the launch of new projects and a changing market landscape post-crisis. The Economy Class segment accounts for 29% of all project launches, while the Main Class condominium segment accounts for 24%

GRAPH 1: Thailand GDP Growth, 2017 to 2022



Source Thailand Government

GRAPH 2: Bangkok Metropolitan Region's Condominium Project Launches, 2021 to 2022



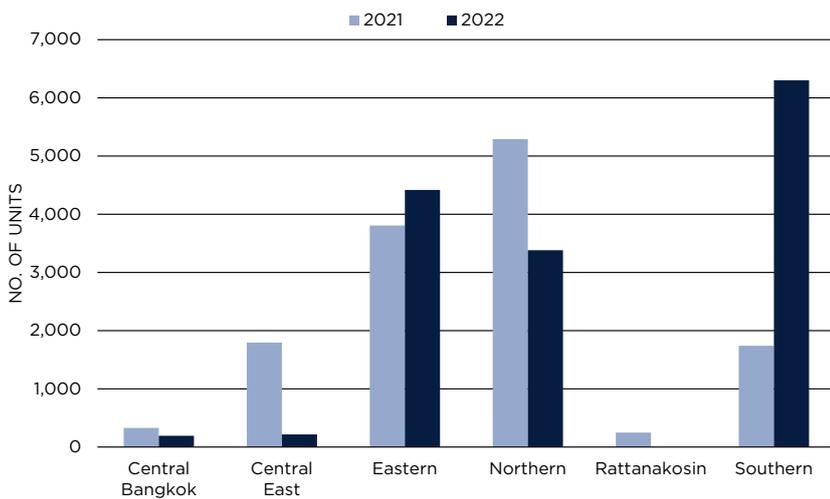
Source Savills Research & Consultancy

of the market, with 37% coming from Asset Wise and their sub-brands, which are largely located in outer Bangkok, such as Kave and Atmoz. The Main Class is followed by the Super Economy Class, which accounts for 22% of the total market for new launches. The projects are mostly located in suburban areas outside Bangkok, and the segment includes projects from well-known developers such as Sena Development, who accounts for almost 45% of the launched supply of the segment, followed by Regent Green Power with a 31% share. Other than condominiums from listed companies, the Super Economy Class mostly features projects from small local developers.

While 75% of the market is comprised of condominiums priced below the

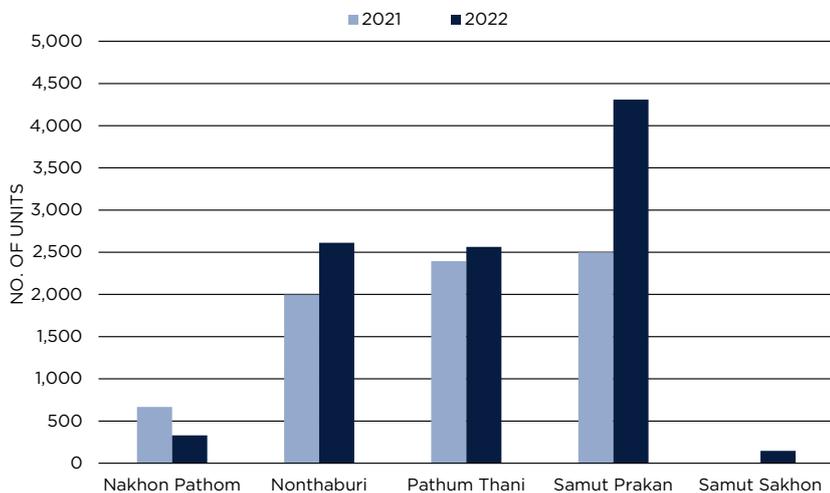
Developers are moving to focus demand in the EEC as well as Southern Bangkok. In 2022, the EEC market was the hottest area for developers to focus on. Moreover, due to high demand, key developers have launched over 6,000 projects this year in Southern Bangkok, more than 200% YoY increase from 2021.

GRAPH 3: Condominium Project Launches in Bangkok, 2021 to 2022



Source Savills Research & Consultancy

GRAPH 4: Condominium Project Launches in Suburban Area, 2021 to 2022



Source Savills Research & Consultancy

Main Class, the remaining 25% is made up of a mix of Upper-Class and above beginning with 5% of the Upper Class, which is largely concentrated in Bangkok. Origin Property has been one of the most prominent developers in this category and last quarter, the company introduced 112 residential projects and attempted to explore new business sectors encompassing entertainment and future mega trends.

While higher-class condominiums have not been so popular, many projects are being held in the pipeline including branded residences from numerous world-class brands such as Aman Nai Lert Residences, Dusit Residences, and The Ritz-Carlton at One Bangkok.

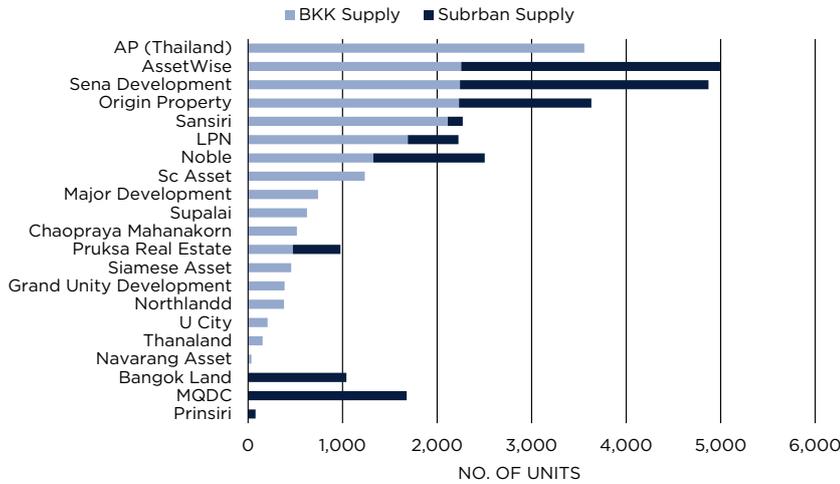
New projects in Bangkok mostly launched outside of the Central Bangkok area, focusing on Northern Bangkok, especially the area around Kasetsart University BTS station, next to one of the most well-known campus in Thailand, featuring many economy class to main class condominium.

On the outer part of Bangkok, Samut Prakan is a big hit for new development. Located close to Suvarnabhumi Airport, the area leads to the Eastern Economic Corridor: EEC, a special economic zone of the three provinces in Eastern Thailand. The future supply for Samut Prakan rose almost twice from last year.

NOTABLE DEVELOPERS

For the past two years, the developer with the highest number of units launched has been AP Thailand who focuses only on projects in the Bangkok area, followed by Asset Wise and Sena Development who are focused on Bangkok but also the suburban areas. Noble, one of the big real estate owners focused mainly on Bangkok, has

GRAPH 5: Condominium Projects Launched in the Bangkok Metropolitan Region, 2021 to 2022



Source Savills Research & Consultancy

launched their new Economy Class project in the suburban area for the very first time, representing 11% of the newly launched supply.

In the suburban area, notable newly launched projects from Q1/2021 are still in the pipeline including outstanding launches from MQDC’s The Forestias which features Aspen Tree, Mulberry Grove residence and Whizdom. Another suburban-focused developer is Bangkok Land with a rebrand project located in Muang Thong Thani.

OUTLOOK

The post-pandemic condominium market in Bangkok’s downtown still presents a mixed picture. The developers are focusing more on Economy Class condominiums primarily located in suburban areas in response to government’s policy on the reduction of the transfer fee. As many projects have been delayed, new supply is expected to slow, compared to pre-pandemic levels.

However, there are many uncertainties besetting the Thai market including the cost-push factor of inflation influenced by the global economic situation and resulting in rising interest rates and the rise of energy prices which could affect the fragile recovery.



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