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SPOTLIGHT  
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# COVID-19: Impact on Condominium Market

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# COVID-19, an end to a chapter in Bangkok's condominium market

## SUMMARY

- Annual new supply has been dropping since 2018, with even more severe falls expected until 2024
- The condominium market has been struggling with unsold inventory for a number of years already, COVID-19 is now exacerbating this issue

- The main concern for developers is their leverage, which will be a severe risk to firms as we now enter a global recession
- Developers have begun to offer steep discounts on some of their new developments to try and reduce unsold inventories

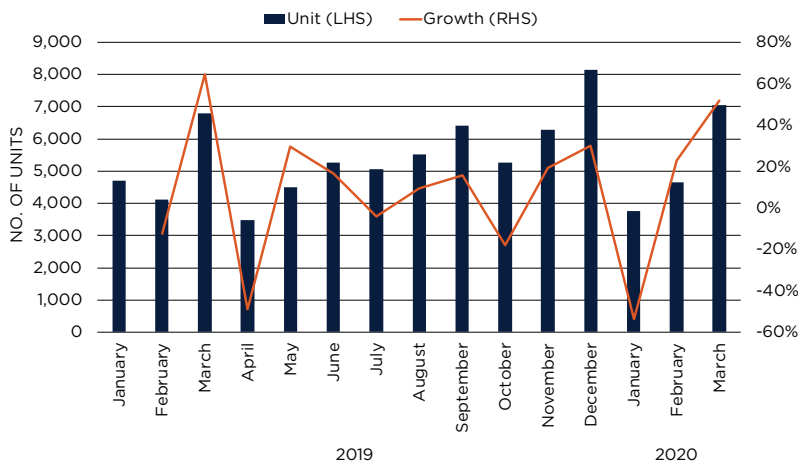
## IMPACT AND OPPORTUNITY IN THAILAND'S CONDOMINIUM MARKET FOLLOWING THE COVID-19 GLOBAL HEALTH CRISIS

Bangkok's condominium market at the start of 2020 was entering into a period of dramatic change, driven by a fall in buyer demand and by the large amount of unsold inventory which had become a risk for developers. COVID-19 has exacerbated these trends, placing developers under further strain as they struggle with large numbers of unsold units and even lower buyer demand. With a prolonged period of economic hardship anticipated, it is time for developers to reconsider their options and time for buyers to look for opportunities.

56,000 newly developed units were launched in 2019, representing a reduction of -34% from 2018; this downward trend is anticipated to continue, with only 98,000 units currently planned to be launched over the next 4 years. This will ultimately lead to a reduction in the amount of unsold inventory in Bangkok, which has been consistently high since 2013. This may present a future opportunity for the market to reach a supply/demand equilibrium, though judging by previous experience, it is unlikely to be maintained.

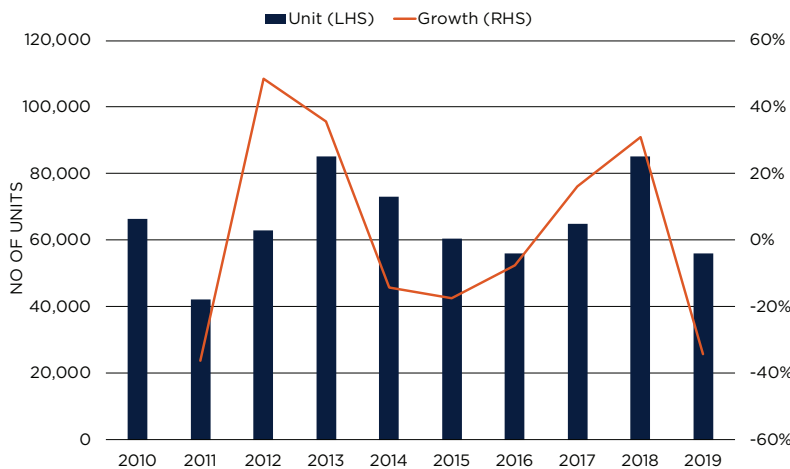
In efforts to reduce their unsold inventory and to alleviate the potentially ruinous effects of the anticipated global recession, some developers have been offering extreme discounts on their completed units in order to try and motivate buyers. This method seems to have had a positive effect, with both February and March seeing an increase in registered unit transfers from the previous year by 13% and 4%, respectively. The discounts and promotions on offer include covering the first 12-36 months mortgage payments, common fee exemptions and purchase price discounts of up to 50% in some extreme cases. These extreme discounts will likely make it difficult for a developer to profit from certain projects, however, with the current bleak outlook it's of upmost importance that developers offload their underperforming developments now, as the situation is likely to get worse. Well-known developers such as Pruksa, Supalai and Sansiri seem to have already found some success in this approach, each posting strong sales revenues in Q1/2020. Sansiri in particular saw a huge increase in sales revenue equal to 2,000% y-o-y.

**GRAPH 1: Number Of Transferred Units in Bangkok Condominium Market, January 2019 to March 2020**



Source Savills Research Thailand

**GRAPH 2: Number Of New Unit Launched In Bangkok Condominium Market, 2010 to 2019**



Source Savills Research Thailand

Prior to COVID-19, a number of developers were planning to leave the condominium market entirely, instead focusing on lower risk properties, such as landed housing. It is now anticipated that more developers will leave the condominium market or postpone their developments indefinitely. For those who choose to remain actively developing, they will have to ensure that their projects will be price competitive and that if sales performance is poor, they have the necessary funding for this not to be a long-term concern.

The Bangkok condominium market is now entering a new stage in its evolution. Developers will be more prudent, placing financial security ahead of profits, by minimizing their number of unsold units

## The Bangkok condominium market will recover along with the larger economy, however, the effect of the current crisis and the lessons learnt will likely change its characteristics forever.

and ensuring the soundness of any future projects. Buyers will likewise behave more prudently with their personal finances and become increasingly savvy with the value propositions offered by different projects. Ultimately the Bangkok condominium

market will recover along with the larger economy, however, the effects of the current crisis and the lessons learnt will likely mark a change in its longer term characteristics.



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