Market Overview

The Bangkok condominium market in Q4 was expected to be robust after the government launched its real estate stimulus programme. However, the condominium market take-up rate did not increase as expected. Rather, the number of units taken-up fell by 50 per cent Q-o-Q. It was possible that, despite the failure to boost new demand in condominiums, such measure was helpful in terms of accelerating the post-sale condominium transfer process.

The overall market was still sluggish with a drop in unit take-up rate by 1 per cent Q-o-Q. The new supply in Q4 was almost double the new supply added in Q3, as there were more large projects with up to 1,000 units launched in Q4. There were 57,941 units added to the market in 2015 representing 11 per cent less than the number of units launched in 2014. In fact, this is the lowest number of new supply since 2011 when massive floods threatened Bangkok.

A similar trend could be observed on the demand side where there was a Y-o-Y plunge of 20 per cent in terms of units sold. This might be a sign of downturn in Bangkok’s condominium market.

Supply

As of Q4 2015, the accumulated supply of Bangkok condominiums was 386,199 units, representing a 4 per cent increase from the previous quarter. The new supply added in Q4 totalled 14,793 units, soaring 70 per cent, from 8,709 units of new supply launched in Q3.

This proved that the government’s real estate stimulus programme was at the very least effective on the supply side, where developers decidedly launched more projects than the previous quarter. It was noticeable that the increasing number of new supply in Q4 was caused by four large projects, which accounted for 25 per cent of the total new supply. These are Life Pinklao, Plum Condo Park Rangsit (Phase 3), Plum Condo Central Station (Phase 2) and Lumpini Sukhumvit 76. The total accumulated supply in 2015 went up by 17 per cent compared to the end of 2014. If comparing only the new supply, 2015 recorded a decrease of 11 per cent, compared to the new supply in 2014.

The overall Thai economy faced a number of downside risks in 2015 such as slow growth, reduction in exports and lowered consumer confidence – all of which have an effect on developers’ project launch decisions.

RISINEE SARIKAPUTRA
Director, Research and Consultancy

“The perception of the condominium market over-supply has an effect on speculators with low cold cash with many decidedly holding their purchase decisions”
Similar to the previous quarters, most of the new supply was located in the Peripheral areas. The City Fringe and CBD new launches accounted for 21 per cent and 6 per cent of the total Q4 2015 Bangkok supply, respectively. This proportion remained unchanged from the last quarter. However, from a yearly point of reference, the new supply by location from the previous year saw new supply in the City Fringe grow from 18 per cent to 21 per cent, whereas the new supply in the CBD dropped from 11 per cent to 6 per cent. This means the lack of available land plots fit for development in the CBD has become even more severe.

**Demand**

Despite the stimulus measures launched in early Q4, the number of sold units plunged nearly 50 per cent Q-o-Q. This caused the accumulated take-up rate to drop slightly from 87.8 per cent in Q3 to 86.9 per cent in Q4. This is the first time in historical data that we saw a dip in the take-up rate since 2008. We believe that the contracted demand in this quarter reflected a real demand from end-users rather than speculative buyers, as we have previously seen in the market. The perception of the condominium market over-supply has an effect on speculators with low cold cash with many decidedly holding their purchase decisions, fearing the inability to resell their purchased units before the transfer date. Active speculators in the current market situation often eye specific projects that are the upper-middle segment where the proximity to the mass transit nodes is the key selling point, or where advertised as the “last plot available” in a certain area. But for many of the buyer-occupiers in the lower to middle market segment, loan rejections have proved to be an issue with banks tightening their the mortgage lending criteria to diminish their downside risks. The current rejection rate is roughly 10 to 15 per cent per project in this segment.

**Pricing Trend**

Condominiums in the CBD continued to register a steady growth with an average selling price increasing by 1.6 per cent Q-o-Q to approximately 217,706 baht per square metre. Whilst in the Fringe and Peripheral areas, the price levels registered only a slight increase of 0.4 per cent Q-o-Q, representing 128,649 baht per square metre and 73,388 baht per square metre, respectively. The most impressive Y-o-Y segment is the CBD with a rise of 14.6 per cent, following by the City Fringe with a rise of 9.5 per cent. The slowest annual price increase is found in the Peripheral with a modest 4.8 per cent increase from last year. The average selling price in the CBD is expected to rise in 2016 as a result of land scarcity. In addition, developers now are back in the “safe development strategies”, where they try to add value to their products with premium materials and superior/edgy design, contrasting the previous strategy, which overly leveraged the project location and rental return guarantee. The Peripheral is forecasted to see an even slower growth of the average selling price per square metre since the accumulated unsold inventory remains relatively high.
The Bangkok condominium market in Q4 2015 experienced a decline in demand but an increase in supply, especially in the Peripheral, which was almost double of that in Q3. In terms of annual performance, new supply and the number of units sold decreased from 2014 by 11 per cent and 20 per cent, respectively. Both downward trends reflect a stagnant market in 2015, from 46.9769% during the last quarter of 2014.

The numbers from the City Fringe area, which was mainly caused by lack of confidence in the condominium market and the overall economy, as well as by tightening lending criteria from retail banks. A slowdown in the condominium market during Q4 could filter some fast-moving speculators out, leaving buyer-occupiers and speculative buyers with high purchasing power in the market. The highest rise in average selling price per square metre encompassed condominiums in the CBD with 1.6 per cent rising Q-o-Q, four times as high as the numbers from the City Fringe and Peripheral areas. 2016 will be a challenging year for small to medium developers with projects in the Periphery as buyers become more cautious with purchase decisions, whereas in the CBD we would see listed developers starting to differentiate their premium offerings with more emphasis on unit layouts and designs as they try to win over an even smaller pool of high net worth individuals who are still seeking to purchase condominiums.

Contributors to this report:
- Patinee Prapasitsilp
  PROPERTY ANALYST
- Panon Leelamanit
  RESEARCH & ADVISORY ASSISTANT MANAGER

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

Thailand Contacts

Phanom Kanjanathiemthao
Managing Director
+66 (0)2643 8223 Ext 124
phanom.kanjanathiemthao@th.knightfrank.com

Chaturawit Wattanaprak
Executive Director
+66 (0)2643 8223 Ext 120
chaturawit.wattanaprak@th.knightfrank.com

Surasak Limpa-Araykul
Executive Director,
Head of Valuation and Advisory
+66 (0)2643 8223 Ext 143
surasak.limpa-araykul@th.knightfrank.com

Roong Sithisankunchorn
Executive Director,
Head of Property Management
+66 (0)2643 8223 Ext 144
roong.sithisankunchorn@th.knightfrank.com

Marcus Burtenshaw
Executive Director,
Head of Commercial Agency
+66 (0)2643 8223 Ext 121
marcus.burtenshaw@th.knightfrank.com

Frank Khan
Executive Director,
Head of Residential
+66 (0)2643 8223 Ext 280
frank.khan@th.knightfrank.com

Risinee Sarikaputra
Director,
Research and Consultancy
+66 (0)2643 8223 Ext 180
risinee.sarikaputra@th.knightfrank.com

Phuket Contact

Nattha Kahapana
Executive Director,
Knight Frank Phuket
+66 (0)7631 8151 Ext 300
nattha.kahapana@th.knightfrank.com

Important Notice
© Knight Frank LLP 2016 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members’ names.