

Notable Trends in Property Development in Thailand

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Mega Projects to Change the Property Market

- Considerable investments in mega projects over the past 3-4 years has affected the property market in Thailand in various aspects. Urban living has become more accessible and convenient, which is somewhat influenced by the development of mass transit networks. The property market grew due to the accelerated demand for properties, especially those with close proximity to mega infrastructure projects. In the meantime, there is still an oversupply situation and more stiff competition amongst property developers in some areas.
- There are several ongoing and future mega projects, which will create massive opportunities and growth in the property sector over the next 5 years. The Bangkok Metropolitan Region (BMR) and the Eastern Economic Corridor (EEC) are the main locations for recent infrastructure development; and other regional provinces (i.e., Chiang Mai, Phuket, Khon Kaen, Nakhon Ratchasima) are the target areas for future development.

Bangkok's mass transit network development

- Mass transit development in Bangkok is the main driver boosting the condominium market. Over the last few years, several condominium projects have been launched and received good market response, especially those in close proximity to mass transit stations.
- It is estimated that around 3.6 million passengers/day will use the mass transit system on weekdays within the next 5 years. Therefore, this will provide investment opportunities for both residential and non-residential properties, especially around several interchange stations and main stations, i.e., Bang Sue and Makkasan that are planned as the new central transit hubs of Bangkok.

Eastern Economic Corridor (EEC) investment and development policy

- The increasing FDI due to the EEC's investment promotion policy and infrastructure development (i.e., high speed train, U-Tapao airport expansion) are boosting the demand for factory and warehouse properties in the near term; and residential property in the long term. Accordingly, the leading developers snapped up high potential land for future development, which have led to land price hikes.
- According to Colliers International, land prices in Chonburi and Chachoengsao increased by 30-50% over the last few years, meanwhile it rose by 2-4 times in some areas in Rayong.

New Central Mass Transit Stations in Bangkok

Bang Sue Grand Central Station	<ul style="list-style-type: none"> Opening in 2021: The interchange station for 4 rail routes. Urban development plan (2018-2032) around the station: The plan covers the area of 2,325 Rai, which will include a smart city, a commercial and business hub, MICE arena, shopping malls and residential areas.
Makkasan Complex	<ul style="list-style-type: none"> Complex development plan: The area around the station covers 150 rai. A mixed-use complex will be developed with the total gross floor area of around 1 million sqm. The main components will include office buildings, convention centers, hotels, retail stores, and residential properties.

Bangkok's Mass Transit Network Capacity

	Existing & Operational	Under Construction (by 2025)
No. of Stations	97	171
Network Length	142.8 km.	249.5 km.
Average Ridership per Day	1.1 million	2.5 million

Source: Office of Transport and Traffic Policy and Planning (OTP), BTS, and MRTA

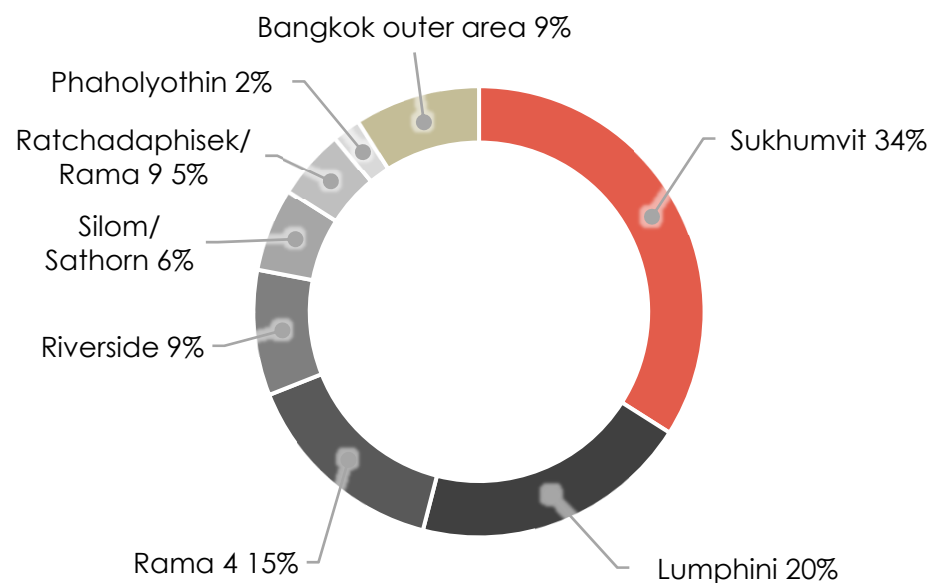
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Growing Mixed-use Developments in Bangkok (1)

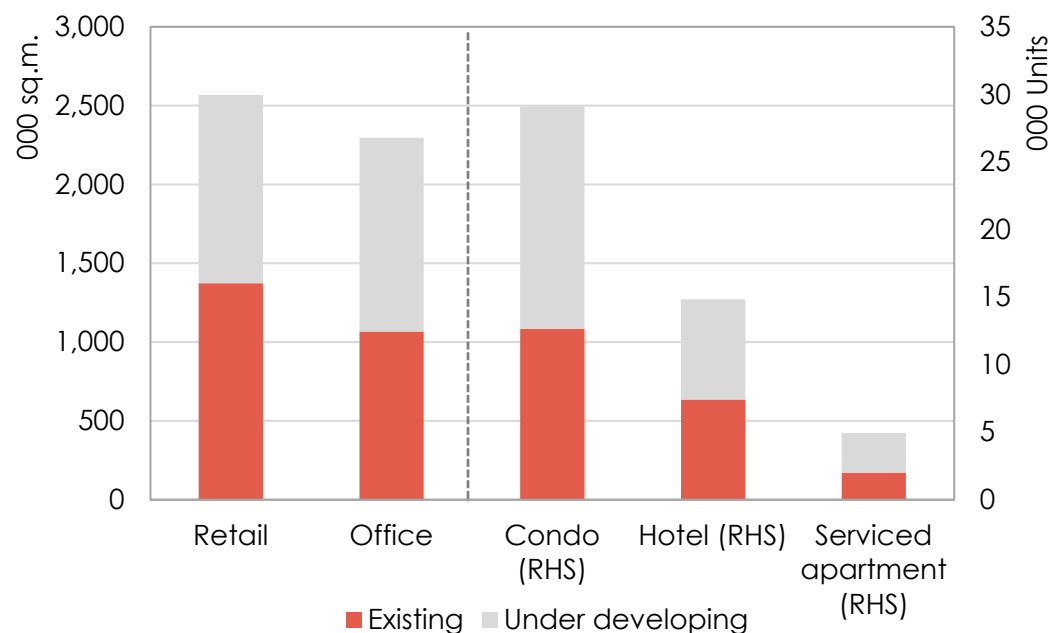
- Due to the limited land availability and hiking land prices, mixed-use properties are becoming more popular for property developers in order to make more productive use of land, increase foot traffic, and diversify risks.
- More than 6 million sqm. of mixed-use properties in Bangkok are due to complete between 2019-2026.
- Main components of these mixed-use projects are office buildings, condominiums, hotels & serviced apartments, and retail spaces.
- Large conglomerates, including CP group and TCC group, are aggressively investing in mixed-use properties due to their capital strength and having large plots of land in their landbanks.
- In prime areas, mixed-use projects are being developed on the leasehold land. Most are 30-year lease terms with renewal options.
- The main locations for the development of mixed-use projects are in the CBD area, which includes Sukhumvit, Lumpini, and Rama 4. In addition, mixed-use projects are spanning through existing and future mass transit routes, such as Ratchadaphisek, Rama 9, Phaholyothin, and Bangkok outer area.

Value of Accumulated and Future Mixed-Use Projects by Location



Source: Colliers International Thailand

Accumulated and Future Supply of Mixed-Use Projects in Bangkok



Note: The data as of the end of 2019 H1

Growing Mixed-use Developments in Bangkok (2)

Major Recent Mixed-Use Projects in Bangkok

Project Name	Project Area	Project Value (Mil. Baht)	Developers	Project Components	Completed Year
Mega City Bangna	400 Rai	67,000	SF Development Plc.	Office building, condominium, shopping mall, hotel, convention hall	(1 st phase: 2012) 2022
Icon Siam	50 Rai	50,000	CP Group, Siam Piwat	Shopping mall, condominium, hotel, museum, convention hall	2018
Singha Complex	11 Rai	4,200 (excl. land price)	Singha Estate Plc.	Office building, condominium, retail area	2019
Whizdom 101	43 Rai	30,000	MQDC (CP Group)	Office building, condominium, shopping mall, sport complex	2019
Samyan Mitr Town	13 Rai	8,500	Golden Land Property Development Plc. (TCC Group)	Office building, condominium, shopping mall, serviced apartment	2019
The Parq	24 Rai	20,000	TCC Group, Fraser Group (Singapore)	Office building, retail area, hotel	(1 st phase: 2019) 2023
Bangkok Mall	100 Rai	50,000	The Mall Group	Office building, condominium, shopping mall, hotel, amusement park, aquarium, arena	(1 st phase: 2021) 2024
The Forestias	300 Rai	90,000	MQDC (CP Group)	Office building, condominium, retail area, serviced apartment, hotel, medical complex, community center	(1 st phase: 2022)
Sindhorn Village	56 Rai	55,000	anonymous	condominium, hotel, serviced apartment, retail area	2022
Siamese Rama 9	13 Rai	10,000	Siamese Asset (Ritta Group)	Office building, condominium, retail area, hotel, serviced apartment	2022
Dusit Central Park	23 Rai	36,700	Dusit Thani, Central Group	Office building, condominium, shopping mall, hotel	2023
One Bangkok	104 Rai	120,000	TCC Group, Fraser Group (Singapore)	Office building, condominium, retail area, hotel, cultural center, green area (50 Rai)	(1st Phase: 2023) 2026

Source: Compiled from news publications, companies' IR materials

Business Diversification by Construction Companies and Property Developers

Construction Companies

- The intense competition in the construction business has stimulated construction companies to diversify their business into property development, which can utilize their expertise whilst earning higher profit margin.

Construction Companies in the Property Development Business

Nawarat Pattanaakarn Plc.	▶ Develops housing estates and condominiums by its subsidiary (Mana Pattanakarn)
Sino-Thai Engineering & Construction Plc.	▶ Develops Mochit Complex ▶ Acquire Summer Hill, which comprise of a community mall and an office building)
Saeng Fah Construction Co., Ltd.	▶ Established JV to develop grade A office buildings ▶ Develops condominiums in Sriracha
Riffa Co., Ltd.	▶ Established Siamese Asset Co., Ltd. to develop residential projects (condominiums and low-rise housing projects)
Thai Obayashi Plc.	▶ Develops office buildings
Pre-Built Plc.	▶ Develops residential projects

Property Developers

- The residential property developers are expanding into rental properties, i.e., office buildings and retail spaces. In addition, hotel properties are becoming more popular for the developers in order to create a recurring income stream.

Business Diversification by Property Developers

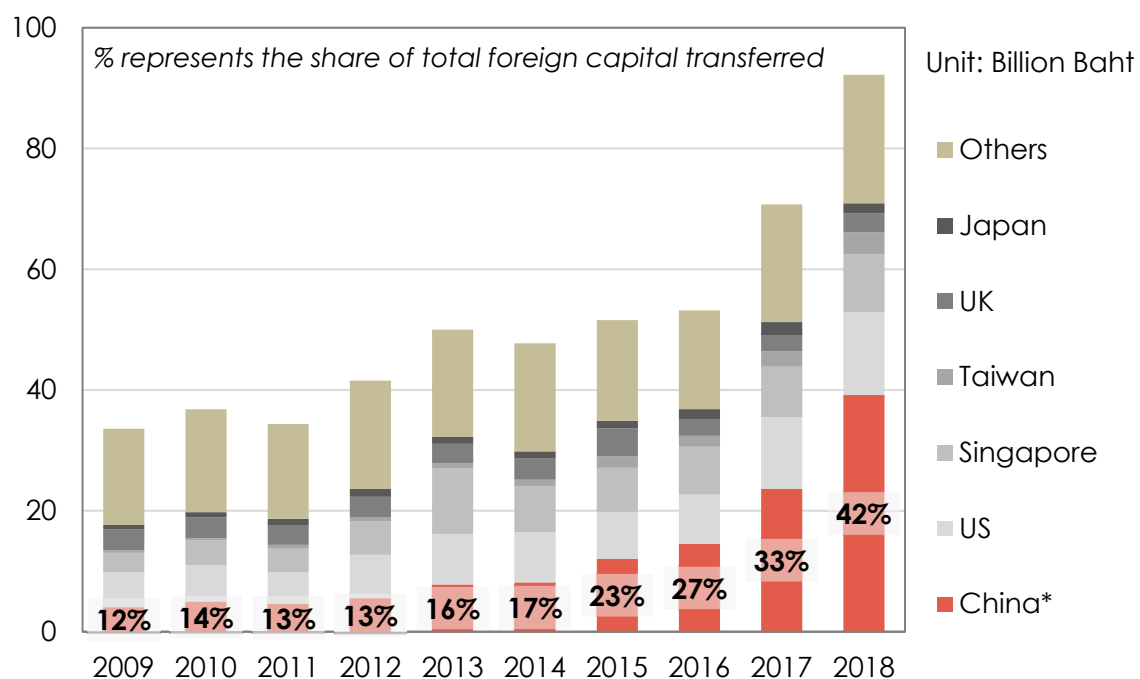
	Main Properties	New Line of Business
Prukpa Real Estate Plc.	▶ Residential	▶ Office buildings ▶ Hospitals
Singha Estate Plc.	▶ Residential ▶ Commercial ▶ Hotels	▶ Hotels
Property Perfect Plc.	▶ Residential	▶ Hotels
Sansiri Plc.	▶ Residential	▶ Office buildings ▶ Retail properties ▶ Hotel management
Origin Property Plc.	▶ Residential	▶ Hotels, serviced apartments ▶ Retail properties
Ananda Development Plc.	▶ Residential	▶ Hotels, serviced apartments
Raimon Land Plc.	▶ Residential	▶ Office buildings ▶ Wellness centers ▶ Hotels
Ananda Development Plc.	▶ Residential	▶ Serviced apartments

Source: Compiled from news publications, companies' annual reports

The Chinese Influencing Thailand's Property Market (1)

- According to the foreign land ownership restrictions in Thailand, foreigners can own no more than 49% of the land and property. Thus, condominiums is only one type of property that foreigners can purchase and have ownership rights in Thailand.
- In the past, Europeans and Americans were the major foreign buyers of condominiums in Thailand. However, since 2015, the Chinese became the largest foreign buyer of condominiums in Thailand.
- Since 2017, foreign demand for condominiums has grown remarkably due to mainly the demand from Chinese buyers.
- The inflated property prices in China, which led to lower yields, has pushed Chinese investors (including Hong Kong) to invest overseas. The comparatively low-prices with high rental yields, as well as the lower taxes are the main factors boosting the Chinese buyers' demand for condominiums in Thailand.
- Despite the restrictions on capital flow from China, foreign capital transfers from China to purchase condominiums in Thailand has continued, with growth of more than 60% CAGR between 2016-2018.
- Popular locations for foreign condominium buyers are tourist hotspots, including Bangkok, Chiang Mai, Phuket, Pattaya, and Samui.

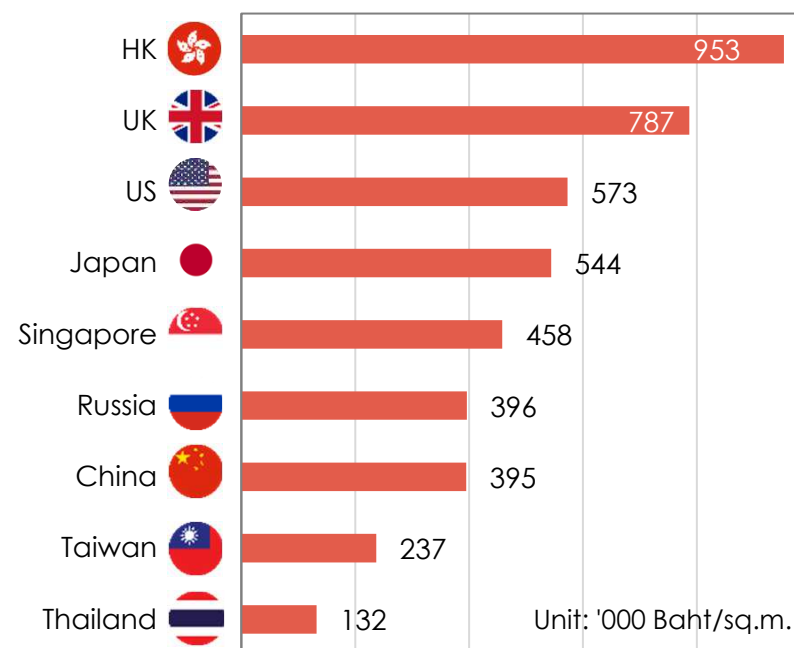
Foreign Capital Transferred to Purchase Condominiums in Thailand



Note: * China includes Mainland China and Hong Kong

Source: Bank of Thailand

Prices of Condominiums in Various Countries



Source: Plus Property Co., Ltd.

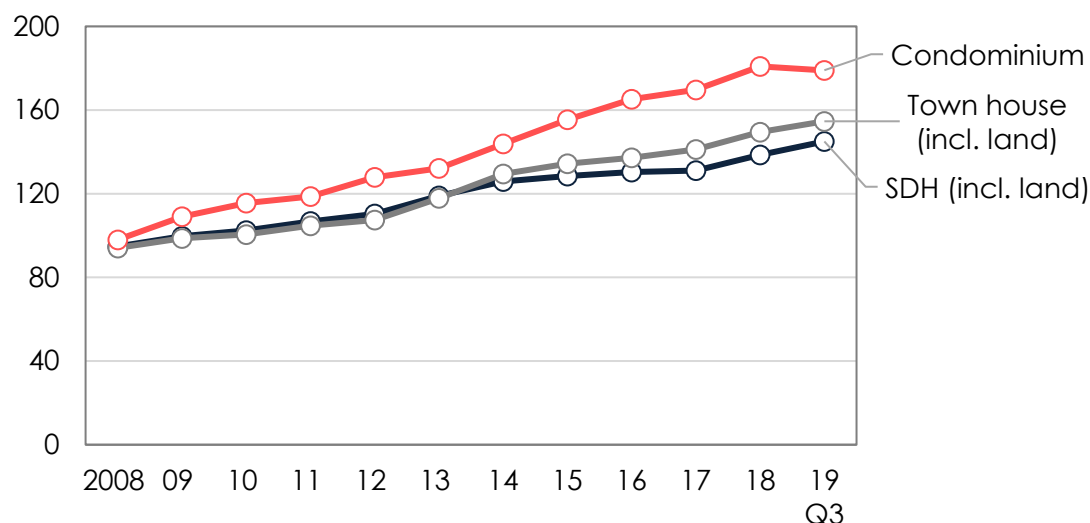
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The Chinese Influencing Thailand's Property Market (2)

- Chinese buyers are increasingly investing in condominiums in Thailand due to several factors.
 - ✓ Freehold ownership
 - ✓ No restrictions on number of properties that an individual can own
 - ✓ Familiar culture and food
 - ✓ Increasing Chinese expatriates and tourists offering huge opportunities for rentals
 - ✓ Affordability and price competitiveness
 - ✓ Low tax compared to other ASEAN countries, i.e., Malaysia and Singapore
 - ✓ Affordable high quality international schools
- The growing demand from Chinese buyers has driven up prices of condominiums in Thailand. According to the housing price index data provided by the Bank of Thailand, condominium prices have been increasing faster than other housing properties since 2015.

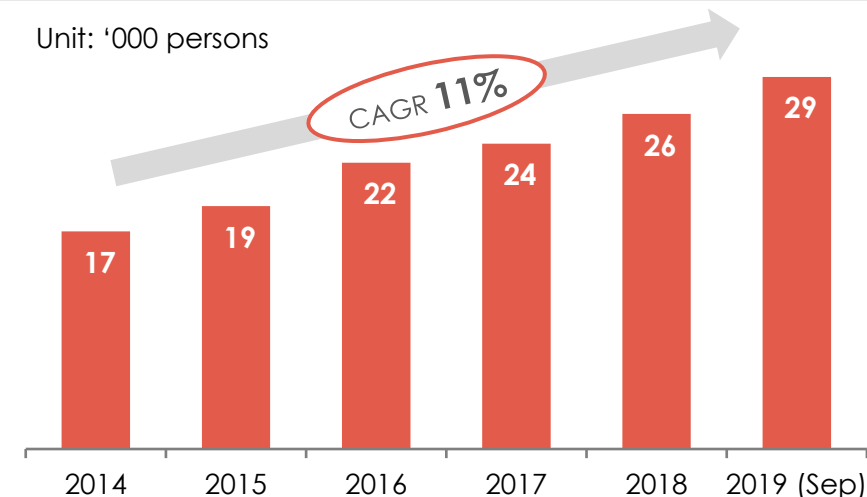
Housing Price Index



Source: Bank of Thailand

Growing Number of Chinese Workers in Thailand

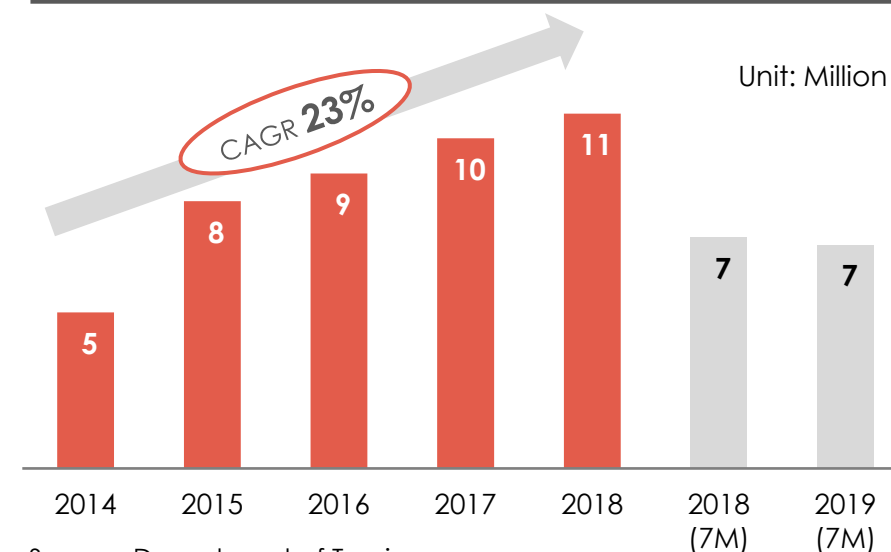
Unit: '000 persons



Source: Department of Employment

Growing Number of Chinese Tourist Arrivals in Thailand

Unit: Million



Source: Department of Tourism

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Growing Collaboration Between Thai and Foreign Developers (1)

- Strategic locational advantages and the various infrastructure development plans have been attracting foreign investors to Thailand's property market. However, restrictions of foreign ownership on land and property has forced foreign developers to seek for partnerships with local developers.
- From the view of Thai developers, the collaboration has strengthened their competitive advantage in many aspects, such as technology and know-how, diversification, capital strength, and larger customer base. Therefore, Thai developers are also continuously developing more joint venture projects.
- Over the last 2-3 years, the number of foreign developers and joint venture projects have increased noticeably. Joint venture projects are concentrated in BMR, especially along Bangkok's mass transit routes. Additionally, due to the increase in tourist arrivals, major tourist destinations such as Chiang Mai, Phuket, Hua Hin, and Chonburi (Pattaya), are gaining more interest.
- Despite the concerns about oversupply, Condominiums are still the most popular type of project to receive foreign investment due to its fast returns.
- Other types of properties, namely service apartments, hotels, and office buildings, are gaining interest amongst foreign developers as they see the opportunity to gain from recurring income from such properties in the long-term. Especially amid the current market conditions with high land prices and limited purchasing power, some foreign developers turn to invest in these kinds of properties in order to diversify risks in their portfolio.
- Foreign developers that have actively invested in Thailand are Japanese and Chinese developers.
- Japanese developers dominate the foreign investment in residential project developments in Thailand. Mitsui Fudosan and Mitsubishi Estate group are the largest foreign developers in residential properties in Thailand, with the combined JV investment value of more than 200 billion baht, as of the end of 2018.
- Chinese developers play an increasing role in Thailand's property market in recent years. This is a result of lower costs with higher returns in Thai properties compared to their home country and high demand from Chinese buyers.
- Japanese and Chinese developers have some different approaches in investment and collaboration with local developers in the property business in Thailand.



Japanese Developers

Partner/ Partnership

Japanese developers mostly have joint venture with the large Thai developers and tend to make a firm relationship with their existing partners.

Collaboration Approach

Japanese developers mainly support their partners with technology, product design and innovation.

Main Locations

JV development projects are concentrated in Bangkok, especially along the mass transit route in Sukhumvit area.



Chinese Developers

Chinese developers, including Hong Kong, mainly collaborate with medium-sized developers. They are not likely to stick with only one partner. The consideration of JV is based project-by project.

Chinese developers tend to lead the management and marketing process of JV projects in order to develop the project to match with the demands of Chinese buyer.

JV projects are concentrated in Bangkok, especially along the mass transit routes close to Ratchadaphisek road and outer Sukhumvit area, as well as the main tourist spots, i.e., Chiang Mai, Phuket, and Pattaya.

Growing Collaboration Between Thai and Foreign Developers (2)

Top Japanese Property Developers (in terms of JV project value)

Japanese Developers	Thai Partners	Entered into JV	JV Projects	
			No. of Projects	Estimated Value
Mitsui Fudosan	Ananda Development Plc.	2013	• 26 condos + 4 service apartments (2019 Plan: 6 condos + 2 service apartments)	128 Bil. BHT (29.6 Bil. BHT)
Mitsubishi Estate	AP (Thailand) Plc.	2014	• 15 condos	73 Bil. BHT
	Raimon Land Plc.	2019	• 1 Grade A office building	8.8 Bil. BHT
Nomura Real Estate Development Group	Origin Property Plc.	2016	• 5 condos + 2 hotels (2019 Plan: 2 condos)	27 Bil. BHT (7.5 Bil. BHT)
Hankyu Realty	Sena Development Plc.	2016	• 6 condos (2019 Plan: 5 condos)	20.8 Bil. BHT (11.15 Bil. BHT)
Sumitomo Forestry	Property Perfect Plc.	2017	• 2 High-end condos (2019 Plan: 1 housing estate)	16 Bil. BHT (6.0 Bil. BHT)
Itochu (Trading co.)	MQDC Ltd.	2019	• 1 Condominium (in Bangkok CBD)	9.5 Bil. BHT
Tokyu Corporation	Saha Group	2014	• 1 service residence (for expatriates)	0.9 Bil. BHT
	Sansiri Plc.	2017	• 3 condos	7.25 Bil. BHT
Nishitetsu Group	SC Asset Corporation Plc.	2018	• 1 condo project	3.5 Bil. BHT
Sekisui Chemical (construction material)	Siamese Asset Co., Ltd.	2017	• 1 housing estate	0.8 Bil. BHT
	Property Perfect Plc.	2018	• 1 housing estate	2.2 Bil. BHT
Keihan Real Estate	Sankyo Home (Thailand) Co., Ltd.	2018	• 2 condos	2.9 Bil. BHT

Note: Other Japanese developers have entered the Thai property market, such as Hoosier Holding Group, Escon Japan, Shinwa Group, Pressance Corporation, Daiwa House, Kyushu Railway Group etc.

Source: Compiled from news publications, company's press releases, annual reports & investor relation materials

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Growing Collaboration Between Thai and Foreign Developers (3)

Top Chinese Property Developers (in terms of JV project value)

Chinese Developers	Thai Partners	Entered into JV	JV Projects	
			No. of Projects	Estimated Value
Beijing Construction Engineering Group (BCEG)	Country Group Development Plc.	2014	• Mixed-use project in Bangkok (Chao Phraya Estate) (serviced apartment & hotels)	32 Bil. BHT
	Singha Estate Plc.	2017	• 1 condominium project in Bangkok CBD (338 units)	6 Bil. BHT
Hong Kong Land	Property Perfect Plc.	2018	• 2 High-end housing estates	15 Bil. BHT
	Central Pattana Plc.	2018	• Luxury mixed-use project in Bangkok CBD (retail & Office)	10 Bil. BHT
	Noble Development Plc.	2019	• Luxury condominium project in Bangkok	10 Bil. BHT
Greenland Holding Group	Magnolia Quality Development Corp. Plc.	2014	• Mixed-use project in Pattaya (condominiums, hotels, serviced residences and retail space)	30 Bil. BHT
Zhong Tian Construction Group	JSP Property Plc.	2015	• Mixed-use project in Chonburi (villa, shophouse, condominium, hotel, entertainment complex)	15 Bil. BHT
ARCH Capital Management (HK)	Narai Property Plc.	2015	• Mixed-use project in Phuket (villa, condominium, hotel)	18 Bil. BHT
			• 2 condominium projects in Bangkok (3,831 units)	4 Bil. BHT
Risland Group	Nusasiri Plc.	2017	• Leasehold SDH in Samut Sakhon (BKK adjacent)	5 Bil. BHT
	Thai Factory Development Plc.	2017	• Mixed-use project (condominium & retail)	6 Bil. BHT

Source: Compiled from news publications, company's press releases, annual reports & investor relation materials

Summary

- Thailand's property market has developed noticeably over the past several years. Several infrastructure projects along with strong economic fundamentals has attracted foreign developers to invest in the market. This has a beneficial impact on the Thai property sector in terms of capital strength, larger customer base, and increased innovation.
- The major trends, which are mega infrastructure developments, business diversification across different property types, growing mixed-use properties, and foreign investment will continue to influence the property sector in Thailand over the next several years. This will offer a huge growth potential in the property market, but challenges still lay ahead. Developers and investors, therefore, need to plan cautiously with comprehensive information of the market.

Key Trends

- ▶ The mega infrastructure projects, upon completion, will have major impact on the property market in Thailand, especially in Bangkok and major cities.
- ▶ Developers are diversifying across different property types to gain a steady stream of income.
- ▶ Joint ventures will increase as it benefits both local and foreign developers.

Potential Impacts

- ▶ Land use and market demand will be changed due to the massive development of transport infrastructure across the country.
- ▶ Competition will be more intense across all property types with the growing number of foreign developer.

Key Considerations

Government Policies & Regulations

- ▶ The related regulations, i.e., interest rate, land & property taxes, town planning/ city planning, mega project investment, need to be updated in order to make decisions with regards to investment and planning.

Market Demand

- ▶ In-depth research on consumer demand in each area is required to ensure successful investment.

Partners/ Competitors

- ▶ The business and investment strategies of both local and foreign developers, contractors, construction material suppliers, need to be reviewed to identify the most appropriate partner and develop the most suitable strategy.

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