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Residential market likely to remain uncertain for sometime after the floods

November 10, 2011, Bangkok – With the ever growing inundation of Bangkok and exhausting uncertainties regarding the potential flooding situation in the centre of the city; even in the best case scenario the pattern for the residential market will be difficult to assess even after the floods have receded, according to real estate company Colliers International Thailand. For the rest of the quarter residential launches are very likely to remain subdued due to current sentiment and logistics. However unlike the post May 17 2010 situation, when buyers jumped straight into the market, many will probably be cautious about making such a big decision as a property purchase until the ongoing events have ended and an analysis of the flood is undertaken, according to Patima Jeerapaet, Managing Director of Colliers. "The full story will need to be known before buyers come rushing in again and developers will also need to reevaluate projects", he said.

The decision as to whether to purchase landed property versus a high-rise condominium will likely be in favour of the latter due to the floods but even then people will evaluate which areas are less prone to floods. "Even if your high-rise home is protected you still don't want the area inundated with flood water for weeks", pointed out Mr Jeerapaet. However long the delays in buyers coming back in the market the pent up demand is likely to increase and eventually a significant number of launches will take place. According to Tony Picon, Associate Director at Colliers, condominiums will be even more popular than they were before the floods. "We are noticing that more older people and children are staying in condominiums at the moment and the reason is that the owners are using units as temporary accommodation for their extended families", he said. In the aftermath of the floods many who were forced to evacuate to centres may rethink their options. "You could find families encouraging one of their number to purchase a condominium unit and even help in financing, as it would then function as a back-up residence", pointed out Mr Picon.

At the high-income end of the market the same reasoning could add to the trend for purchasing second homes in resorts such as Hua Hin or Pattaya. "Many have fled to these resorts especially people who don't need to work in Bangkok such as children and the elderly", stated Monchai Orawongpaisan, Senior Manager for Residential Project Sales and Marketing. Again family pressure could result in more property being purchased not only as a weekend retreat but also as a back-up residence. "We could see significant activity in the market during the first half of next year based on this trend in Hua Hin, Pattaya and other nearby resorts", he added.

While high rises will prove more popular, landed property will still remain a strong presence in the city. There are dire warnings of global warming leading to more regular flooding problems, including flash floods as a result of heavy downpours and a future trend could be simply opting for houses on stilts which reflected a common mode of living in the past. "Many countries have been affected by floods and stilt based housing is proving more popular with innovative designs coming to the fore which exclude the use of hardwood piling", said Mr Picon. The existence of such properties would also support the city in allowing water to run off quickly. "It is basically a way of accepting Mother Nature and living with it rather than trying to confront the situation ", he added.

Mr Picon pointed out that the problem for buyers finding locations that will be relatively safe from future floods is that effects can vary based on a number of factors. "Firstly, flooding is a combination of run-off from the north, heavy rains and high tides in November; and the impact of each differs for every flood leading to different geographical patterns of inundation ", said Mr Picon. The other variable is that the elaborate flood protection system for Bangkok is managed by politicians and administrators, and their priorities can change. "If the whole of Bangkok is inundated this time then buyers will face a big dilemma as to finding suitable locations in the future", warned Mr Picon.

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