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New launches in Q1 2010 continue the breakneck pace set in the last quarter of 2009

13 May 2010, Bangkok – The condominium market continues to be the star performer in the Bangkok real estate market with new launches and supply continuing to register record growth. This was the main conclusion of the latest Bangkok Condominium Market Report from Colliers International Thailand for the first quarter of 2010. “We have witnessed another bumper quarter for the condominium market in Bangkok, a welcome state of affairs amid the continuing uncertainty clouding other property sectors” stated Dr. Patima Jeerapaet, Managing Director of Colliers International Thailand.

“Nearly 13,700 units were launched in Q1 2010, a handful less than the previous quarter” observed Dr. Patima.

It was not only launches that made the news this quarter. “This year is likely to see the largest completion of new supply since 1997 with an estimated increase of just over 30,230 units compared with approximately 27,430 units in 2009” pointed out Mr. Surachet Kongcheep, Manager of Research & Advisory for Colliers International. About 6,940 units were supplied in Q1 2010.

Dr. Patima believes that the tax incentives remain an impetus to temporarily boosting existing supply and the future expiration of incentives at the end of May are likely to cool the market, allowing for some consolidation.

Whilst other sectors have been affected by the recent unrest in the capital, the condominium market remains immune. “Some launches have been slightly affected by the physical constraints caused by the recent demonstrations but not by any discernable lack of sentiment” Dr. Patima stressed. “End-user buyers maintain a strong interest in purchasing their first property” he added.

The key to the success in the condominium market recently is in large part due to the efforts from the developers themselves in tapping into pent up demand. According to the Real Estate Information Center (REIC) 88% of purchasers of new condominium units are first-time buyers. Most of these buyers are attracted to the low to mid end projects offering smaller sized units. “We are witnessing a rapid take up of units in the million and a half Baht range that appeal to first time buyers wishing to place their first steps on the property ladder” pointed out Antony Picon, Senior Manager for Research & Advisory at Colliers International. These are mostly one-bedroom units ranging from 26 sq m to 40 sq m. “The design of these units is interesting as the smaller units tend to have sliding doors in order to utilize space and can really function as studios as well” Mr. Picon added.

Affordability is likely to be the key demand driver going forward spurred on by the ongoing growth in mass transit railways. While the majority of newly launched developments were in the low to mid end category, the PYNE by Sansiri was sold out in one day and showed the resilience of the high end market as well. Most of the large scale developments were launched by listed developers such as LPN Development, Pruksa Real Estate and Asia Properties. “The experience and financial underpinning of the listed companies is critical to large scale projects” stated Mr. Picon

However, smaller non-listed developers launched a wide variety of projects in Q1 2010. In fact the majority were from these but the overall number of units was less than from the listed ones. Mr. Surachet stated that the average number of units from listed developers launched in Q1 2010 was 707, while the average from non-listed ones was 280. Mr. Picon said “ Those smaller developers are starting to dip their toes in the water although a lot more tentatively than in the past”.

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Mr. Picon believes that the successful model for the condominium market that has been established here can be partially replicated in other countries. He tells of a friend of his who visited from Vietnam and viewed some show units in Bangkok recently. “He was exasperated that such condominiums, using high quality materials and designs as well as far superior facilities and affordable unit sizes, did not exist in Ho Chi Minh City”. “It could be time to export some of that success” he concluded.

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