



THAILAND INDUSTRY OUTLOOK 2024-26

Housing in BMR

December 2023

Krungsri Research

Author



krungsri
Research

A member of **MUFG**
a global financial group

Patchara Klinchuanchun

Senior Analyst

patchara.klinchuanchun@krungsri.com
+662 296 4759



Subscribe Us

For research subscription, contact

krungsri.research@krungsri.com

Disclaimer

All material presented in this report, unless specifically indicated otherwise, is under copyright to Krungsri Research. None of the material, nor its content, nor any copy of it, may be altered in anyway, or copied to any other party, without the prior express written permission of Krungsri Research. This document is based on public information believed to be reliable. Nevertheless, Krungsri Research would not affirm the accuracy and completeness of this information. We accept no liability whatsoever for any direct or consequential loss arising from any use of this document or its content. Information, opinions and estimates contained in this report are our own, which are not necessarily the opinions of Bank of Ayudhya Public Company Limited and its affiliates. It reflects a judgment at its original date of publication by Krungsri Research and are subject to change without notice.

EXECUTIVE SUMMARY



The housing market in the Bangkok Metropolitan Region will strengthen steadily over 2024 to 2026. Tailwinds helping to lift the market will include: (i) A recovering trend of consumer purchasing power following the direction of the Thai economy, which is expected to grow at a rate of 3-4% per year; (ii) ongoing government spending on infrastructure, especially in transportation infrastructure, which will increase the demand for housing along metro lines and in areas accessible by metro lines; (iii) the rebound in the tourism sector, which has led to an increase in demand from foreign buyers for both second homes and investment properties; and (iv) the rising number of expatriates working and investing in Thailand, which has increased the demand for residential properties. As for challenges in the business, factors such as rising financial costs in line with domestic interest rates, as well as persistently high levels of household debt that have both pushed consumers to exercise greater care about taking on additional long-term obligations and encouraged lenders to tighten credit conditions. In addition, the accumulation of unsold inventory in some areas has limited the ability to increase selling prices in line with rising costs.

Krungsri Research view

Krungsri Research believes that over 2024-2026 the sales of residential properties will gradually recover, increasing by 2-3% per year, averaging approximately 83,000 units annually. The number of new units will rise by 3-4% per year (or 96,000 units annually), though this will still be behind the average of 110,000 new units coming to market each year over 2017 to 2019. Most of new supply will come from major developers that are on a strong financial footing and will be in projects with a limited number of units. The outlook for the main market segments is given below.

- **Low-rise housing developers (in BMR):** Income will continue to grow for **large developers**, especially for developers focusing on high-end projects to meet the demand of the real demand group with high purchasing power. These players benefit from adaptability and lower costs of financing (a result of being able to raise funds on the stock exchange and on bond markets). However, **SMEs** will face greater difficulties, including a potential reduction in market share and intensified competition, amidst rising costs for both financing and construction. Players that lack established business partners or are not part of an extensive commercial group will find conditions especially challenging. Some may face limitations in terms of capital and access to funding sources, posing potential risks in terms of liquidity.
- **High-rise housing developers (in BMR):** The majority of condominium developers in the central business district and along mass transit lines will mostly be undertaken by **large players**, which are typically skilled in project management, marketing, and securing working capital. Nevertheless, the business is still pressured by the slow economic recovery, affecting the purchasing decisions of certain consumer groups, including foreign buyers. It may therefore be necessary for players to increase budgets for marketing and discounts if they wish to boost sales amid intensifying competition, profits may come under pressure. **SME developers** will tend to concentrate on low-rise condominium projects with a maximum height of 8 stories in suburban areas, which have lower potential than city center. Furthermore, it is not as popular as low-rise development projects (single houses and townhouses) in the same location. The recovery of the business performance tends to be a slow and drawn-out process.



OVERVIEW

The real estate sector has a big role in driving the Thai economy. When combined with other related sectors and industries in its value chain, the extended real estate sector contributed around 10%^{1/} of Thailand's GDP in 2022, which is significant to the national economy. A large amount of capital circulates within the economy and supports employment and income. The sector also has a large influence on the direction of related businesses such as construction, construction materials, electrical appliances, furniture and home decorations, and finance.

The real estate sector generally consists of three principal segments: residential, commercial, and industrial property. In Thailand, residential sector is the largest with two-thirds of the total market value of the Thai real estate market (source: World Bank). The residential property market is driven primarily by domestic buyers as Thai law allow foreigners to purchase and hold ownership rights only in condominiums, with a maximum of 49% of the total saleable area in any project. It is also possible for non-Thais to own detached- and townhouses but the regulations governing this are very restrictive.

In the past (between 2018-2022), demand for housing in the Bangkok Metropolitan Region (BMR) has typically been stronger than for housing in the regions, and so applications for building permits for both low- and high-rise properties were overwhelmingly made for construction projects in the BMR; over 2018-2022, applications were split between those for BMR and non-BMR developments in the ratios of respectively 53:47 and 80:20 (Figure 1 and Figure 2). Due to the diverse housing needs in BMR, including both buying and renting markets, catering to both Thai and foreign buyers, the region has become a center of employment, education, and business, and this has then supported high rates of urbanization and increased popularity among buyers for both low-rise and condominium. This has then encouraged developers to keep a much stronger focus on the property market in the BMR than markets elsewhere in the country.

Construction Permits & Land Allotment Permits

(Housing Projects Only*)

Figure 1: High-Rise Construction Permits

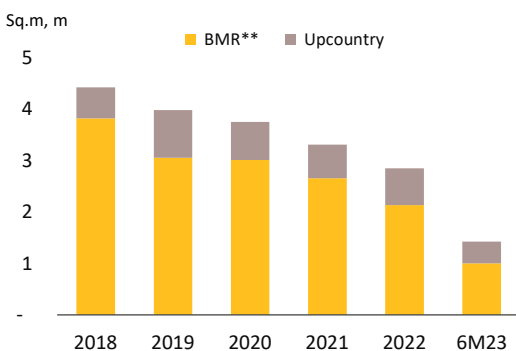
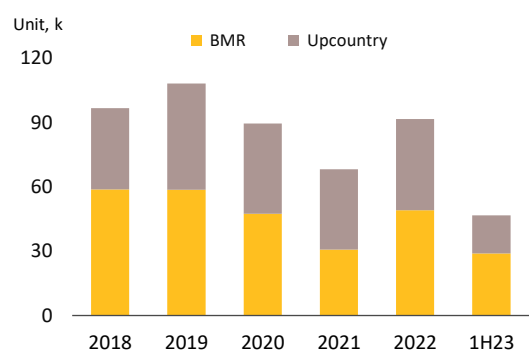


Figure 2: Low-Rise Land Allotment Permits



Source: Real Estate Information Center (REIC)

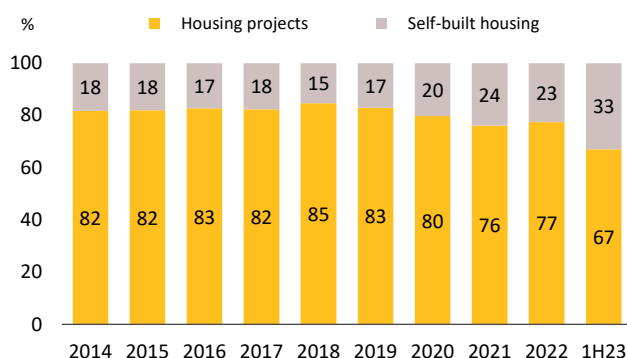
Note: *Housing projects are project developed by housing developers.

**The Bangkok Metropolitan Region (BMR) is defined as Bangkok and the five adjacent provinces of Nakhon Pathom, Pathum Thani, Nonthaburi, Samut Prakan, and Samut Sakhon.

1/ From [Ministry of Finance](#)

The housing market is split between self-built housing and housing projects (Figure 3). **Currently, over 80% of new housing units in the BMR are in projects developed by housing developers**, with annual market value of around THB 450-500 bn. **Large developers (those listed on the SET) and their subsidiaries control 70-80% of the market by volume and value** (Table 1). Because large companies are able to manage costs more effectively than their smaller peers; for example, they are in a position to buy larger land bank that would reduce project development cost. They can also undertake several projects simultaneously and thus achieve economies of scale. Beyond this, they benefit from stronger branding and marketing networks.

Figure 3: Proportion of New Housing Units in the BMR



Source: Bank of Thailand (BOT)

Table 1: Developers' Market Share in the BMR

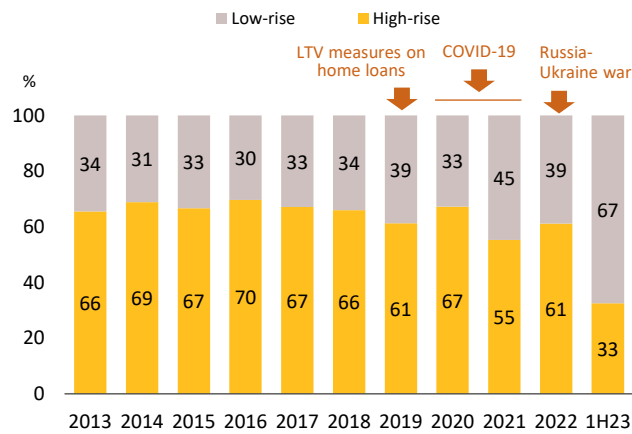
Year	Number of units (%)		Value (%)	
	Large developers	Others*	Large developers	Others*
2014	69	31	68	32
2015	60	40	63	37
2016	84	16	81	19
2017	77	23	78	22
2018	73	27	73	27
2019	63	37	71	29
2020	69	31	72	28
2021	74	26	81	19
2022	78	22	82	18
1H23	78	22	80	20

Source: Agency for Real Estate Affairs (AREA)

Note: *Others includes mid-sized developers and small developers

Over the past decade (2013-2022), high-rise projects (i.e., condominiums) have represented a larger share of new projects in BMR than low-rise segment. (i.e., detached- and townhouses), with an average of 60-70% of registrations of new properties^{2/} for high-rise project (Figure 4). This is because high-potential land in the BMR is in short supply and prices have continually tracked upwards. The previous reason combining with the expansion of the BMR's metro system (the MRT and the BTS) causes the ongoing developments to take place along these transportation routes. This has led to a growing popularity of high-rise projects. However, the outbreak of Covid-19 altered the dynamics of the market, and with the shutdown forcing individuals to spend longer time at home, especially for work, consumers began to place a greater premium on access to usable space. In response, developers have shifted their focus, and so recent projects have concentrated in particular on detached houses for wealthier buyers. At the same time, work on new condominiums has slowed, though this was especially pronounced during 2020 and 2021 when the pandemic was at its most intense, and the result of this is that for the first time, in the first half of 2023, there were more registrations of new low-rise developments than of condominiums.

Figure 4: Proportion of New Housing Units in BMR, by Segment



Source: BOT

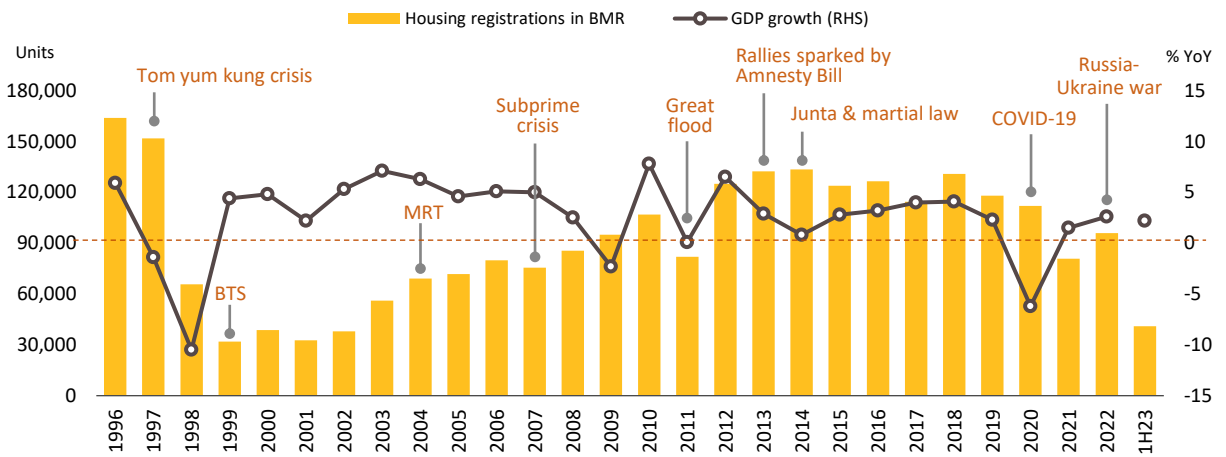
Note: The number of new housing units in the BMR is from the Real Estate Information Center (REIC) at the Government Housing Bank. In the case of houses on housing projects, developers file the request for house registration numbers, even if the construction is still not complete or not sold. Registration numbers for apartments and condominiums are obtained from the Department of Land, Ministry of Interior.

^{2/} The registration of new properties in the BMR is collected from requests for new house numbers made to district offices in the BMR. In the case of allocated project houses, the developer is the one who applies for the house number, even if the construction is not yet completed or there is no buyer yet (source: REIC). For high-rise projects, it is collected from the Land Office.

SITUATION

- The outbreak of Covid-19 and the spread of the pandemic brought on depressed conditions for the housing market through 2020 and 2021**, with subdued demand from both Thai and non-Thai buyers, developers had to delay the launch of new projects. Nevertheless, stimulus from government measures has played a role in expediting purchase decisions for certain groups of buyers who still have the purchasing power within favorable criteria. These included cutting the fees for registering mortgages and transferring ownership for properties valued at less than THB 3 million (with effect from 1 February 2021 to 30 January 2022), reducing the 2021 land and building tax by 90%, and a temporary relaxation of the Loan-to-Value (LTV) measures (from 20 October 2021 to 31 December 2022). **Sales thus rose 11.8% in 2021 to a total of 67,271 units**, the first time in 8 years that sales had outpaced new supply (Figure 6). Consequently, cumulative unsold units at the end of 2021 dropped -6.3% YoY to 189,948 units (Table 2).
- The housing market continued to strengthen steadily through 2022**, following the gradual improvement of purchasing power in the country helped by growth in exports and the tourism sector after the easing of the COVID-19. In addition, the government implemented measures to stimulate the housing market, such as

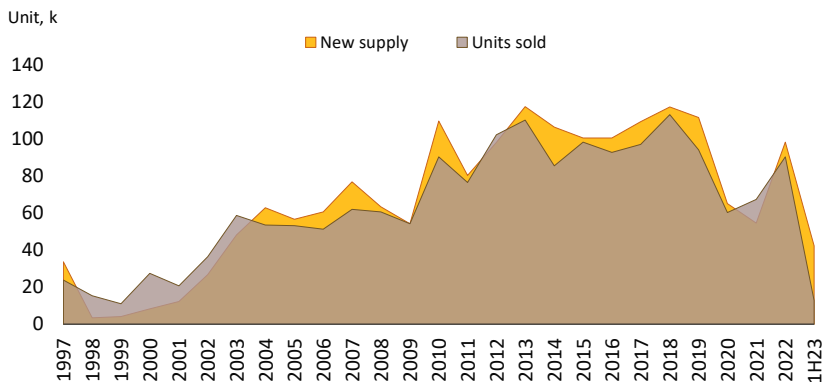
Figure 5: Property Cycle, GDP Growth, and Major Events in BMR



Source: BOT

Note: The registration of new housing in the BMR comes from two sources. (i) The Real Estate Information Center of the Government Housing Bank (REIC) collects data on new houses from district offices in the BMR. For houses in allocated projects, the developer will be responsible for requesting a new house number, even if the construction is incomplete or there are no buyers yet. (ii) condominiums data comes from the Department of Lands.

Figure 6: New Supply & Units Sold in BMR



Source: Agency for Real Estate Affairs (AREA)

reducing fees for transfers of ownership and registering mortgages for properties valued at less than THB 3 million (January 18 – December 31, 2022) and temporarily relaxing Loan-to-Value (LTV) measures^{3/} (October 20, 2021 - December 31, 2022). These factors crucially accelerate the decision-making process for purchasing a property, particularly among the group with a genuine intention to buy for residential purposes (or the Real Demand group). This is especially true for the upper-middle to high-income groups with strong purchasing power. In addition, the full reopening of the country to foreign arrivals in the second half of the year helped to bring non-Thai demand back into the market, while demand for rental and investment properties (especially condominiums) also rallied. This has led to developers continuously launching new projects. However, the overall housing demand is still constrained by limited purchasing power, driven by the rapidly increasing inflation rate that is pushing up the prices of goods and services, including housing. **Details of the housing market through 2022 are given below.**

- **The number of new housing units surged 80.6% from its 2021 level to 98,341 units (Figure 7), while the total value of these increased 70.2% YoY to THB 470 billion (Figure 8).** This growth is attributed to developers to postpone work on new projects over the previous 2 years, as well as the need to respond to the rebound in demand that followed the easing of the pandemic. **Approximately 55% of the newly launched units are condominiums**, followed by townhouses (28%) and detached houses (17%).
- **Sales jumped 34.2% to 90,297 units, with these having a total value of THB 430 billion (Figure 9).** Around 60% of sales were of condominiums (up 76.3% YoY), though most of these were located near educational institutions or centers of employment and were priced in the THB 1-2 million. Sales of detached houses also rose 23.0% YoY, while townhouses contracted by -7.0% YoY because the primary customers are in mid- to lower-income group, which impacted by rising cost of living and the higher interest rates charged by commercial banks.
- **The cumulative unsold units edged up 4.2% to 195,669 units** on a sharp expansion in newly launched units (Table 2). 57% of the total unsold units priced below THB 3 million, mostly comprising townhouses and condominiums (Figure10).

Table 2: Unsold Units, by Price

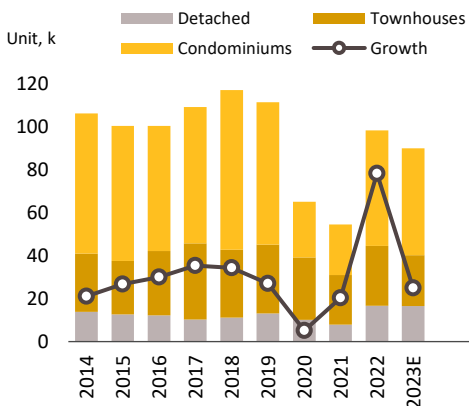
	2019	2020	2021	2022	1H23
Detached houses					
THB<2m	196	239	198	179	169
THB2-3m	1,150	929	1,391	824	863
THB3-5m	14,779	12,597	9,657	7,332	6,416
THB5-10m	14,866	16,808	16,434	18,885	18,242
THB10-20m	4,898	4,242	3,414	5,580	6,384
THB>20m	1,617	2,046	1,596	1,849	2,449
Total units	37,506	36,861	32,690	34,649	34,523
Townhouses					
THB<2m	17,545	20,563	17,239	14,128	14,893
THB2-3m	31,474	35,910	35,348	38,600	39,564
THB3-5m	15,129	16,422	16,700	19,820	17,764
THB5-10m	2,191	1,828	2,180	2,088	2,117
THB10-20m	151	254	396	542	553
THB>20m	20	76	82	167	158
Total units	66,510	75,053	71,945	75,345	75,049
Condominiums					
THB<2m	32,136	36,940	31,685	31,682	30,669
THB2-3m	29,526	26,722	25,069	25,588	26,642
THB3-5m	15,938	12,760	14,317	15,889	14,192
THB5-10m	11,642	9,998	10,098	8,197	8,663
THB10-20m	3,012	2,861	2,489	2,500	2,782
THB>20m	1,628	1,560	1,655	1,819	1,803
Total units	93,882	90,841	85,313	85,675	84,751
Grand Total units	197,898	202,755	189,948	195,669	194,323

Source: AREA

^{3/} This specifies that home loans could be for a maximum of 100% (the LTV ratio) of the value of the collateral against which they are secured (i.e., buyers could borrow the full value of their purchase). This extends to include other types of loan when these are secured against residential property, or so-called top-up loans, and applies to: (i) loans for which the collateral is valued at less than THB 10 million when this is for a second home, and (ii) loans for which the collateral is worth THB 10 million or more when this is for a first home. The relaxation of the LTV rules applies to loans agreed between 20 October 2021, and 31 December 2022

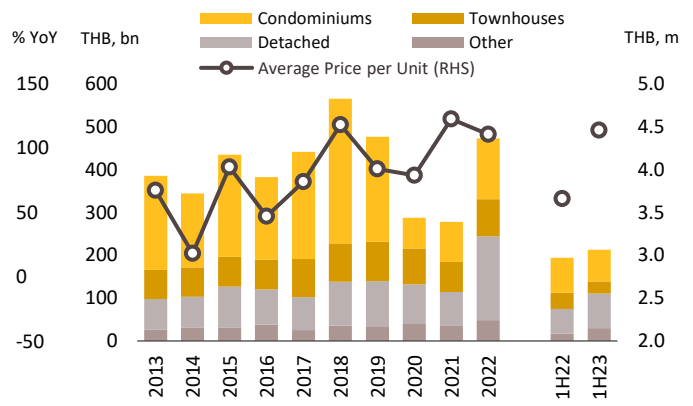
● **The housing market remained depressed through the first half of 2023.** Consumer purchasing power had yet to recover fully in the period, and in particular, the economy struggled under the impact of the ongoing contraction in exports seen from October 2022 onwards. Purchasing power was further undercut by the consecutive interest rate hikes by commercial banks and high household debt to 90.6% of GDP (as of 2Q23), amid gradually rising housing prices in response to cost pressures. In addition, demand was affected by stimulus measures put in place in 2022, which pulled future demand forward as buyers accelerated purchases to benefit from these policies before their expiry (e.g., the relaxation of LTV rules and cuts in the fees for transfers of ownership from 2% to 0.01% of the property's value). Weakness in the global economy, most notably the underperformance of the Chinese economy following the country's reopening, also limited the impact of foreign demand in the BMR property market, especially from buyers investing in condominiums. Market weakness was reflected in the drop in **the number of new housing units** coming to market, which contracted -14.7% YoY to 42,326 units in 1H23. This decline was driven by the large number of projects launches that had come to market in the same period in 2022 (Figure 7), although a higher average per-unit price of new units in 1H23, and so **the total value** of these climbed 10.3% YoY to THB 210 billion (Figure 8). **Sales** fell to 43,129 units, down -19.9% YoY (Figure 9), with condominiums accounting for around 60% of sales. **The cumulative unsold units** also contracted -0.7% YoY to 194,323 units, concentrated in townhouses and condominiums with priced below THB 3 million (58% of the total) (Figure 10).

Figure 7: New Supply



Source: AREA

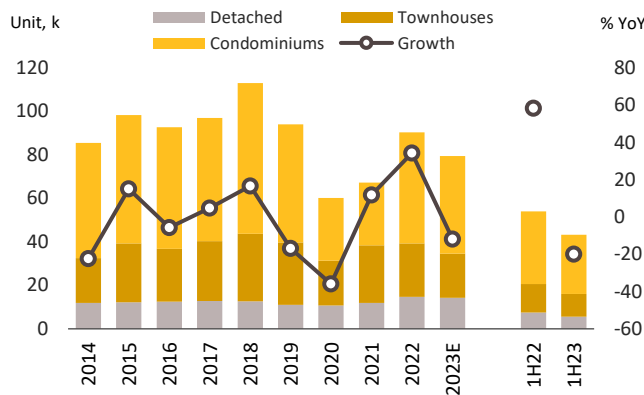
Figure 8: Value of New Supply and Average Price per Unit



Source: AREA

Note: Value of new supply is defined as the value of detached houses, duplexes, townhouse, shophouses, condominiums and land subdivisions.

Figure 9: Units Sold

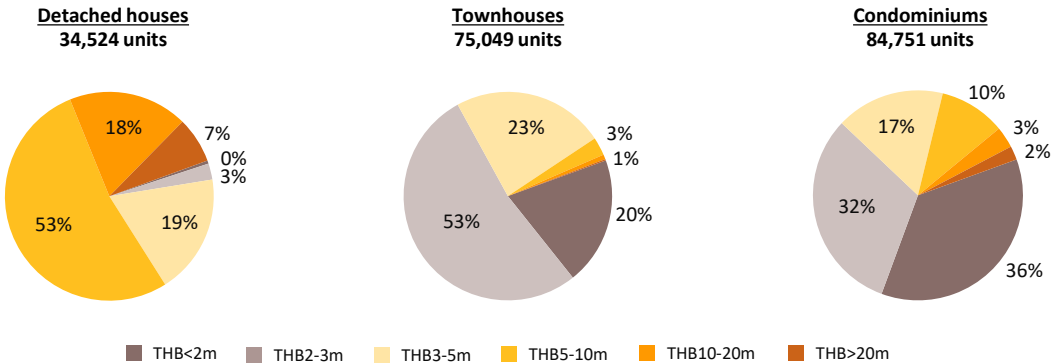


Source: AREA

- Krungsri Research sees demand firming up slightly through the second half of the year 2013**, lifted by the continuing rebound in the tourism sector and related businesses including the rebound of the export sector to growth for the first time in eleven months in August. Sales of **low-rise properties** will benefit from stronger demand from upper-middle- and upper-income buyers, with high purchasing power, and from the positive effects of extensions to the BMR mass transit network on demand for properties in more suburban locations. Likewise, **the mid- and upper-end of the market for condominiums** will grow solidly because the primary customers are high-income Thais and foreign buyers looking for residences to hedge against troubles in their home countries (e.g., economic problems or war). Especially those close to shopping malls with easy access to metro lines, as reflected by the increasingly concentrated of new projects in the central business district, e.g., Dusit Residences, Scope Langsuan, and Romm Convent. However, growth in the market for condominiums targeting mid- to lower-income buyers continues to recover more slowly. Developers are boosting sales by adjusting strategies to offer more options for specific buyer groups, for example by offering leasing arrangements to buyers (allowing immediate occupancy with gradual payments until the principal is reduced to a level where financing can be sought from financial institutions) or low-interest loans services to reduce interest burdens on buyers. **The overall situation for the housing markets in 2023 was as follows.**

- Total sales are forecast to slip -12.0% from 2022.** This is partly a result of commercial banks tightening lending conditions, which has then lifted the loan rejection rate to 40-50%. This is particularly affecting buyers of properties valued the price range less than THB 3 million. This price range constitutes a significant market with a consistent influx of new projects each year, as it caters to a large group of regular employees seeking their first homes. However, these problems will be partially offset by the return of foreign demand (transfers of ownership made by non-Thais accounted for 19% of the value of all transfers of ownership, up from 12.6% in 2019), and this will thus help to prevent too sharp a contraction in sales.
- The number of new units coming up for sale in 2023 will be down by -8.5% YoY.** Given the decision by developers to hold back on work while the economic outlook remained uncertain, declines will be seen across all segments and the forecast is thus that the number of new townhouses and condominiums will drop by respectively -15.0% and -7.5% YoY. However, for detached houses, the decline will be just -1.0% YoY. Although the number of new units for detached houses will drop, new projects will tend to be at the premium end of the market in the east of Bangkok (Krungthep Kreetha Road), therefore lifting the total value of the residential market. Partly because of rising costs (for land, construction materials, and labor), **average prices per unit for new properties will also be up 13.6 - 36.3% YoY to THB 5.0 - 6.0 million, but because supply has outgrown demand, the cumulative unsold units will rise 5% YoY to 200,000 units.** As before, these will be concentrated among townhouses and condominiums priced below THB 3 million.

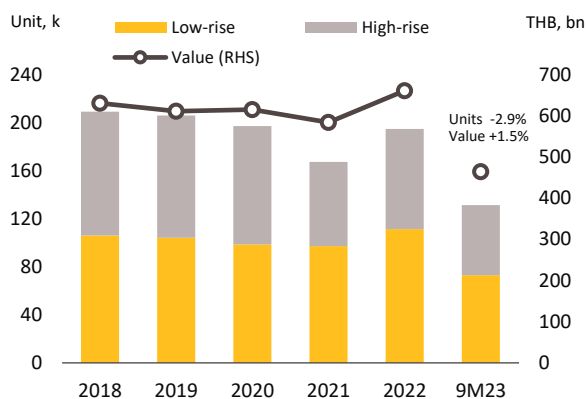
Figure 10: Cumulative Total of Unsold Units, by Segment
(as of 1H23)



Source: AREA

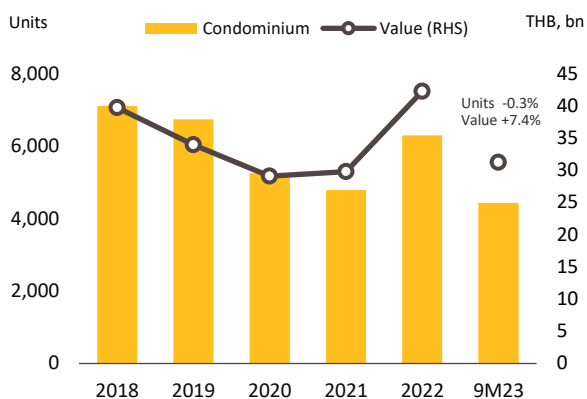
- **Over 9M23, transfers of ownership softened** -2.9% YoY to 131,440 units (Figure 11). Declines were seen for all types of low-rise properties, with falls of -8.4% YoY for townhouses (31% of the total), -12.0% YoY for detached houses (16% of the total), -8.8% YoY for semi-detached houses and shophouses (9% of the total). However, for condominiums (44%), declines were limited to just -0.1% YoY by the 7.4% YoY increase in the value of transfers made by non-Thai buyers. Some of these had in fact signed contracts in 2022, resulting in a higher number of property transfers in 2023, led by Chinese buyers (these tend to buy condominiums in the BMR rather than tourist destinations), Taiwan, Myanmar, and the US (Figure 12).

Figure 11: Housing Transferred in BMR



Source: Department of Land, REIC
 Note: *Low-rise housing includes detached houses, townhouses, duplex and shophouse. High-rise is condominium.

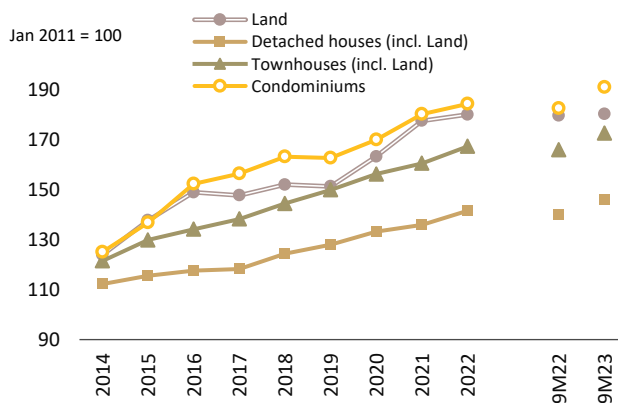
Figure 12: Condominium Transfers of Foreigners in BMR



Source: REIC
 Note: Foreigner or a foreign juristic person Able to ownership condominium units in the ratio not more than 49% of the total saleable area in each condominium registered as a condominium under Section 19 bis, which is amended by the Condominium Act (No. 4) B.E. 2551 (2008).

- **Housing prices have been strengthening for all segments, and over 9M23, (Figure 13).** The condominium price index recorded the highest increase at 4.6% YoY, followed by detached houses (+4.4% YoY) and townhouses (+4.0% YoY). Increases were driven by the rising cost of land and construction materials, coupled with an increase in labor costs due to shortages of skilled labor in the construction sector. This shortage remains a significant issue in the current and future development of residential projects. These factors have led to a surge in the prices of newly launched residential units rising from THB 4.4 million per unit in 2022 to THB 5.0 million per unit in 2023 (with averages of THB 14.2 million, THB 2.8 million, and THB 2.7 million, for detached houses, townhouses, and condominiums respectively).

Figure 13: Housing Price Index

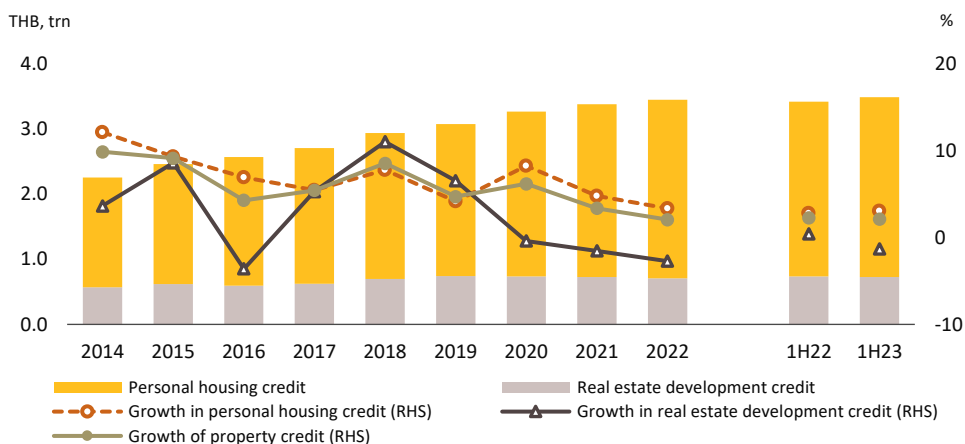


Source: BOT
 Note: Housing price index is calculated from 17 commercial banks registered in Thailand and located in the BMR.

■ For all of 2023, the Growth of housing loans by commercial banks should increase by 2.5-3.5% YoY (Figure 14).

- **Pre-finance loans:** The value of pre-finance loans are expected to expand by -0.5% to 1% YoY (compared to -1.2% YoY in 1H23). Developers have adjusted their risk management strategies by shifting their focusing on developing small and mid-sized projects that contain only a limited number of units, while as lending conditions have tightened, they have also begun to slow or postpone of new project launches, though this has particularly been the case for SMEs. Nevertheless, investments continue to be made in projects that target demand from owner-occupiers (especially for low-rise housing) or that are responding to rising demand in locations served by new metro lines.
- **Post-finance loans:** post-finance loans is expected to strengthen by 3.5-4.0% YoY, compared to +3.1% YoY in 1H23) driven by the expansion of loans in the mid to upper end of the residential market. The outlook has been helped by stimulus measures implemented to make it easier for potential customers to make purchasing decisions, for example by cutting the fees charged for registering mortgages and transferring ownership (until the end of 2023), and the release of attractive financial products by commercial banks (such as loans with attached low-interest periods, or extended repayment schedules, allowed buyers to make down-payments before seeking financing institution loans, thereby reducing the size of the loan that is needed). However, the mid to lower end of the market (i.e., houses priced below THB 3 million) has been affected by household debt, resulting in a lower approval rate. For personal housing credit from across the whole of the financial system^{4/} in the first half of the year, it increased by 5.1% YoY (Figure 15).

Figure 14: Property Credit Outstanding (Nationwide)



Source: BOT

Note: Property credit outstanding (in accordance with international standards, this consists of Thai commercial banks and excludes branch offices abroad, and foreign bank branches) is the total outstanding loans at the end of the reporting date.

Figure 15: Outstanding Mortgage Loans to Individuals (Nationwide)



Source: REIC

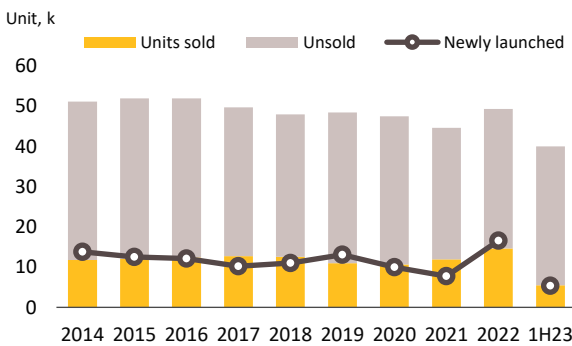
Note: Loans to individuals collected from commercial banks, finance companies, credit fonciers, the GHB, the GSB, life insurance companies, and the National Housing Authority.

4/ The financial sector comprises commercial banks, the Government Housing Bank, the Government Savings Bank, the Islamic Bank of Thailand, the Bank for Agriculture and Agricultural Cooperatives, finance companies, credit fonciers, life insurance companies and the National Housing Authority.

● **The situation for the main market segments in the first half of 2023 (latest data) is given below.**

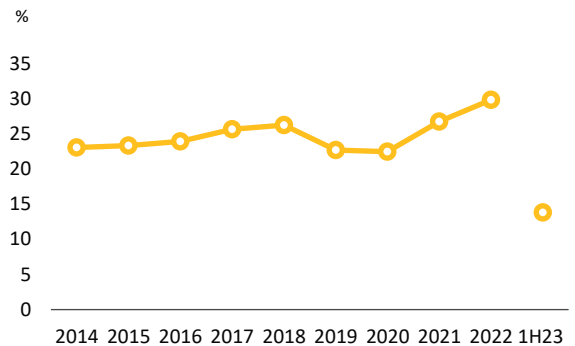
- **Detached houses:** In 1H23, the number of newly launched units for detached houses contracted -2.9% YoY to 5,419 units. This decline was in part due to the significant expansion in supply that was seen in 2022, though this was also driven by the switch by developers to working on low-rise projects with a limited number of units but higher prices. Thus, the number of new detached houses in the THB 20 million and over band (20% of all newly launched in this segment) surged 190% YoY. This growth has been driven by additional demand from investors looking especially for homes in areas close to international schools and other high-potential locations, such as Vibhavadi Rangsit-Don Muang, Wongwaen-Jatuchok, and Rama 9-Krungthep Kreetha Road. **The units sold** was down -26.2% YoY to 5,544 units, which then reduced **the cumulative unsold units** by -0.4% from its level at the end of 2022. The **absorption rate** also stood at 14%.

Figure 16: Total Supply and Newly Launched Units – Detached Houses



Source: AREA, Krungsri Research

Figure 17: Absorption Rate* – Detached Houses

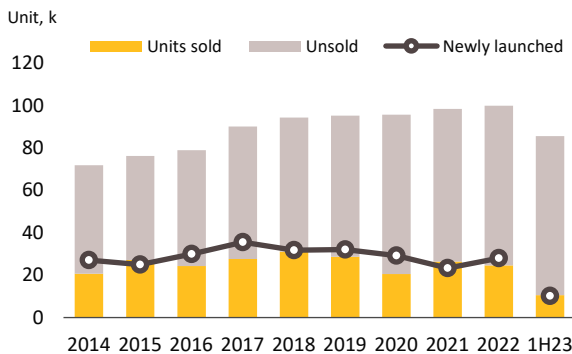


Source: AREA, Krungsri Research

Note: * The absorption rate is calculated by dividing the units sold by total supply or % sold of total.

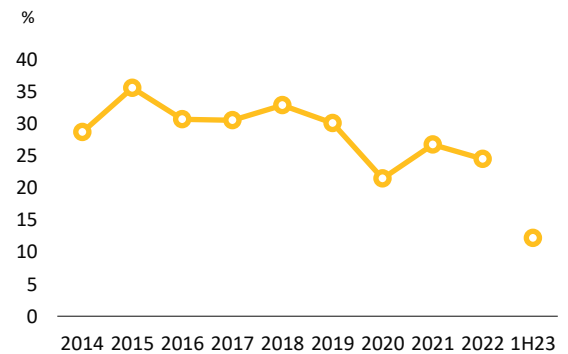
- **Townhouses:** The number of newly launched townhouses fell -17.9% YoY to 10,173 units, while sales slipped -19.8% YoY to 10,469 units, and this then cut **the cumulative unsold units** by -0.4% from year-end 2022 to 75,049 units. At just 12%, the weak **absorption rate** was caused by buyers' soft purchasing power, an uncertain economic environment, and continuing problems with high levels of household debt. Consequently, some developers in the townhouse market shifted their attention to upper-end detached houses, where buyers are generally not saddled with high debt burdens or are not dependent on loans from commercial banks.

Figure 18: Total Supply and Newly Launched Units – Townhouses



Source: AREA, Krungsri Research

Figure 19: Absorption Rate* – Townhouses

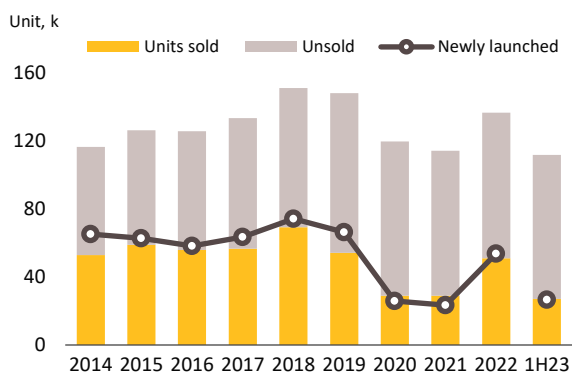


Source: AREA, Krungsri Research

Note: * The absorption rate is calculated by dividing the units sold by total supply or % sold of total.

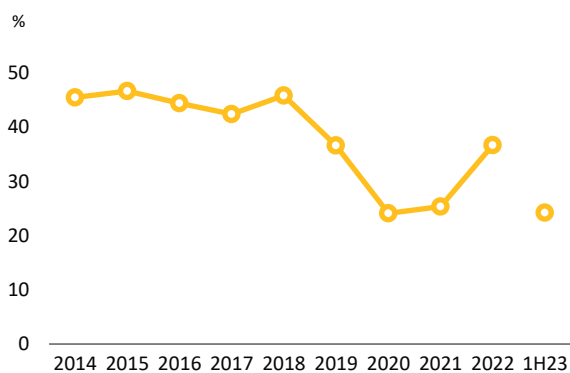
- Condominiums:** The number new of condominiums coming up for sale contracted -15.5% YoY to 26,734 units, accounted for 63% of all newly launched housing, with developers concentrating on new projects that are cheaper (36% of all newly launched condominiums were priced in the THB 1-2 million) and that are near educational institutions or workplaces. **Sales** fell -18.6% YoY to 27,179 units. Demand came from two main groups: (i) real demand (around 60% of the total); and (ii) investors (including foreign buyers) looking for long-term rental income (25-30% of the total) or speculator (10-15% of the total). **The cumulative unsold units** decreased by -1.1% from year-end 2022 to 84,751 units, while the absorption rate fell to 24%, down from 37% in 2022.

Figure 20: Total Supply and Newly Launched Units – Condominiums



Source: AREA, Krungsri Research

Figure 21: Absorption Rate – Condominiums



Source: AREA, Krungsri Research

Note: * The absorption rate is calculated by dividing the units sold by total supply or % sold of total.

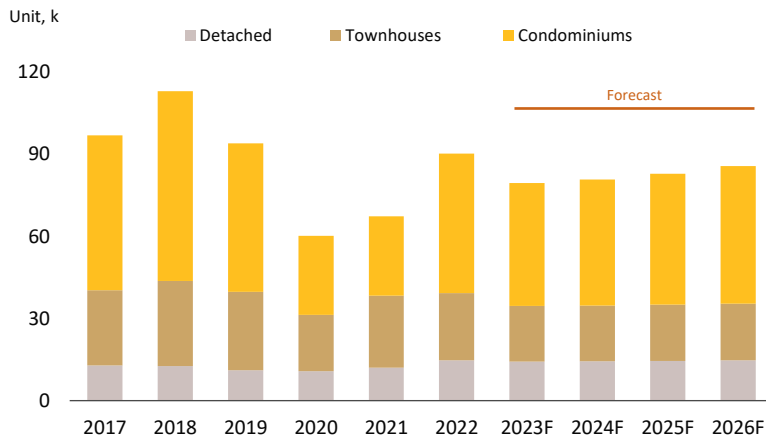


OUTLOOK

Krungsri Research sees the housing market in BMR strengthening steadily over 2024-2026.

- **Sales of residential properties are expected to strengthen by 2-3% per year** supported by (i) consumer purchasing power is showing a recovery trend in response to the Thai economy's expected growth of 3-4% per year. (ii) Government spending on infrastructure and especially in the expansion of the mass transit system will improve travel in and out of the city center, encouraging developers to open up new projects along mass transit network. (iii) The tourism sector will continue to recover, and with 43 million arrivals expected by 2026, foreign purchasing power will have a growing role to play in the property market. This will include purchases made by non-Thais of second and holiday homes. (iv) The number of expatriates working and investing in Thailand will increase. These numbers will be swelled by investors moving production facilities to Thailand as they try to avoid becoming collateral damage in the US-China trade war.

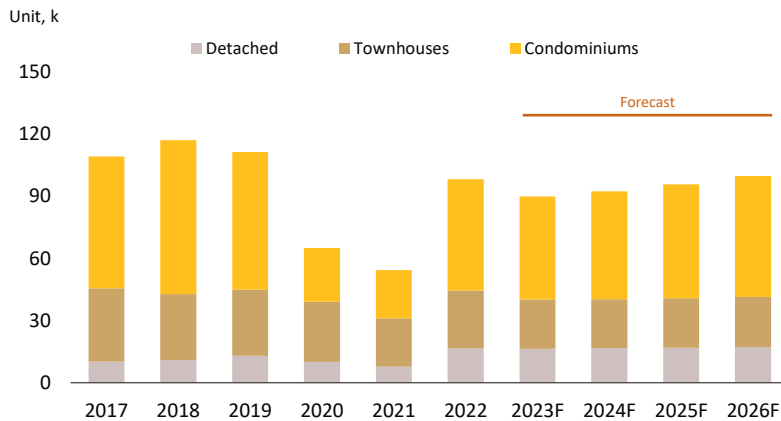
Figure 22: Units Sold



Source: AREA, forecast by Krungsri Research

- **The number of newly launched units will expand the supply of properties by 3-4% per year to around 96,000 units**, though this will remain below 110,000 units averaged over 2017-2019. These will largely be in projects undertaken by major developers that are on a solid financial footing. The latter will concentrate especially on low-rise projects with a limited number of units, targeting upper-middle- to upper-income real demand from owner-occupiers. While high-rise projects will typically expand along new and extended metro lines, for convenient travel from the suburbs to the city center. Developers will also enhance amenities to attract buyers, for example by using sources of clean energy and installing solar cells and EV chargers. Moreover, the 4th revision of the Comprehensive City Plan for Bangkok (expected to come into effect in 2025), will extend the range of the city's 'orange' zone (Land category medium density housing) by 23.5% from the 2013 version of the comprehensive city plan, accounting for 41.1% of the total area of 1,568.73 sq.km. This will include areas adjacent to new metro lines along Lat Phrao, Srinakarin, and Ram Inthra roads, and this will then underpin growth in the market for condominiums. **The outlook for the main market segments is given below.**

Figure 23: New Units



Source: AREA, forecast by Krungsri Research

- Low-rise (detached- and townhouses):** The market for detached houses will continue to grow with somewhat limited rate. This is caused by sales expansion throughout the period of the pandemic, especially in the high-end detached house segment with unit prices of THB 20 million and above, (whose absorption rate in 2022 was the highest at 45%). **Developers will persist with their focus on meeting real demand from owner occupiers with high incomes and strong purchasing power**, and projects targeting these buyers will promise their occupants a safe environment, privacy, and access to all the conveniences that are available to modern consumers. These will typically be in locations near international schools in the east of Bangkok (e.g., New Krungthep Kreetha Road) and in the north of the city. However, **the market for townhouses will remain flat** since as of 2022, almost 40% of all unsold units were townhouses, with around half of these priced at THB 2-3 million (accounting for up to 50% of all unsold townhouses). In addition, buyers for these properties are generally mid- to lower-income earners, and this group has been more strongly affected by high levels of debt and rising interest rates, which have diminished the ability to make purchases. Given this, large developers can be expected to maintain their growth trajectory, but SMEs will see intensifying competition concerning the costs of both construction materials and financing.
- Condominiums:** Supply will continue to expand, partly driven by the need to meet demand from long-term investors in rental properties, and since more expensive oil and the rising cost of living have eroded the purchasing power of low- to mid-income earners, condominiums remain a preferred option for this group. In particular, **to meet demand from mid- to upper-income Thai and foreign buyers, supply will expand in central areas** as well as near areas of employment, such as around Lat Krabang near the industrial estate, and in areas served by new metro lines. The latter will include the following. (i) On the Pink Line (the Khae Rai-Minburi section opened in November 2023, and provides travel connections between the center, north and east of Bangkok, and Nonthaburi), the area around Minburi, where there is an interchange between the Pink and Orange (Eastern) lines, will likely see new residential developments, rising population density, and in the future, growth in local employment. (ii) On the Orange Line (Taling Chan-Minburi), which links the east and west of the city, the eastern section (due to open in 2025) will lift the potential of the area around Ramkhamhaeng. However, **overall growth in the supply of new condominiums will be limited by the significant glut of unsold units, especially in the outskirts of Bangkok**, for example along the Blue Line (Hua Lamphong-Bang Khae) and the Green Line (Bang Na-Samut Prakan). These condominiums are at a disadvantage relative to both low-rise developments in the same areas and high-rise developments in other parts of the city. The majority of condominium will mostly be developed by larger players that are skilled in project management, marketing, and securing sources of working capital.

- **Challenges to the market that will need to be tracked closely will include:** (i) Rising interest rates and persistently high levels of household debt are weighing on consumers, who are increasingly wary about taking on more long-term financial commitments. At the same time, lenders are tightening credit conditions. (ii) More expensive construction materials, energy, and labor (the latter a result of ongoing shortages) will add to the overall cost of developments, and so residential property prices are expected to increase by an average of 5-10% per year. (iii) There is a significant supply of unsold housing stock in some areas, though in particular, problems are beginning to emerge in the THB 10 million and over market. Many developers have turned to this segment simultaneously, and these have plans to continue with new projects for the upper end of the market, but the customer base supporting this supply is limited and sales into this segment are now beginning to slow. (iv) Growth in demand will be limited over the longer term by the aging of Thai society, while potential new buyers (especially members of 'Gen Y' or Millennials) often prefer to rent rather than to buy^{5/}.

Box 1 The changing business landscape and developers' responses to this

As competition intensifies in the business, developers will overhaul their business strategies by looking to meet a more varied and diverse range of consumer needs. Players will also try to reduce their exposure to risk arising from relying solely on revenue from residential sales. Some interesting project development include the following.

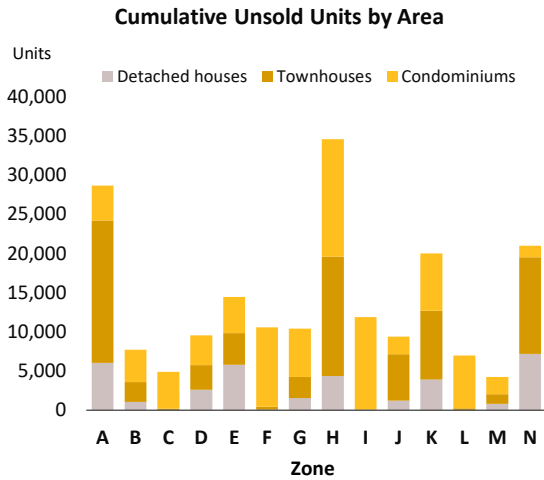
- **Projects aimed at meeting new needs,** such as wellness residences and pet friendly projects.
- **Projects appropriate for an aged society^{6/}:** Units in these projects will come with additional facilities and services, such as the medical supervision of residents, and they will be designed with the particular needs of the elderly in mind, for example by ensuring that individual units and common areas are safe and accessible. This may also involve adapting condominiums to use as nursing homes.
- **Energy efficient and environmentally friendly housing:** Developments will be green across all stages, including design, using green construction materials, the supply of alternative energy and the use of energy-efficient equipment (e.g., by installing rooftop solar), incorporating green spaces to provide a naturally cooled environment, and the adoption of green loans that provide special benefits to environmentally friendly developments that are in line with ESG (environmental, social and governance) goals.
- **Expanding into the service sector:** Developers will extend their sources of income and reduce their exposure to over reliance on receipts from the sale of property by increasing their investments in the provision of services. This will include moving into industries such as hospitals and healthcare, shopping malls, banking, debt management and consolidation services, and operating digital asset platforms that facilitate cryptocurrency mediated property sales, payment of maintenance fees, and other services.

5/ Source: "ttb analytics assessment of the contracting market for condominiums in the BMR in 2023", ttb analytics.

6/ An 'aged society' is defined as one in which at least 20% of a society (or a country) is over 60 years old or at least 14% is over 65. Thailand became an aged society in 2021.

Housing market in the BMR by Area

Figure 24: Cumulative Unsold Units & Absorption Rate (1H 2023)



Zone	Location	Housing (Detached+Townhouses+Condominiums)			
		Total Supply (units)	Sold (units)	Unsold (units)	%Unsold
A	Rangsit/ Pathum Thani	37,182	8,521	28,661	77.1
B	Jaengwattana/ Songprapa	8,944	1,236	7,708	86.2
C	Nonthaburi /Bangsu	6,031	1,153	4,878	80.9
D	Phaholyothin/ Ram Inthra	12,013	2,468	9,545	79.5
E	Northeast of Bangkok	18,349	3,899	14,450	78.8
F	Ratchada/ Lad Phrao	13,391	2,812	10,579	79.0
G	East of Bangkok	13,184	2,761	10,423	79.1
H	Bangna/ Samut Prakan	40,744	6,138	34,606	84.9
I	CBD	14,830	2,942	11,888	80.2
J	Suksawat	10,493	1,107	9,387	89.5
K	Rama2/ Petkasem	22,319	2,312	20,007	89.6
L	Thon Buri/ Bang Phlat	9,325	2,352	6,973	74.8
M	Pinklao/ Phuttamonthon	5,916	1,665	4,251	71.9
N	Nonthaburi/ Bang Buathong	24,833	3,836	20,997	84.6
Total		237,554	43,202	194,353	81.8

Zone	Location	Detached Houses				Townhouses				Condominiums			
		Total Supply	Unit Sold	Unsold	Absorption rate	Total Supply	Unit Sold	Unsold	Absorption rate	Total Supply	Unit Sold	Unsold	Absorption rate
A	Rangsit/ Pathum Thani	7,009	969	6,040	13.8%	20,329	2,143	18,186	10.5%	9,844	5,409	4,435	54.9%
B	Jaengwattana/ Songprapa	1,282	232	1,050	18.1%	2,915	383	2,532	13.1%	4,747	621	4,126	13.1%
C	Nonthaburi /Bangsu	20	0	20	0.0%	213	48	165	22.5%	5,798	1,105	4,693	19.1%
D	Phaholyothin/ Ram Inthra	2,990	377	2,613	12.6%	3,824	686	3,138	17.9%	5,199	1,405	3,794	27.0%
E	Northeast of Bangkok	6,745	959	5,786	14.2%	4,709	640	4,069	13.6%	6,895	2,300	4,595	33.4%
F	Ratchada/ Latphrao	68	10	58	14.7%	419	31	388	7.4%	12,904	2,771	10,133	21.5%
G	East of Bangkok	1,778	251	1,527	14.1%	3,329	598	2,731	18.0%	8,077	1,912	6,165	23.7%
H	Bangna/ Samut Prakan	4,945	600	4,345	12.1%	16,949	1,702	15,247	10.0%	18,850	3,836	15,014	20.4%
I	CBD	22	8	14	36.4%	98	42	56	42.9%	14,710	2,892	11,818	19.7%
J	Suksawat	1,405	193	1,213	13.7%	6,618	698	5,920	10.5%	2,470	216	2,254	8.7%
K	Rama2/ Petkasem	4,395	501	3,894	11.4%	9,997	1,200	8,797	12.0%	7,927	611	7,316	7.7%
L	Thon Buri/ Bang Phlat	24	9	15	37.5%	285	64	221	22.5%	9,016	2,279	6,737	25.3%
M	Pinklao/ Phuttamonthon	1,025	224	801	21.9%	1,462	216	1,246	14.8%	3,429	1,225	2,204	35.7%
N	Nonthaburi/ Bang Buathong	8,398	1,221	7,177	14.5%	14,371	2,018	12,353	14.0%	2,064	597	1,467	28.9%
Total		40,106	5,554	34,553	13.8%	85,518	10,469	75,049	12.2%	111,930	27,179	84,751	24.3%

Zone	Location	Proportion Unsold (%)		
		Detached Houses	Townhouses	Condominiums
A	Rangsit/ Pathum Thani	21%	63%	16%
B	Jaengwattana/ Songprapa	14%	33%	53%
C	Nonthaburi /Bangsu	1%	3%	96%
D	Phaholyothin/ Ram Inthra	27%	33%	40%
E	Northeast of Bangkok	40%	28%	32%
F	Ratchada/ Latphrao	1%	4%	95%
G	East of Bangkok	15%	26%	59%
H	Bangna/ Samut Prakan	13%	44%	43%
I	CBD	0%	1%	99%
J	Suksawat	13%	63%	24%
K	Rama2/ Petkasem	19%	44%	37%
L	Thon Buri/ Bang Phlat	0%	3%	97%
M	Pinklao/ Phuttamonthon	19%	29%	52%
N	Nonthaburi/ Bang Buathong	34%	59%	7%
Total		18%	39%	43%



Source: AREA

KRUNGSRI RESEARCH

Pimnara Hirankasi, Ph.D.

Head of Research Division and Chief Economist

Macroeconomic Team

Sujit Chaivichayachat

Head of Macroeconomic Research

Wanicha Direkudomsak

Senior Economist

Churailuk Pholsri

Senior Economist (Forecasting)

Thansin Klinthanom

Economist

Krittabhorn Sirichaichingkun

Economist

Analytics & Intelligence Team

Pimnara Hirankasi, Ph.D.

Acting Head of Analytics and Intelligence
Research Department

Nathanon Ratanathamwat

Senior Analyst

Narichaya Satafang

Analyst

Parinya Mingsakul

Analyst

Chanatta Thararos

Analyst

MIS and Reporting Team

Thamon Sernsuksakul

Administrator

Chirdsak Srichaiton

MIS Officer

Wongsagon Keawuttung

MIS Officer

Industry Team

Pimnara Hirankasi, Ph.D.

Acting Head of Industry Research

Taned Mahattanalai

Senior Analyst (Digital)

Poonsuk Ninkitsaranont

Senior Analyst (Healthcare, Mobile Operators)

Piyanuch Sathapongpakdee

Senior Analyst (Transport & Logistics)

Narin Tunpaiboon

Senior Analyst (Power Generation, Modern
Trade, Chemicals, Medical Devices)

Thian Thiumsak

Senior Analyst (Energy, Petrochemicals)

Puttachard Lunkam

Senior Analyst (Construction Contractors,
Construction Materials, Hotels, Industrial Estate)

Patchara Klinchuanchun

Senior Analyst (Real Estate)

Chaiwat Sowcharoensuk

Senior Analyst (Agriculture)

Prapan Leenoi

Analyst (ESG)

Supawat Choksawatpaisan

Analyst (Automobile,
Electronics & Electrical Appliances)

Suppakorn Kornboontritos

Analyst (Agriculture, Food & Beverages)