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Developers confident of high-end city condo demand

The high-end condominium market in Bangkok's central business areas (CBA) has continued to see new projects launched in the first quarter of this year. This shows developers have remained confident in demand in the top-end segment of the city's condo market, says JLL (Jones Lang LaSalle), a professional services firm specialising in real estate.

High-end condominiums are those priced at Bt 100,000 per square metre and above. There were 31,390 high-end condominium units in the CBA as at the end of March.

Bangkok's CBA includes Pathum Wan, Bang Rak, Sathorn, Silom, Ploenchit, Ratchaprasong, Langsuan, Ruamrudee, Chit Lom, Watthana and Klong Toey, and are bisected by Sukhumvit Road. The central-east area is home to Asoke Intersection, a highly desirable location for both offices and condominiums, the Phrom Phong area, an up-and-coming high-end retail and living area, and the highly desirable residential and entertainment areas of Thong Lor and Ekkamai.

According to the latest research released by JLL's Thailand Property Intelligence Centre, four new high-end condominium projects were launched in Bangkok in the first quarter, totalling 975 units. These were Four Seasons Private Residences Bangkok (355 units) on Charoenkrung Road, Q Sukhumvit (273 units) near the Nana Skytrain station, The Diplomat 39 (160 units) near Phrom Phong station, and Nimit Langsuan (187 units) near Chit Lom station. Of these, Four Seasons Private Residence is the only project that offers units for sale on a leasehold basis.

All of these projects are in the ultra-luxury segment with prices above Bt250,000 per square metre. While the average reported sales rate of the four projects as at the end of March was 46.2 per cent, The Diplomat 39 and Nimit Langsuan reported strong sales rates of 70 and 80 per cent respectively.

JLL managing director Suphin Mechuchep said selling prices of luxury condominiums in Bangkok, particularly in key central business areas with easy access to the BTS Skytrain or MRT, had continued to grow and would grow further, mainly because of rising development costs.

While construction costs have stayed relatively stable thanks to lower oil prices that have allowed for a reduction in costs of certain construction materials, rising land cost has now become a significant part of the development costs in prime locations.

"Generally, land cost represents 15 per cent of the total development cost of a condominium project," she said. "Nowadays it accounts for 25 per cent for a condominium development in prime locations.

"With growing scarcity of prime land for new development, selling prices in future luxury condominium projects are likely to rise further. For this reason, there remain a lot of people who want to buy luxury condominiums in prime locations with a hope for a capital gain in a long term. Having said that, there are more and more questions about to what limit buyers would remain willing to accept the rising prices."

Bunthoon Damrongrak, head of residential sales and leasing at JLL, said demand for luxury condominiums had continued, as reflected by strong sales rates in a number of newly launched projects. However, higher selling prices in these projects are encouraging more buyers to look for more affordable units in older buildings.

Recent condominium sales transactions concluded by JLL show units in older buildings are typically 20-30 per cent cheaper than those in newly launched projects in the same area.

"We have received more inquiries from buyers looking for units in older buildings," he said. "Most of them are looking to purchase used or backlogged units for their own use. Some of them are also buying used units to put them up for rent.

"However, as newer buildings attract tenants better, purchases of used units in older buildings as an investment are limited to buildings that occupy an exceptionally prime location, preferably with easy access to a BTS station where leasing demand is strong.

"Whether it be for own use or as an investment, buyers tend to choose units in buildings that are well managed and maintained to look like new," he said.