# Press Release

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# Thailand Property Outlook for 2006

**By Mr.Phanom Kanjanathiemthao,**

**Managing Director,**
**Knight Frank Chartered (Thailand) Co., Ltd.**

The year 2005 has been a "re-adjustment year" for real estate development in Thailand. The Bangkok residential market has recorded a reduction of residential development activity following from the robust growth experienced during the past few years. However, the diminishing demand did not hurt the property development sector as much as anticipated due to the supply factors immediately adjusting itself at the same time.

The Bangkok downtown condominium market has significantly slowed down in terms of both supply and demand. Only new high-end developments and low priced condominium projects have been launched over the recent years. The low priced condominium market that are targeted near to the MRT and BTS rapid mass transit lines have proven to be more popular for developers. This trend has been greatly influenced by the recent few successfully launched developments.

The "second home" resort-type development has now become a choice development for the property developer. Hua Hin, Pattaya and Samui which were not affected by the Tsunami became a new magnet for new developments. Both Thai and foreigner investors are the popularly targeted potential buyers for these up and coming "hot" resort areas.

## Outlook for Year 2006

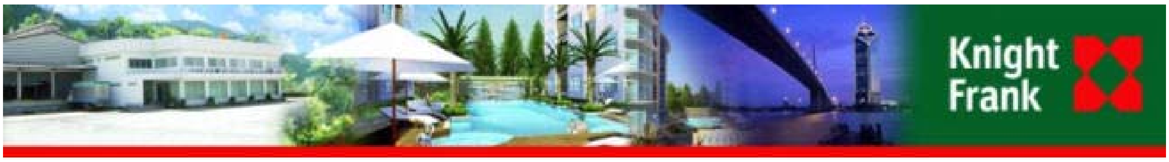
The residential market, in our opinion, will remain more or less the same as the previous year. The Bangkok CBD condominium market is still generally a saleable market but this will mainly be focused only on quality products in good locations as the market is now more sophisticated and investors becoming more savvy.

However, these prime location developments only target the high end condominium market. Opportunities however, are still ample for the low to medium end market particularly for condominium projects located along the MRT and BTS lines. More MRT extension projects planned recently by the government will support more of this product development type in the near future.

Resort home developments in Hua Hin, Pattaya earmarked for both the Thai and expatriate market offer a lot of opportunity for property players. This is despite the fact that a number of projects have already been launched over the recent years. From Knight Frank Thailand's research, the rate of sales or take up rates in this market segment have shown good results with the developer's pricing seemingly very competitive. For this kind of development, it is necessary for the developer to understand the basic requirement of the potential buyer. The development itself must be able to provide the resort style and concept as required by current market forces. Simply said, they have to make sure the buyer will feel relaxed in an environment which will induce them to want to stay in the resort home at all times. On the other hand the developer needs to develop a differentiation of the product concept. The foreign buyer may also require top quality management from an international property consultant firm which can offer international class property management, unit management (to manage owner's individual units) and rental management to ensure their investment provide a good return and maintain its property yield.

Apart from Hua Hin and Pattaya, Samui island is now one of the most popular resort destinations and has lately become more international in terms of a tourist spot on the east coast of Thailand. After the Tsunami adversely affected the west coast of the country, Samui's property development had improved greatly as aresult. On the flip side, rapidly increasing speculative land prices may jeopardise the potential developments on the island. The key issue may also be the lack of good beach front properties available for sale. Generally, Samui's property market is mainly targeted on the overseas market and not so much on the local Thai market. Both "life style" and investment product types which sorely need good management support by well known international property consulting firms have also become another key issue on future developments on this 'hot' island. It is essential that the developer must fully understand the needs and requirement of this special group of buyers/investors. Having an excellent marketing channel or network especially regionally and globally is another main key factor for the developer to consider.

**In summary**, resort type property developments in Hua Hin, Pattaya and Samui will continue to enjoy robust growth and also create a lot of new opportunities for the coming year for both developer and investor alike.




# Office Market 2006 commentary

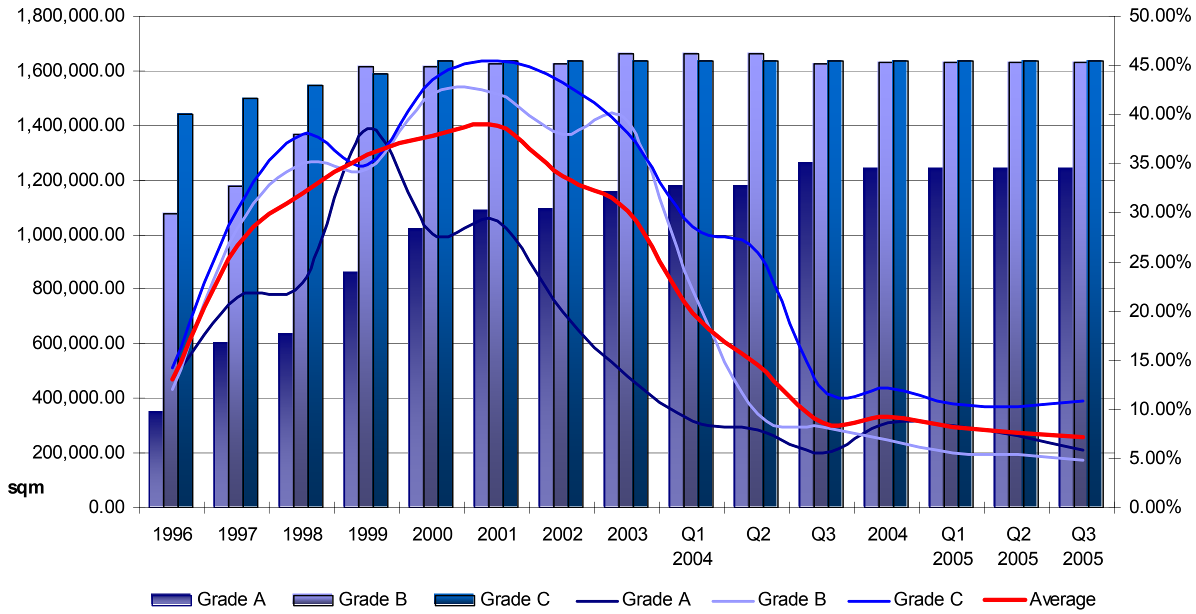
**By Mr. Marcus Burtenshaw,**
**Director and head of Agency,**
**Knight Frank Chartered (Thailand) Co., Ltd.**

2005 saw rental rates recover to pre-crisis levels in Baht terms, with unverified reports of 100 sqm tenants paying rents in grade A properties at all time record highs of Baht 850 per square meter. Whereas larger tenants are finding it increasingly difficult to secure their ideal space because vacancy levels have dropped below 6% in the Grade A market as only a few new properties came on stream during the year.

## Demand outstripping supply

Total supply of office space in Bangkok currently equates to 4.5 million square meters this is forecasted to grow by less than 5% over the next two-three years, with the projected development pipeline of approximately 250,000 sqm including such projects as "Q-House Lumpini" on Rama IV Road in the first quarter next year (which reportedly already has pre commitments for 40% of its 55,000 sqm), Exchange Tower 36,000 sqm, Supalai Grand Tower on Rama III 45,000 sqm, and CU Hitec (90,000 sqm) which is due in 2007/8.

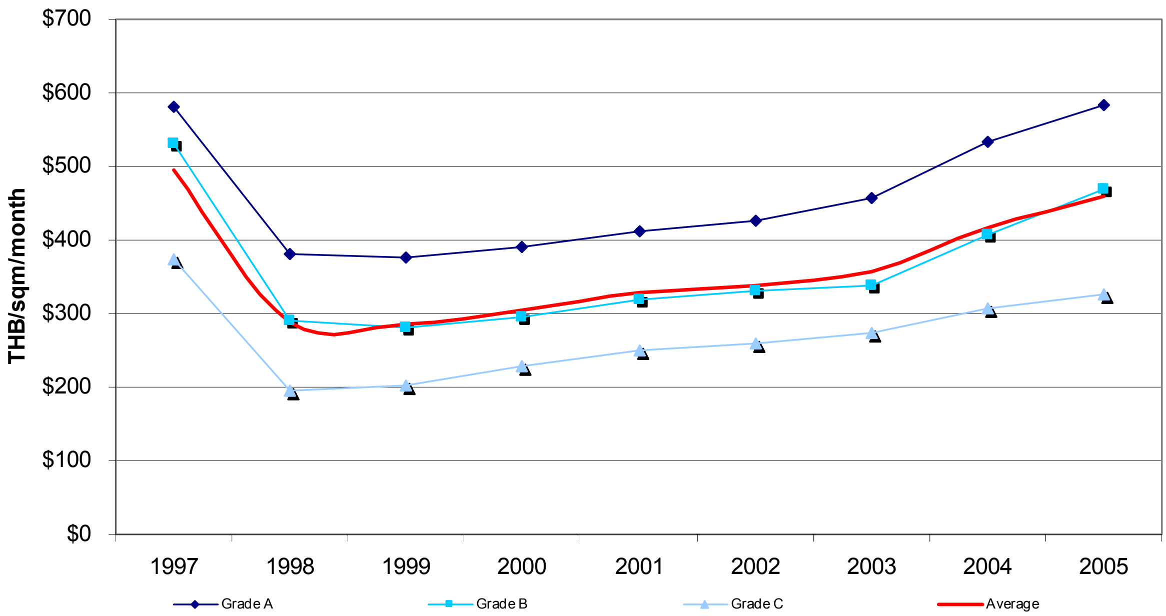
If we assume that the recent levels of demand that we have witnessed continue (which has been 300,000 sqm per year) we can deduce that continued rental growth of 15% per annum is likely as demand for office space does not seem to have been affected despite recent events such as violence in the south, unstable oil prices, droughts and worries over Avian flu virus.

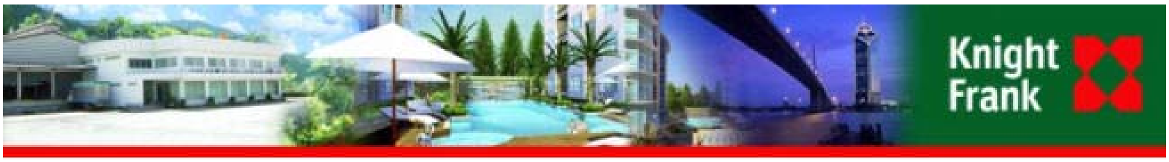



Source: Knight Frank Thailand Research

The deficit in the supply of space has begun to impact on occupier's relocation decision-making processes. Many tenants faced with higher rents and limited relocation options must now reassess their selection criteria if they are to meet planned business expansion, increasingly this is leading companies to consider lower grade office buildings.

## Rental growth accelerating






Office rents in Bangkok have been on a steady incline since 1998; however with demand now outstripping supply rental growth is accelerating, especially in the Grade B sector as tenants have been making a flight to properties representing good value for money, however as these properties too have gradually filled up they have been able to raise rents considerably.

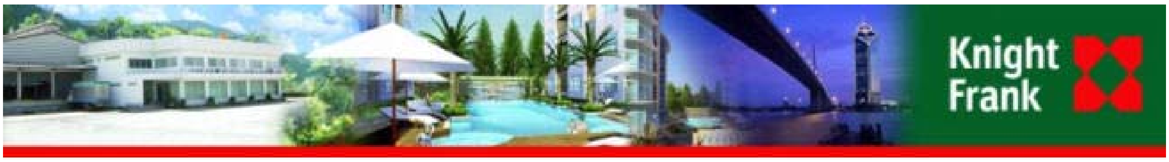
Grade A = Bt 583 / sqm / month Q2- Q3 2005 Up 16.43 % Year on year Q3 04/05
Grade B = Bt 468 / sqm / month Q2- Q3 2005 Up 19.96 % Year on year Q3 04/05
Grade C = Bt 327 / sqm / month Q2- Q3 2005 Up 8.64 % Year on year Q3 04/05

## Suspended projects coming back to life

This shortfall in supply stems from the fact that the potential rewards of investing into a brand new commercial project have not been worth the risks associated with a new development. This is because even as rents have risen dramatically on the one hand, and so have development costs and land values on the other.
This goes some way to explain why much of the new space that entered the market last year or indeed are due to come on stream over the next few years, are projects that were postponed during the crisis period. For example ‘Q House Lumpini’, ‘The Pornpat Center’, ‘The Column’, and ‘Central World Tower’, with only one brand new property for lease to the public being built in 2005, Fenix Tower on Sukhumvit 31.

## Outlook

The office market in 2006 is likely to see more of the same, much higher rents (we expect at least 15% growth) and even fewer relocation options. Whilst supply remains tight large tenants should start planning 3 years ahead to ensure that their future accommodation needs can be met.




# Phuke Market Commentary for 2006

**By Mr.Stephen O'Brien**

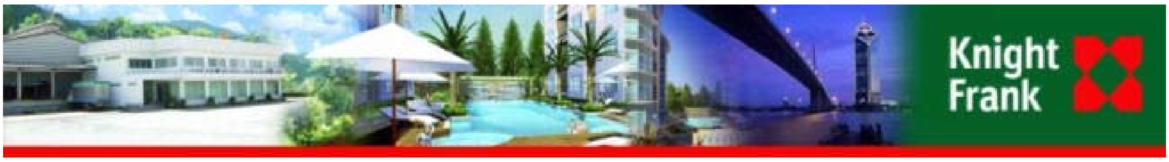
**Managing Director of Knight Frank Phuket Co., Ltd.**

We see continual sustained growth in the Phuket Property Market, driven largely by those seeking to acquire lifestyle properties. Our 2006 outlook for the investment market is that it will remain rather subdued until there has been a full rebound in tourist's arrivals. According to the latest Airports arrivals figures, the number of international arrivals into Phuket has been down 38% year on year, with Domestic arrivals down by only 22%. Aircraft movements were down by 41% compared to last year, however with more direct flights scheduled from key European cities, we expect that by the 3rd Qrt of 2006, that tourist numbers will be back to pre-Tsunami levels.

The Tsunami had overall very little impact on the property sector. According to our research, there was only a 31% drop in transactions across the board. Prices since the Tsunami have risen on average by 7% and most projects have reported an increase in sales in the past 3 months. Developments that offer strong and experienced property management services, creditable developers with a track record, realistic pricing and superb built quality will continue to perform well.

We are of the view that there is a oversupply of apartments in the market and that there is a enough committed and existing supply (based on current take up) for the next 4.5 years. The villa market will continue to meet supply and demand ratio because as a villa plot is sold, building commences.

Expatriate Hong Kong buyers will continue to dominate the market, however we are seeing more United Kingdom and main land European buyers enter the market looking for lifestyle properties in the Baht 20 million – 40 million category. Singapore will remain for the time being our second biggest market, however




as the strength of the Euro and Pound Sterling rise against the Thai Baht, we may see the European market emerge as our second biggest market for Phuket property in the next 3 - 5 years.

Overall, we are confident that the market will continue to perform well and strengthen by the 3rd Qrt of 2006.

For further information, please contact Knight Frank's Senior Public Relations Officer

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