Construction Demand in South East Asia

“The Opportunity in Thailand after political turmoil”

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1. Thailand in Transition
2. Real Estate Market
3. Construction Sector
4. Post Coup Opportunities
5. AEC & Challenges
1. Thailand in Transition
Internal Conflicts

2006 Thai coup d'état
Thailand’s Moving On

2014 Thai coup d’état
Recent Development in Thailand Politics

**Parliament dissolution**
- 9 Dec 13

**Coup**
- 22 May 14

**Constitution court found Caretaker Yingluck Guilty and removed her from position**
- 7 May 2014

**Anti-government Protesting started**
- 4Q13

**Bangkok Shutdown**
- Protesting campaign from anti-government
- 13 Jan - 28 Feb 2014

**Martial Law**
- 20 May 14

**Appointed government under martial law**

**General Election**
- (At least 1 year after coup)

**Parliament dissolution**
- 9 Dec 13

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Thailand’s GDP Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth Rate (Y-O-Y Growth)</th>
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<tbody>
<tr>
<td>1996</td>
<td>5.9%</td>
</tr>
<tr>
<td>1997</td>
<td>-0.5%</td>
</tr>
<tr>
<td>1998</td>
<td>4.5%</td>
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<tr>
<td>1999</td>
<td>4.8%</td>
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<tr>
<td>2000</td>
<td>2.2%</td>
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<tr>
<td>2001</td>
<td>5.3%</td>
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<tr>
<td>2002</td>
<td>7.1%</td>
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<td>2014</td>
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</tbody>
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Events:
- Asian financial crisis
- Lehman collapse effect
- Flood Crisis
- Coup
- General election (PM: Yingluck)
- Red shirt crack down
- Anti-government protest start and parliament dissolution
- Airport seized

Source: Bank of Thailand
2. Real Estate Market
Bangkok and its Vicinity: Residential Properties Sold in 2007-2013

Note: Sold units of Bangkok and vicinity area include all residential units and all segments.

Remark: Data is available since 1H2007

Source: Agency for Real Estate Affair
• Political turmoil did not reduce Bangkok’ land price.

Source: Agency For Real Estate Affairs
Remark: Base year is 1985 equal 1
Bangkok House & Condo Price Index

Source: Real Estate Information Center
Market Confidence: Sold Out Projects

Project: EDGE Sukhumvit 23

Developer: Sansiri
Location: Sukhumvit 23 (150 m to subway station)
Area: 0.99 Acre
No. of Floors: 35 storey
Total Units: 443 units
Units size:
- 1 bedroom 29.5 – 43 sq.m
- 2 bedroom 60 – 69.5 sq.m
Price: average at 6,850 SGD per sq.
Launched: Feb 2013
Sold out: Dec 2013

Remark: exchange rate S$1=26.25Baht
3. Construction Sector
Thailand’s Total Construction Area

Construction Area by Yearly Issued Permits

- Construction area (sqm)

Source: Ministry of Information and Communication Technology
Cement Demand in Thailand

Sales of cement in Thailand ('000 tons) vs % Growth (YoY)

Source: Bank of Thailand

Remark: *Data of 2014 is up to April 2014.
Thailand Construction Material Price Index

Base Year is 2005 of which Index = 100

Source: Real Estate Information Center
Construction Prices in Bangkok

Source: Thai Appraisal Association
Since the Asian financial crisis, employment has grown steadily despite of political crisis and other disasters/problems.

Thailand has recorded low unemployment rate at 0.7% in 2013.

Despite of a population of 65M, Thailand also has to rely on construction workers from Myanmar, Laos, and Cambodia.

Remark: *Data of 2014 is up to March 2014. No. of employment is Thai citizen only. Source: Bank of Thailand
4. Post Coup Opportunities
Thailand’s Post Coup Economy

5 Urgent Policies from the National Council for Peace and Order (NCPO)

1. Solve rice pledging scheme problem and pay 92,000 million baht (S$ 3,680 million) to farmers
2. Rush the procedure of industrial factory permit
3. 2014 budget disbursement within fiscal 2014 year (Oct 1, 2013 to Sept 30, 2014)
5. Investment in infrastructure such as dual rail and mass transits in Bangkok and vicinity area

According to NCPO’s policy, Thailand economy will not be held steady but will continue to grow
NCPO’s intention to boost Thailand’s economy including

- Extend 7% rate of value-added tax (VAT) which will expire at the end of September 2014 to September 2015
- Extend the temporary reduction in corporate income tax to the current rate of 20% from 30% which will expire at the end of 2014 to the end of 2015.
- Improve cost of living by maintaining some consuming product price
- Established Board of Investment to rush the approval of investment permits

- Purposes of NCPO are not only to harmonize the nation but also to boost economy since the economy slowed down in past 7 months due to politics.
NCPO is re-considering the Thailand connectivity plan to boost infrastructure investment.

Economy in provincial areas along the connectivity will improve.
5. AEC & Challenges
• AEC will come into effect at the end of 2015, professions such as engineers, surveyors and architects will be able to move into Thailand market.

• Workforce and certain services will be able to move freely to work in Thailand and hence will help to improve shortage in labour.
Challenges faced by Local Construction Industry and Foreign Cos entering Thai Market

• Construction companies face shortage in labours and needs to rely on foreign labours.

• Developers and builders find solutions to overcome labour shortage by adopting technologies such as prefabrication.

• Present Thai Foreign Business Act requires companies to maintain majority Thai share holding. Hence, need to find reliable Thai partners to operate.

• Construction industry is dominated by local Thai companies which have strong local knowledge and connections.
Conclusion

- Thailand does not yet have a property bubble.
- Land/house prices and construction cost remain stable despite political turmoil. Construction cost will increase due to inflation and labour shortage.
- The expected infrastructure investment in new rail networks throughout Thailand will spur on economy in provincial areas.
- More opportunities for business/investment in Thailand in the medium term.
- Foreign players entering the construction industry in Thailand should explore and seize the opportunity of growth but need to consider local partnership.
Keppel Thai Properties Public Company Limited (KTP), a listed real estate developer in Thailand, is a subsidiary of Keppel Land Ltd, the property arm of Keppel Corporation Ltd, one of Singapore's largest multinational conglomerates with core businesses in offshore and marine, infrastructure as well as property. KTP is committed to create living environment of enduring values for the community in Thailand.
Thank You