

# Thailand Property

## Proposed amendment to Thai real estate laws to draw foreign demand

- The cabinet ordered the Ministry of Interior to conduct a feasibility study of an overhaul to the current real estate laws, particularly an amendment to extend the land lease period from 30 to 99 years and to increase foreign ownership of condos from 49% to 75%.
- A short-term bullish sentiment for developers with a substantial condo portfolio, particularly in prime areas such as AP and SIRI.
- However, it remains largely uncertain. Also, the amendment requires a nod from the parliament and several parties involved.

### State to conduct a study to amend real estate laws to increase the land lease period to 99 years and foreign ownership of condos to 75%

The cabinet ordered the Ministry of Interior to conduct a feasibility study of economic stimuli through the real estate sector following its resolution on Jun 18. They include 1) an amendment to the Rights over leasehold asset act to extend the land lease period from no more than 30 to 99 years (the first contract for 50 years and renewable for no more than 50 years) and 2) an amendment to the Condominium Act to increase foreign ownership from no more than 49% to 75%.

### Higher foreign ownership would only benefit some projects

We estimate that a long-term land lease in the first amendment would apply only to some locations, particularly condos in tourist destinations such as Pattaya and Phuket. Foreign buyers usually sign a long-term lease contract of 30 years with two renewals of 30 years each for 90 years. Although it is close to the proposed amendment of 99 years, it should help strengthen the confidence of foreigners wishing to buy their second residential units. Although the second proposed amendment to increase foreign ownership from 49% to 75% should have more impact, foreign ownership accounted for only 10% during 2019-2023 and 17% in 1Q24, according to REIC. It reflected the condo market that foreign ownership was still lower than the current quota of 49%. In this regard, locations and prices directly correlated with their buying decision. Their demand was mainly in Chonburi, followed by Bangkok, Chiang Mai, Phuket, and Samut Prakan, while prices were chiefly under THB5m.

### Condo developers would benefit, but there is a long road ahead

If materialized, it would expand selling channels and help clear condo inventories. Hence, we expect developers with a substantial condo portfolio to benefit. In particular, it would be a boon for AP, SIRI, ORI, and NOBLE since they have projects in popular locations for foreign buyers. Also, it would help ASW since it has a portfolio in Phuket. However, it remains largely uncertain. Also, the amendment requires a nod from the parliament and several parties involved, which would take at least one year. Also, our findings showed that current foreign ownership of condos accounted for only 10-20% of each project. Only some in prime areas, such as Sukhumvit and Ratchada in Bangkok, and popular tourist destinations have 30-40%, meaning there is ample foreign quota left.

### Recommend Selective Buy with AP and SIRI as top picks

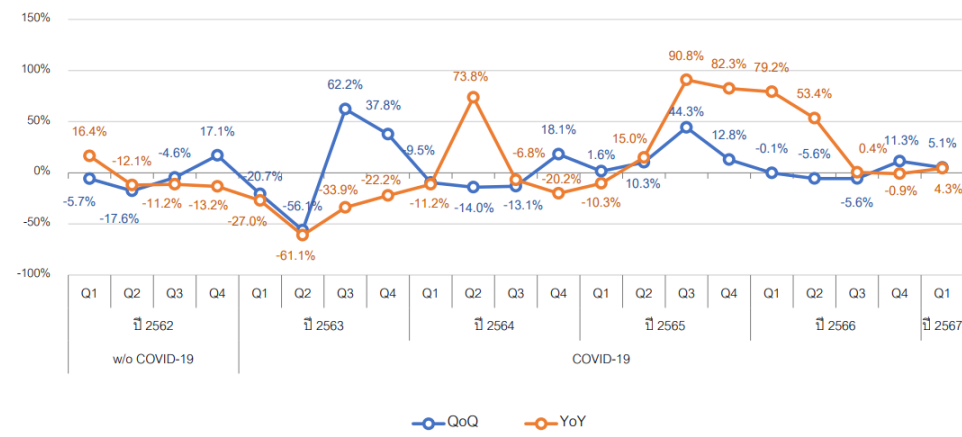
We expect the property sector to see a short-term bullish sentiment from such news. However, the 2Q24 recovery remains slow, pressured by long holidays, high low-rise supply, weak purchasing power, and strict credit underwriting. We select top beneficiaries with solid fundamentals, such as AP (BUY; TP THB13.20) and SIRI (BUY; TP THB1.90), as our top picks, supported by their condos with foreign ownership of over 30% at 11% and 17% of the total, respectively, and expected robust 2Q24 presales growth on a q-q and y-y basis.



**Thanyatorn Songwutti**

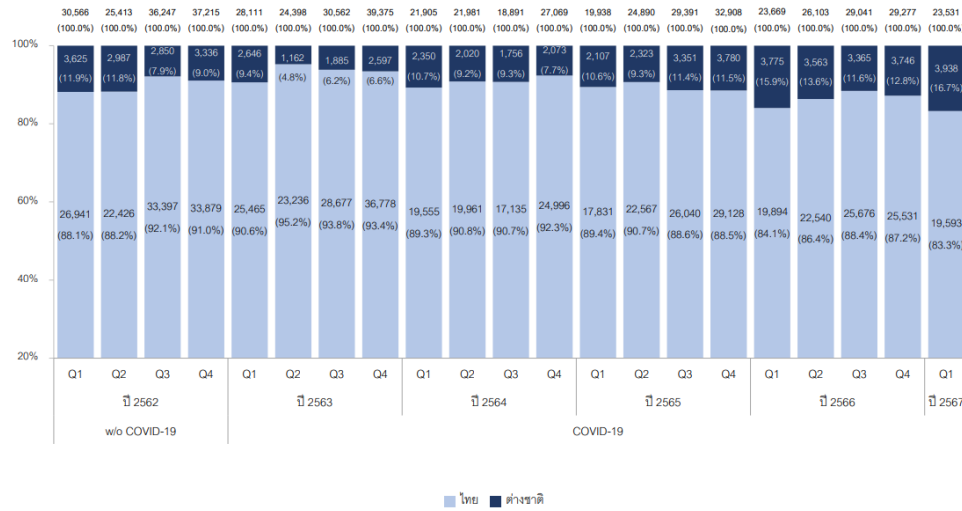
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Exhibit 1: Foreign ownership: unit growth



Source: REIC

Exhibit 2: Foreign ownership: % in units



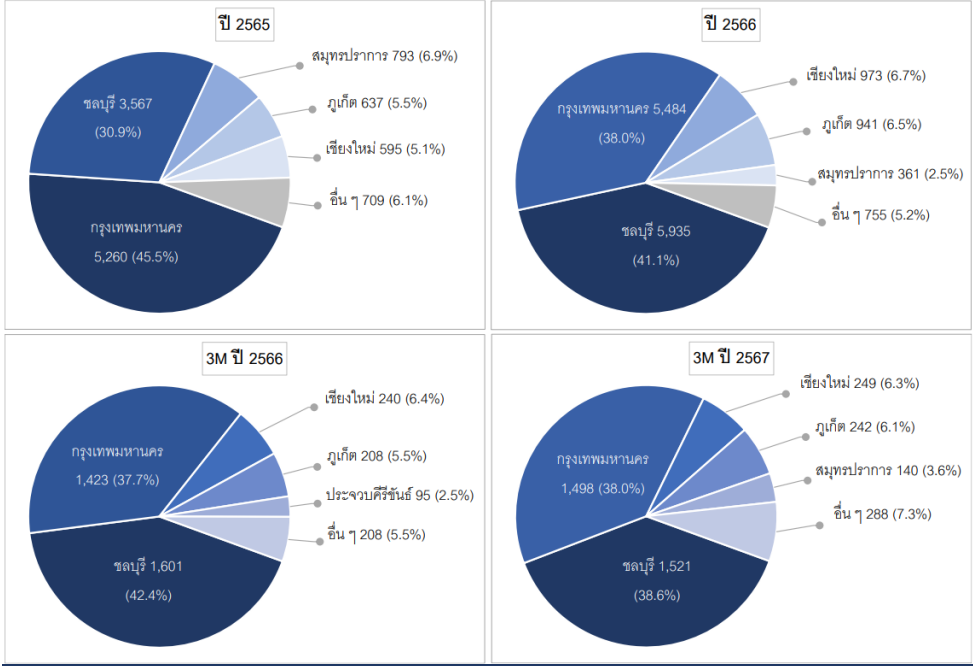
Source: REIC

Exhibit 3: Foreign ownership by nationality

ลำดับ	สัญชาติ	หน่วย	มูลค่า (ล้านบาท)	พื้นที่ (ตร.ม.)	มูลค่าเฉลี่ยต่อหน่วย (ล้านบาท)	พื้นที่เฉลี่ยต่อหน่วย (ตร.ม.)
1	จีน	1,596	7,570	63,162	4.7	39.6
2	พม่า	392	2,207	17,203	5.6	43.9
3	รัสเซีย	295	924	11,559	3.1	39.2
4	สหรัฐอเมริกา	164	919	9,897	5.6	60.3
5	เยอรมัน	151	485	6,603	3.2	43.7
6	ไต้หวัน	143	680	4,915	4.8	34.4
7	ฝรั่งเศส	129	550	6,436	4.3	49.9
8	สหราชอาณาจักร	108	373	5,330	3.4	49.4
9	ออสเตรเลีย	83	285	4,200	3.4	50.6
10	สิงคโปร์	57	335	2,780	5.9	48.8
	อื่นๆ	820	3,687	40,921	4.5	49.9
		3,938	18,013	173,007	4.6	43.9

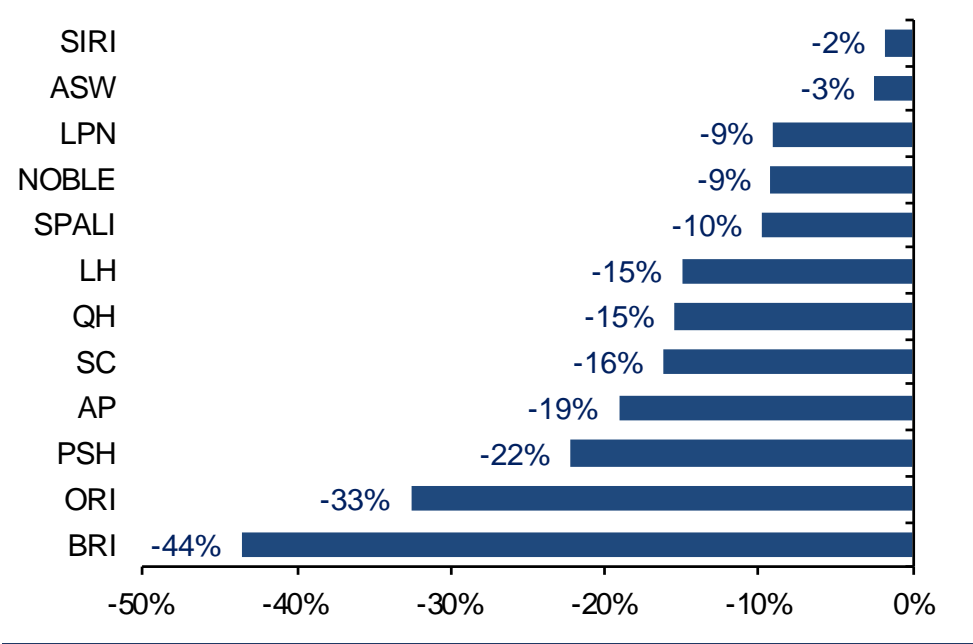
Source: REIC

Exhibit 4: Foreign ownership by province



Source: REIC

Exhibit 5: 2 Month Sector performances



Sources: SETSMART; FSSIA's compilation

Exhibit 6: Peer comparisons as of 21 June 2024

Company	BBG	Rec	Rec profit growth		----- PE -----		----- DivYld -----		----- ROE -----		----- PBV -----		PE
			24E	25E	24E	25E	24E	25E	24E	25E	24E	25E	5Y-avg
			(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)	(x)
Thailand													
Assetwise	ASW TB	BUY	37.0	18.4	6.5	5.5	6.7	7.2	16.2	17.4	1.0	0.9	8.5
Noble Development	NOBLE TB	REDUCE	3.9	11.7	6.8	6.1	9.0	9.9	10.3	11.1	0.7	0.7	10.9
SC Asset Corp	SC TB	HOLD	(13.6)	6.4	5.6	5.3	7.0	7.4	9.1	9.1	0.5	0.5	6.0
Supalai	SPALI TB	HOLD	3.1	0.3	5.8	5.8	7.7	7.8	11.8	11.1	0.7	0.6	6.7
Sansiri	SIRI TB	BUY	(3.5)	(0.2)	5.9	5.9	9.0	9.1	9.9	9.3	0.6	0.5	6.7
AP Thailand	AP TB	BUY	2.0	2.7	4.2	4.1	8.5	8.8	14.4	13.5	0.6	0.5	5.4
Britania	BRI TB	HOLD	(45.1)	18.0	6.6	5.6	8.9	8.9	11.0	12.2	0.7	0.7	9.0
Origin Property	ORI TB	HOLD	(23.2)	19.2	8.2	6.9	6.7	8.0	7.4	8.4	0.6	0.6	9.8
Land & Houses	LH TB	n/a	(7)	10	10.5	9.5	8.0	8.8	13.3	14.2	1.4	1.3	13.4
LPN Development	LPN TB	n/a	7	15	12.4	11.1	4.3	4.9	3.2	3.5	0.4	0.4	13.1
Pruksa Holding	PSH TB	n/a	(27)	14	12.1	10.7	7.3	8.4	3.8	4.4	0.5	0.5	10.1
Quality Houses	QH TB	n/a	(3)	9	8.5	7.6	8.0	8.7	8.4	8.8	0.7	0.6	11.1
Average			(5)	6	7.8	7.0	7.6	8.2	9.9	10.2	0.7	0.6	9.2

Sources: Bloomberg; FSSIA estimates

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

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#### Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Assetwise	ASW TB	THB 7.80	BUY	Downside risks to our P/E-based TP include 1) slower backlog realization than planned and a delay in new condo transfers, 2) lower new project launches than planned, 3) a lower-than-expected take-up rate of new projects, 4) a slowdown in the economy and purchasing power, 5) a construction delay and fierce competition, and 6) a higher rejection and cancellation rate.
Noble Development	NOBLE TB	THB 3.36	HOLD	Downside risks to our P/E-based TP include 1) weaker-than-expected purchasing power; 2) cancellation of presales; 3) bank loan rejections; 4) delays in construction work and transfers; and 5) fierce competition. An upside risk would be 1) a stronger-than-expected presales; and 2) a sooner-than-expected overseas buyer recovery; and 3) selling other projects to investors so that it might book extra gains from sales.
SC Asset Corporation	SC TB	THB 2.90	HOLD	Downside risks to our P/E-based TP include 1) a weaker-than-expected take-up rate, 2) sluggish economy and purchasing power, 3) higher rejection and cancellation rates, 4) construction delays and labor shortages, and 5) fierce competition.
Supalai	SPALI TB	THB 18.40	HOLD	Downside risks to our P/E TP include 1) a more sluggish economy and property market than expected, 2) a lower-than-expected take-up rate and slower introduction of new projects than planned, 3) the interest rate uptrend, which would affect purchasing power, 4) a higher rejection rate and customers' cancellation, 5) construction delay and labor shortages, 6) fierce competition, and 7) weaker operating performance from the Australian projects than expected.
Sansiri	SIRI TB	THB 1.62	BUY	Downside risks to our P/E-based TP include 1) lower-than-expected take-up rates of new launches; 2) a slowdown in the economy and purchasing power, 3) fierce competition, 4) a higher loan rejection rate and customer cancellation, 5) a construction delay and labor shortages, and 6) a higher D/E ratio than property peers.
AP (Thailand)	AP TB	THB 8.25	BUY	Downside risks to our P/E-based TP include 1) a higher-than-expected slowdown in the low-rise market; 2) lower-than-expected new launches and take-up rates; 3) a slow economic recovery; 4) an impact from the interest rate uptrend on purchasing power; 5) a higher rejection rate and customer cancellation; 6) construction delay and labor shortages; and 7) fierce competition.
Britania	BRI TB	THB 4.72	HOLD	Downside risks to our P/E-based TP include 1) lower-than-expected presales and higher contraction in the low-rise market than expected, 2) lower or slower new launches than planned, 3) lower-than-expected JV projects, 4) an economic slowdown, lower purchasing power, and fierce competition, 5) higher rejection and cancellation rates, and 6) construction delay and labor shortages.
Origin Property	ORI TB	THB 4.80	HOLD	Downside risks to our SoTP-based TP include 1) a slower-than-expected economic recovery; 2) weaker-than-expected presales; 3) a high cancellation rate of presales and rejections from banks; 4) delays in construction and/or a labour shortage; 5) intense competition and an increase in raw material costs; and 6) lower-than-expected performance for its subsidiaries.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 21-Jun-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.