Property Sector –Neutral

News Update

Phannarai Tiyapittayarut | Email: Phannarai.von@thanachartsec.co.th

Property market recovered in 1H22

- **Property demand in BMR increased by 16% by value.**
- **Demand-supply situation improved.**
- **Easing inventory concern.**
- **Maintain Neutral.**

- According to Agency for Real Estate Affairs (AREA), residential property demand in Bangkok Metropolitan Region (Bangkok, Samut Prakarn, Samut Sakorn, Nonthaburi, Pathum Thani, Nakorn Pathom) had a strong growth in units sold by 49% y-y to 57,951 units (13% SDH, 23% TH, 58% CD, 6% others). By value, 1H22 demand increased by 16% to Bt248bn. SDH showed a remarkable growth of 123% y-y to Bt76bn. Condominiums also recovered by 29% y-y. TH demand declined by 42% y-y.

- By product, average price of SDH sold in 1H22 was up to Bt10.1m/unit (Bt6.0m/unit in 1H21) while average price of units sold for TH and condominiums fell significantly to Bt3.1m/unit for TH (Bt4.9m in 1H21) and Bt3.3m/unit for CD (Bt6.2m in 1H21). This reflected solid demand in high-end SDH.

- 1H22 demand exceeded new housing supplies by 4,627 units, or 9%. SDH had the best absorption rate. SDH take-up units of 7,509 units were 34% over new supplies. TH and CD demand quite matched with new supplies, demand was 5% higher than new supplies.

- Total housing inventory in BMR then reduced by 2% from end of 2021 to 206,783 units. If we annualize 1H22 demand, existing inventory will need 1.8 years to sell, lowering from 3.4 years in 2020 when inventory reached the peak level of 226,645 units in the first year of COVID hit. By product, TH would take the longest time to sell at 2.7 years, SDH at 2.0 years and CD the shortest at 1.3 years.

- We maintain Neutral stance on property sector. We see strong property demand this year is driven by government support, the reduction in transfer fee (from 2% normal rate) and mortgage registration fee (from 1% normal rate) to 0.01% for home priced not over Bt3m and LTV relaxation since October last year to 100%, and a gradual recovery in condominium demand after things are getting back to normal (back to schools/offices) as COVID fear subsided.

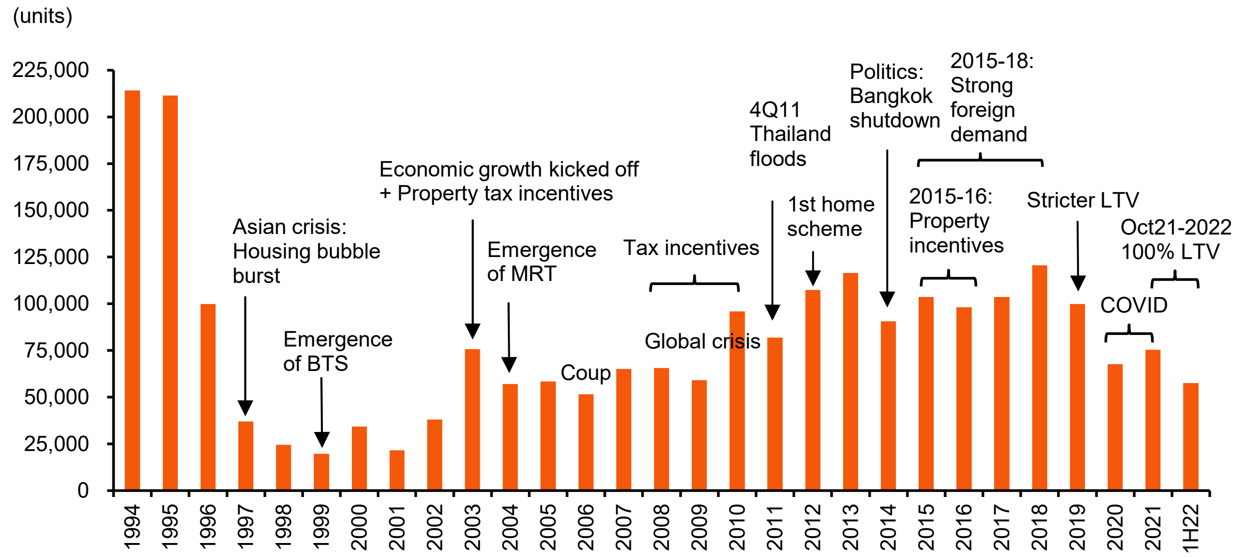
- We forecast 20% presales growth this year for seven developers we cover and organic growth from next year as low-rise housing demand has been strong and already surpassed pre-COVID level while we expect a few more years for condo demand to fully recover, unless there are more property stimulus to boost further demand. We have a BUY rating on AP and SPALI as both gain low-rise housing market share and LH as a strong earnings turnaround play of 22/15% in 2022-23F and a high dividend yield of 6.9/8.1% in both years.

Ex 1: Stock Rating And TP

	Rating	Price Current (Bt)	Price Target (Bt)
AP	BUY	10.20	13.50
LH	BUY	8.65	11.00
LPN	SELL	4.44	3.60
PSH	SELL	12.20	10.00
QH	HOLD	2.14	2.50
SIRI	SELL	1.00	0.88
SPALI	BUY	19.40	27.00

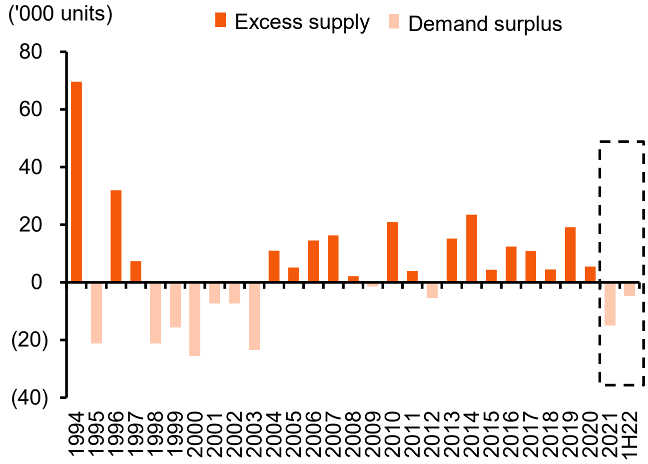
Source: Thanachart estimates

Ex 1: Housing Demand In BMR



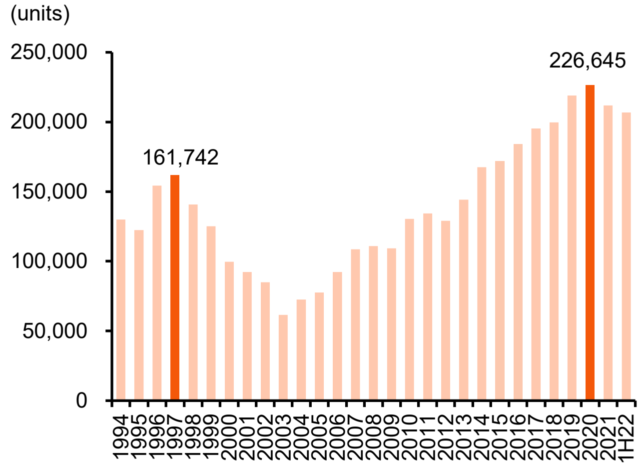
Sources: AREA, Thanachart

Ex 2: Demand VS Supply



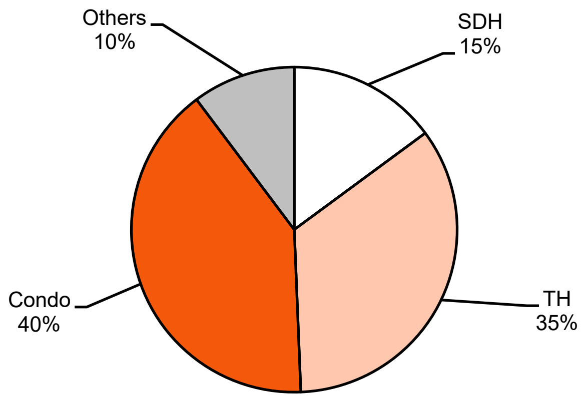
Source: AREA

Ex 3: Residential Property Inventory



Source: AREA

Ex 4: Inventory Breakdown



Source: AREA

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 63 Derivative Warrants which are ADVANC16C2210A, ADVANC16C2211A, AMAT16C2209A, AOT16C2209A, BANPU16C2210A, BCH16C2211A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2210A, CENTEL16C2209A, COM716C2208A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, EA16C2209A, EA16C2211A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2209A, GULF16C2210A, GUNK16C2209A, HANA16C2209A, HANA16C2211A, IVL16C2209A, IVL16C2211A, JMART16C2210A, JMART16C2211A, JMT16C2210A, JMT16C2211A, KBAN16C2208A, KBAN16C2209A, KBANK16C2211A, KCE16C2208A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2211A, MTC16C2209A, PTG16C2211A, PTG16C2209A, PTTE16C2209A, RBF16C2209A, RCL16C2208A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2211A, SCB16C2208A, SET5016C2209B, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, BANPU, BCH, BGRIM, BLA, CBG, CENTEL, COM7, CPALL, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PTG, PTTEP, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TIDLOR, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)