



by **Thongma Vijitponpan**

A Housing Market Leader Speaks

In the past 14 years, Preuksa Real Estate Plc (Preuksa) has quietly launched 48 successful housing projects and has become one of Thailand's largest developers.

It's single-detached "Passarn" and "Preuksa Village" brands have long dominated the country's middle and low income housing markets. The company has also successfully launched a middle-to-lower income condominium brand, City Ville.

On January 29, 2007, Thongma Vijitpongpan, Preuksa's President and CEO talked to the GH Bank Journal about middle and lower income housing trends in Bangkok and its surrounding provinces during 2007.

"We launched 4,600 homes in 2006 and we intend to be the number one real estate company in terms of revenue by 2010," he said.

Although conditions were not ideal in 2006, Thongma said Preuksa continued maintaining its market share during the year. Interest rate increases, persistently-high oil prices that affected construction materials costs, he said affected the affordability of homes.

"Purchasing power was reduced by between 10 to 15 percent in 2006," he said.

As a result, the housing industry, particularly for higher-end homes exceeding Bt3 million (\$US 85,714), Thongma said slowed down. "Homes priced at the Bt2 million (\$US 57,143) range however were still quite popular," he said.

Thongma predicted that the overall 2007 housing market would not be much different from 2006. "I think homes that are priced at Bt3 million (\$US 85,714) or less will still be in demand, but the demand for higher-priced homes will still be slow," he said.

The uncertain political environment in Thailand he predicted will also hinder housing demand. “Consumers still lack confidence,” he said.

However, if interest rates and oil prices fall sometime in 2007 and a new stable government is elected, Thongma predicted that the housing environment would improve. “An interest rate decrease of between one and two percent would really help the market,” he said.

Overall financial performance

Despite the uncertain economic environment, Thongma said that Preuksa’s overall revenues rose by 7.3 percent in 2006 to Bt8.151 billion (\$US 233 million). He said the company was developing 23,927 homes in 39 housing projects, valued at Bt33.222 billion (\$US 949 million). “Of these houses, we have sold 14,985 units at about Bt18.9 billion (\$US 540 million),” he said.

As for the balance of 2007, Thongma said Preuksa plans to launch 24 new projects. “We have acquired land for 13 of these projects that will be launched in the first half of 2007 and we are in the process of purchasing land for 11 additional projects that will be launched in the second half of 2007,” he said.

Middle and low income market focus

Thongma said that Preuksa is constantly developing homes for new specifically-focused product groups. “Our housing products are categorized by location, pricing and brand,” he said.

a. Outer-ring road - Bangkok

On Bangkok’s outer-ring road, Thongma said Preuksa sells two storey townhouses under the Baan Preuksa brand. These homes will sell for between Bt0.6 million (\$US 17,143) and one million baht. “Duplexes will sell for between Bt1 million (\$US 28,571) and Bt1.2 million (\$US 34,286),” he said.

In addition, the company will also sell two-storey single family homes under the Preuksa Village brand at Bt1.7 to 2.2 million baht (\$US 48,571 to \$US 62,857) and similar homes under the Passorn brand at between Bt2.4 million to Bt4 million (\$US 68,571 to \$US 114,286).

b. Populated Urban Areas

In populated urban areas, Thongma said that Preuksa will sell a range of housing products including City Ville Condominiums that sell for between Bt0.5 million to Bt0.7 million (\$US 14,286 to \$US 20,000) and two-storey Preuksa Ville town-houses at Bt0.9 million to Bt1.2 million (\$US 25,714 to \$US 34,286). Another group of similar townhouses are priced at between Bt1.2 million and Bt1.7 million (\$US 34,286 to \$US 48,571).

Thongma added that Preuksa Village single family homes are sold in the populated urban areas at between Bt2 million and Bt4 million (\$US 57,143 and \$US 114,286) depending on type and location.

c. Inner-city and sky-train area

Preuksa said that in 2007, Preuksa will begin developing inner-city and sky-train



adjacent condominiums that are priced between Bt1 million to Bt3 million (\$US 28,571 to \$US 85,714). “For 2007 we expect revenues of about Bt12 billion (\$US 343 million) from inner city condominiums,” he said.

Why enter the condominium market ?

According to Thongma, Preuksa chose to enter the condominium market in 2007 because it wanted to adhere to its overall strategy of providing affordable homes to middle and lower income consumers. “We have always been comfortable selling in the Bt1 million to Bt2 million (\$US 28,571 to \$US 57,143) range because we know that it’s a huge market that really needs housing,” he said.

Electing to build in the inner-city alongside the sky-train development, Thongma said was a “no-brainer”. “We intend to launch two condo projects this year for middle market buyers,” he said.

The company, he said has recruited a new team of seasoned condominium developers to ensure success in this market segment. “We have done a lot of research and really feel that this is a burgeoning market with great potential,” he said.

Although condominiums will only constitute about 14 per cent of Preuksa’s overall developments in 2007, the company intends to launch several major new projects. “We will build 1,394 units on 10 rai in the Ratburana, with a sales value of Bt2.4 billion (\$US 686 million) and 416 units on Rachadapisek valued at Bt600 million (\$US 171 million) ,” he said.

Preuksa’s vision and management concepts

Thongma said that in 2007, Preuksa announced a new corporate vision “To be the country’s leader in real estate”. “We want all consumers to believe that our housing quality, price and services are reasonable and that all our product segments present tremendous value and consumers will always select our products first,” he said.

To attain its goals, Thongma said that Preuksa closely manages seven major strategic functions. These include supply chain management, cost leadership, corporate image, innovation, customer centric management, existing and new project management. “It maximizes the company’s operating efficiency, flexibility and creates benefits for all stakeholders,” he said.

The company’s strategic focuses

Preuksa has been successful in the past decade, Thongma said because it has concentrated on achieving each of its strategic focuses.

1. Target customers

Thongma said Preuksa has assiduously maintained its primary focus on serving Thailand’s middle and lower income consumers. “Our major products have traditionally been townhouses and single family homes but we began entering the condominium market this year because we realize that certain segments of that market are large and strong,” he said.

2. Site Selection - location, location, location

A successful housing developer, Thongma said must consistently select sights and locations that are suitable for specific market segments, where homes can be appropriately priced. “Convenient transportation access and proximity to work locations are critical factors,” he said.

He cited Board of Investment promoted townhouses that are priced between Bt600,000 and Bt800,000 (\$US 17,143 and \$US 22,857) as examples. These homes, he said should be in suburban areas and should not be more than three to six kilometers from main streets. “They also should not be more than 15 to 30 kilometers from Bangkok’s city center,” he said.

These homes should also be within four to five kilometers of nearby populated areas. Location for single family detached homes selling for Bt2 million to Bt3 million (\$US 57,142 to \$US 85,714) have similar requirements, he said.

However, successful projects that sell for Bt3 million and higher should be closer to Bangkok. “They must be nearer the center of Bangkok, in a good environment and must not be more than six kilometers from a main street and not be more than one of two kilometers into a soi (small street).

Any successful developer, Thongma said must extensively research customer supply and demand. “We have to be certain that customers want to buy homes in the specific locations we decide to build on,” he said.

3. Construction technology

At Preuksa, Thongma said everyone realizes the importance of implementing technology so that projects can be completed more quickly and at lower costs. “We realized it’s difficult to manage costs when traditional construction methods that use manual labor and local craftsmen are used,” he said.

Consequently, Preuksa uses PS Precast, a quality housing construction technology that has been imported from Germany. “Our precast concrete factory is the most up-to-date in Thailand and is as modern as any factory in Europe,” he said.

Preuksa’s PS Precast technology, Thongma said can be used to build single family homes or townhouses efficiently. “This state of the art technology allows us to control quality standards, reduce construction and costs,” he said.

Townhouses built with this technology, Thongma said require only three months while normal construction methods in Thailand would require six to 12 months to complete. “However, any technology must be well-managed if it is to be successfully implemented,” he said.

4. Construction Management

Thongma said that Preuksa has a very strong and experienced core management team. “Our team plans each project, from site assembly to architectural details,” he said.

Specific functions such as foundations, concrete, tiling and roofing among others are handled by in-house experts. “All our work is supervised by our own engineers and construction supervisors,” he said.



Procurement, Thongma said is also a critical function that is handled carefully in-house. “It’s a key success element,” he said.

5. Financial Management

According to Thongma, Preuksa has always been fairly liquid because the company doesn’t land-bank. “We usually purchase land as we enter each project,” he said.

Each year the company, he said purchases about 600 to 800 rai that is immediately used for up-coming projects. “Our efficient technology helps us with our liquidity,” he said.

The company, Thongma said receives project loan-financing from Bangkok Bank, K-Bank and Bank of Ayudhaya. “More than 50 percent of our customers receive their loans from GH Bank,” he said.

6. Marketing and Sales

Thongma said that Preuksa works extensively with advertising agencies to develop advertising and communications strategies. “Our strategy includes clearly segmenting target customer groups,” he said.

A different strategy, he said is developed for each customer group. “We use different agencies and we appoint one for each specific target group,” he said.

For instance, FCB Worldwide, he said develops advertising and communications strategies for Preuksa projects, while Creative Juice G1 handles Passorn projects and Y&R handles the Connect projects. “We use Integrated Communications for corporate communications and PR,” he said.

The company also does an extensive amount of market research. “We outsource the gathering of housing demand and supply data that is used by our research department,” he said.

Thongma said that the company outsources research on customer behavior, lifestyles and needs on a project-by-project basis. The company, he said wants to know how many bedrooms and bathrooms, a customer purchasing a Bt2 million to Bt3 million (\$US 57,142 to \$US 85,714) house would need. “We also would like to know how many require downstairs bedrooms for older relatives,” he said.

With Thai lifestyles quickly changing, Thongma said that timely research is critical to stay ahead of the curve. “For instance, we may want to know what type of home households with no-children need,” he said.

7. Importance of professional managers

A critical part of Preuksa’s success, Thongma said has been realizing the company’s sustainable growth is dependent on the successful employment of professional managers. “We learned early that we needed professional specialists for each market segment we entered,” she said.

During the past decade, Preuksa gradually expanded its operations into different market segments - from single family homes to townhouses and high and low-rise condominiums. “Some of our managers were nurtured internally and came up through the ranks but in many cases we had to bring in top-flight managers to fill the gaps,” he said.

8. Business process improvements and workforce management

Preuksa has used IBM Thailand to build its core IT management system for construction, sales, marketing, servicing and personnel management. “We are relying on the core IT system to serve our business expansion needs, to increase our competitiveness and to help us reduce costs,” he said.

9. Subsidiaries and outsourced services

Preuksa, Thongma said has three operating subsidiaries including one that does interiors. “We use outsourced services for market research, architectural work, business process improvement (IBM) and for after-sale services.

10. After sales services

Thongma said word-of-mouth appreciation for the company’s products and services has been critical for its long-term success. “We want satisfied customers recommending Preuksa to their family and friends,” he said.

The company manages most projects up-until all homes are transferred to home-owners. A project’s long-term management needs for security, sanitation, utilities and infrastructure management, Thongma said are outsourced to reliable professional management companies.

“It’s important that good environments are continuously sustained,” he said.

11. Serving customers needs and satisfaction

Preuksa’s long-term success, Thongma said is also contingent on its ability to remain customer-centric and deliver promises to each and every market segment it chooses to service. “In terms of customer satisfaction, we focus on ten key factors he said: pricing, location, environment, facilities, housing quality and materials, service, after-sales service, style, variety of options and overall brand image,” he said.

According to Thongma, Preuksa realizes that each market’s needs must be individually addressed. “For instance, a customer purchasing a Bt700,000 townhouse is usually much more concerned about the price than someone buying a single family home,” he said.

A single family home purchaser in most cases will be much more concerned with design, quality and services. “It’s our job to provide products and services that satisfy our customers’ needs and we are very cognizant that each and every market segment is different,” he concluded.

