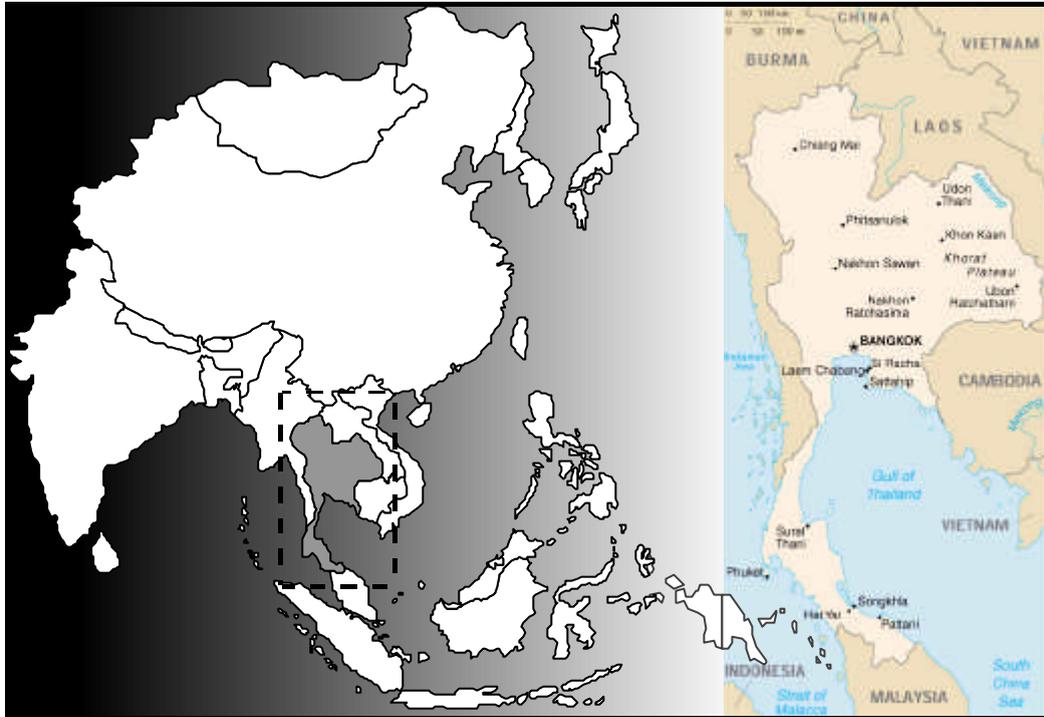


# BANGKOK HOUSING MARKET'S BOOMS AND BUSTS, WHAT DO WE LEARN?



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## Abstract

This paper centres on the booms and busts of housing markets in Bangkok. That the housing markets are raised is because they constitute the largest proportion of 70% of the overall real estate developments in Thailand. First, the paper gives a general overview of the chronological development of housing markets in Bangkok. Then the nature of the booms and busts are pointed out for observation. Finally, some lessons learnt are raised for discussion.

Thailand has passed several booms and busts in housing markets. Public housing was first provided after World War II. Since early 1960's, walk-up apartments were built for planned urban development. These were public efforts. In turn, typical private housing development was in the form of the provision of subdivided residential plots. In late 1960's, first turn-key housing units in the form of detached houses were introduced. Townhouses and condominiums then followed in late 1970's. The gigantic boom was observed in 1986 and it lasted until 1997. Over a million of new housing units were built. At present, the market is still under a slow recovery process.

We learn that the lack of recognition on information leads to the crisis. As in the history, the blind imitation on prototyped housing developments from abroad will not help solve local housing problems and the like.

### 1. Thailand

The CIA gives some descriptions on Thailand which should be neutral information (<http://www.cia.gov/cia/publications/factbook/geos/th.html> - October 29, 2001). Therefore, it is used for this overview.

#### 1.1 Background

Thailand is a unified kingdom established in the mid-14th century. Its total land area is 514,000 sq km. Its number of population is 61,797,751. According to the 1993 estimate, its land use pattern include arable

land (34%), permanent crops (6%), forests and woodland (26%) and other (34%). Its age structure in 2001 is 0-14 years (23%), 15-64 years (70%) and >64 years (7%). Population growth rate is 0.91% and the net migration rate is 0%. The life expectancy at birth is 68.86 years.

#### 1.2 Thai Economy

After enjoying the world's highest growth rate from 1985 to 1995 - averaging almost 9% annually - increased speculative pressure on Thailand's currency in

1997 led to a crisis that uncovered financial sector weaknesses and forced the government to float the baht. Long pegged at 25 to the dollar, the baht reached its lowest point of 56 to the dollar in January 1998 and the economy contracted by 10.2% that same year. Thailand entered a recovery stage in 1999, expanding 4.2% and grew about the same amount in 2000, largely due to strong exports - which increased about 20% in 2000. An ailing financial sector and the slow pace of corporate debt restructuring, combined with a softening of global demand, is likely to slow growth in 2001.

Population below poverty line: 12.5% (1998 est.)

Household income or consumption by percentage share: lowest 10%: 2.5%; highest 10%: 37.1% (1992)

Inflation rate (consumer prices): 2.1% (2000 est.)

Labor force: 32.6 million (1997 est.).

## 2. Chronological Housing Development

Over a long period of housing development in Thailand, a lot of fruitful experience can be learnt. This will help to prevent future market crises and to avoid any possible market failure of housing development. Here, chronological housing development will be reviewed with major concluding remarks and lessons learnt over time.

### 2.1 Industrialized Thailand (1958 to 1967)

The end of 1950's can be seen as Thailand industrialization period. Trade intensified due import-substitution reasons. As a result, population aggregated and grew in Bangkok. During 1960 to 1970, population increase was 3.7% per annum in Bangkok compared to 2.7% for the overall population growth nationwide (Agency for Real Estate Affairs: 1999, 12).

The government tried but could not manage to respond to the increasing housing needs in Bangkok. In the private housing sector, private land subdivision prevailed. Therefore, in 1958, the government hired an American consultant team, Litchfield Whiting Browne and Associates to draft the city structure plan of Bangkok. This is the first attempt of the government on city planning. Unfortunately, the Litchfield Plan which was completed in 1960 was never enforced. It was not until 1992 when the 1960 draft was enforced, some 32 years later and some 60 years after the first Town and Country Planning Act. This delay implies the influence of some benefit groups which could hamper law enforcement.

The government also tried to attract investment to respond to the increasing population and housing needs in Bangkok. The 1959 Revolutionary Party Decree No. 49 (B.E.2502) was announced. According to the decree, Article 34-37 of the 1954 Land Code was nullified (Aroonakasikorn et al., 1996: 36). These articles about the limits of the ownership of land were void to attract agricultural and industrial investment and thus development which requires large amount of land

as a factor of production. However, as a result, speculations on land prevailed in the fringe of Bangkok.

One major government effort to develop Bangkok was to conduct slum clearance. In 1958, it was found that "... there are approximately 740,000 persons (46% of out the 1,600,000 total population) within what is termed 'condensed' or blighted housing areas which should be eliminated" (Litchfield Whiting Browne and Associates et.al., 1960: 84). Therefore, the government established the Slum Improvement Office under the Bangkok Municipality (currently Bangkok Metropolitan Administration) in 1960. As a result, one of the largest slum was demolished. This slum was located at an area in front of the current location of the Department of Highways involving 1,570 households with 10,195 dwellers (Ministry of Interior and Bangkok Municipality: 1962, 42). People were relocated to some 20 kilometres from the city. However, later, it was proved that relocation could not help solve slum problems because people tended to move back to the city.

Another government effort was to build social housing in the form of "walk-up" apartments for low income people. According to Thai building regulations, a building of not over 5 storeys does not need to be equipped with a lift and thus "walk-up" apartment began. In 1963, the first set of walk-up apartments of 5 storeys as a form of social housing were first built on Din Daeng Road (see Fig. 4.2). This was the concept of social housing development. These units were aimed at low-income people. However, due to limited budget availability, this effort was not expansive.

During this period, private land subdivisions were the only form of private housing provision. People built their own home on their private serviced plots of land. In early 1960's, the land subdivision schemes was popular among middle income groups. In turn, this land subdivision scheme induced other similar land subdivision among private developers as well as many governmental agencies who bought land and had their own schemes to sell land to their employees.

Under the circumstance of industrialization of Bangkok when population growth was very high, land subdivision schemes were very popular and prevailed. By 1967, it was clearly observed that residential land subdivision became very speculative. Not many people who bought serviced plots of land, actually moved there to live. Financial institutions realized that land subdivision was a risky business and did not want to give project finance and loans for these land subdivision anymore. Therefore, the business of land subdivision as a form of housing provisions faded (Rodpai, 1986: 20).

In sum, the government played salient roles in housing provisions in Bangkok in this period; whereas, there were still limited roles of the private sector.

## 2.2 First turn-key housing units (1968 - 1975)

This was a first period of formal and modern housing provisions in Bangkok. There appeared turn-key housing or in other words the provision of a finished housing units where the buyers could "turn key" and move in for residence directly. At this beginning period, the foremost form of turn-key housing was a detached house. It could be called single or bangalor house as well.

The introduction of detached houses came after the shrinkage of land subdivision schemes. For detached houses, financial institutions felt more comfortable to give loan because of more substantial collateral (land and a house). In turn, building a house of one own became too expensive for middle income families. Since detached housing became very popular instead of land subdivision, there appeared quite a number of these projects.

According to a survey in 1969, around 40 housing estates were found. Their products were one to two-storeyed detached houses catered for middle and higher-middle income groups. These new developments were then ended by the first oil shock in 1973 (Rodpai, 1986). However, prior to the oil shock, these projects were further nourished by long-term loans for home buyers initiated by commercial banks commenced since 1972.

The government also responded to the modern housing development. In 1969, a "Housing Study Subcommittee" was established under the National Economic and Social Development Board as an intelligent unit to study and estimate housing demands (Poopug: 1986, 4). This Subcommittee was then named the Housing Policy Sub-committee. However, in 1992, it was dismissed in 1992.

In 1972, the Revolutionary Party Decree No. 286 (B.E.2515) on land subdivision was enforced. Due to a large number of private land subdivision and turnkey detached housing estates, the government set the rules on land subdivision practices. At the beginning, many developers complained about their burden and the increases in costs and prices of their products. However, this Decree helped set standards for housing development which is good for both the developers and the buyers later. On one hand, the buyers will be somehow ensured the quality of the products and environment. On the other hand, with standard practices, developers gained credibility for their future development.

Considering government apparatuses, the National Housing Authority was established in 1973 as a public enterprise under the Ministry of Interior. This was a merging of the Public Welfare Housing Division, the Public Housing Office and the Slum Improvement Office (under the Bangkok Municipality). Therefore, the government had then two major apparatuses i.e. the Government Housing Bank as a loan provider particularly for home buyers and the National Housing Authority as a developer.

In 1973, the first oil shock emerged. As a result, building materials were increased in prices. Costs of labour went up as well. In turn, housing purchasing power was diminished; whereas, house prices were increased. There were then fewer new housing supplies in the market. Actually, it became the time of slump in housing markets and Thai economy as a whole. The oil shock and its results were last until 1975.

## 2.3 New Products: Townhouses & Condo (1976-84)

After the first oil shock, the economy was adjusted and then it became recovered. As mentioned at every new boom, new products came into the market i.e. townhouses and condominiums. In Thailand townhouses were referred to one to two-storeyed barrack-typed row houses; whereas condominiums typically meant multi-storeyed owner-occupied apartments. These new provisions were to respond to more intensive land uses in the cities. The economy and housing industry in Thailand were very active up until the second oil shock in 1980 and the Baht devaluation in 1983 and 1984.

In 1976, a sign of the recovery of housing markets was observed. The National Housing Authority announced to build as many as 120,000 housing units within the next 5 years. On the average, 24,000 units or 3% of the total housing stock would be built annually. This helped boost other related industries as well. In addition, after the 1973 oil price crisis, few loans were given to home buyers. There existed excessive liquidity in financial institutions. Therefore, housing loans as a secure source of income of financial institutions were then delivered to home buyers at a low interest rates.

Another sign of housing growth was seen in 1977 when the Government Housing Bank extended its loan services to housing developers. Its interest rate was relatively cheaper than other commercial banks and finance companies. This made the Bank became the major housing bank in Thailand. Also in 1977, a new product emerged, i.e. townhouses. As a result of exorbitant oil prices, transportation costs were increased. That townhouses with a closer location and intensive land uses minimized transportation costs, became more popular than detached houses.

In 1979, the 1933 Building Construction Control Act was amended. According to the new amendment, buildings must be granted with a construction permit from local authorities involved. Otherwise, they could not have a house registration number. Without the number, the buildings cannot obtain public utilities).

The second oil shock came in 1980. Construction costs were increased again resulting from higher costs of construction materials as well as labour. Developers who used foreign loans with cheaper interests faced some major difficulties e.g. the suddenly adjusted higher interest rates of these foreign loans.

On one hand, this discouraged housing development industries resulting in sudden drops in

housing supplies in the market. On the other hand, there appeared some adjustments in housing development. Formerly most housing projects were developed within a big phase of development works and the units were built prior to the sale. Phasing of the development was an innovation. This was considered some sort of risk management. Off-the-plan projects were initiated since then, namely, only a few houses were tangibly built as show cases. After a certain number of booking, actual development would be conducted. Another adjustment was the construction of townhouses in the fringe of Bangkok due to cheaper land costs which would make the products more price competitive.

In September 1983, the cabinet approved the first formally-adopted national housing policy which provided frameworks on roles of government agencies and private developers in housing provisions. It also specified roles of the National Housing Authority and the Government Housing Bank to respond to this national policy (Haan and Kuilen: 1986, 35).

However, since the 1980 oil shock, housing markets were slowed down and inactive. The situation was worsened due to the Baht devaluation in 1984, the economy became fragile again. The Bank of Thailand enforced the policy of 18% ban limit. This largely affected on-going real estate development projects. Therefore, many of them became incomplete. Moreover, new real estate projects were curbed as well.

#### **2.4 The big sudden boom (1986 - 1990)**

After the bust period during 1980 to 1984, the situation got better. Prior to 1986, Thailand as a developing country with cheap labour and natural resources became an attractive investment destination for foreign investors particularly Japan, Korea, Taiwan, Singapore and others. It can be observed that at that time, most major industrialists in Japan had a manufacturing plant in Thailand. This led to the overall economic boom of the country.

It is worthwhile to notice that the economy was strengthened by direct foreign in the real sector, namely, manufacturing activities. These helped boost other economic activities such as supporting industries by local industrialists and other tertiary activities resulting from the growth of the real sector. As mentioned earlier in Chapter 1, the contribution of the manufacturing sector to the GDP is significantly greater than that of the agricultural sector since 1986.

Housing and other real estate became booming. Land particularly in the fringe area which formerly possessed a potential for agricultural uses, then had higher value because of other alternative uses as factory sites and the like. Similarly, inner-city land which was formerly rented out for low-income housing plots resulting in slum formation, could enjoy higher profitable uses. This is the reasons why there were few new slum formations in Bangkok. The boom was associated by low interest rates particularly for housing loans. The

decreases in oil prices and electricity costs also helped decrease the prices of cement and other construction materials. All these paved way for the boom.

Prior to 1986, most detached houses and townhouses were catered to middle and higher income groups. But since 1986, there was a down market trend to build cheaper housing units particularly in the form of low-income townhouses. For example, a one-storeyed townhouse unit of 16 sq.wah (64 sq.metres) was offered at Baht 120,000 (at that time Baht 25 = US\$ 1). Due to the economic growth and cheaper housing offers, people had relatively higher affordability.

During 1987 to 1990, a lot of symptoms of the boom emerged. A 24-sq.metre low-cost condominium unit was offered at approximately Baht 120,000. Off-the-plan projects were sold very quickly. Offered prices of housing units were increased even on weekly or monthly basis. Many projects could close the sales within one day, one week or one month or a few months. In some quality projects, buyers queued to book a house since 05:00 am in the morning.

Other real estate products apart from housing were also boomed. These included hobby farm land subdivisions, golf courses, office buildings and the like. Speculations prevailed on nationwide basis. As observed, a lot of foreigners came to speculate in properties in Thailand; whereas, real estate were not allowed to be owned by them. Many of them just came to book a units in off-the-plan projects and paid booking fee and downpayment. At the date of the completion and transfer, they could find another buyer to buy their units at a lot higher price than they originally booked.

#### **2.5 A short cease / continuing growth (1991 - 1996)**

The heated real estate market was ceased by the 1990 Gulf War. Land prices were rather stable in most areas except where there were new road proposals. Speculative and extravagant real estate projects faced difficulties e.g. speculative shophouses in the city, luxurious resort condominiums, hobby farms, golf courses. Prices were actually dropped and many of these projects were then cancelled.

During 1991-1993, there appeared a paradox namely while many new developments were ceased due to the Gulf War, two big public companies launched their new projects offered tens of thousand of low-cost and middle-income housing units. They were Bangkok Land Plc and Thanayong Plc. While other developers felt uncertain in launching new projects, there was a room for these two big companies to launch their projects with few competitors. While land and other luxurious projects became less popular for speculation due to the drops in prices, people centred on speculating housing particularly low-income condominiums. During 1993-1995, interest rates were relatively low as well. Then, many new developers followed these two big companies to launch their projects.

In 1993, the Board of Investment (BOI) helped further boost housing developments. It supported developers who developed low-income housing units (under Baht 600,000) on 5-year income tax exemption. In 1994, some 114 projects of 60,894 units worth Baht 30 billion were supported by the BOI. This inferred the popularity of this BOI scheme at that time (Hiebert, 1995, 27-28). Furthermore, this BOI efforts in situ encouraged more speculations in the market.

Due to massive speculation on housing, thus in 1995, it was later found that half of the 300,000 unoccupied housing units in the Bangkok Metropolitan Region were condominium units (Agency for Real Estate Affairs, 1995: 65). Although the figure of 300,000 unoccupied housing units were disclosed in 1995, some 297,347 new housing units were launched during 1995 to 1997.

### 2.6 After the disaster (1997-2002)

In 1997, due to the floating of the Baht currency, Baht was significantly devalued. A US Dollar which was stably exchanged at Baht 25 during 1983 to 1997, became almost Baht 60 in 1998. It was Baht 37 in 1999 and then Baht 45 in 2001. As a result of economic bust, the real estate market in Thailand was crashed. Most developers could not run their ongoing projects anymore. They became NPL (non-performing loans) of financial institutions. In 1998, some 350,000 unoccupied housing units were then found to confirm the validity of the 1995 finding of the 300,000 unoccupied housing units.

At the beginning of 2002, the market seems attractive resulting from various government promotions on home buying. However, this will not last long due to the fact that the overall economic growth will be slow down (2% GDP growth in 2001 and 2002 compared with 4% in 2000). There appears some delusive phenomena. For example, the good sale rate of newly launched housing projects to date does not imply the recovery of the market. Exception cannot be made norm. They are mainly detached houses and some well studied townhouses of small size and of market niche. Still many developers also need to cut cost to stay competitive with existing supplies. As observed, of all the new projects in 2000 - 2001, none was developed by new investors but rather by those who need to restructure their debts or those listed ones who always need some activities to carry out.

### 3. Observations on Bangkok's Housing Markets

Two major unique factors influencing the characteristics of Bangkok's housing markets are low urbanization and economic betterment. It can be said that the housing problems in Bangkok could have been worse than today if most of the population were in urban centres. In addition, the success in housing provisions by the private sector is due to economic betterment of the country at large.

#### 3.1 Less serious due to low urbanization

The 350,000 unoccupied housing units found in 1998 are evidences of the damage and seriousness of housing problems in Thailand. However, the problem could have been a lot more serious if the majority of the population were staying in urban centres. Fortunately, the majority were in upcountry. Therefore, the problems of oversupply and over-building affect some urban households. Although the economy of the country has largely been industrialized, the majority of the population still stay in rural areas. This is an atypical phenomenon of Thailand which helps minimize the damage of the latest real estate bust.

According to Table 4.1, the proportion of urban population to the total population in Thailand was less than 20% in the 1960, 1970, 1980 and 1990 censuses. However, in the 2000 census, the proportion of urban population was increased to 31.09%. This was still less than one-third of the total population. The reason why there was a substantial growth in urban population was that there was an upgrading of all rural and urban sanitation districts - another type of local authorities - to municipalities. Therefore, it was a technical increase.

Bangkok is considered a primate city. This is because it is intrinsically and geographically a combined administrative and economic centre of the country. However, it is not growing steadily. Bangkok population was slightly grown from 8.13% of the total Thailand's population in 1960 to 10.43% in 2000. There appeared a similar pattern in the case of the growth of the urban population of the BMR (10.01% in 1970 to 13.56% in 2000) and that of the BMR as a whole (13.63% in 1970 to 16.63% in 2000). In addition, when the sanitation districts were recognized as municipalities which enlarged the number of urban population, the proportion of the urban BMR was only 43.62% of the total urban population.

Considering population growth, Thailand has passed a baby boom period of the 1960's and 1970's. In the 2000 census, the growth rate is only 1.06% per annum. The growth rate of the urban BMR is a little higher at 1.46%. The urban field of the BMR is growing. As observed, the growth rate of urban population in the BMR (excluding Bangkok) is at 4.40% per annum during 1991 to 2000.

A further discussion can be extracted from Table 4.2. As observed, Thailand urbanization rate is a lot lower than that of the Philippines, Malaysia and Indonesia. There is an amazing reason behind this phenomenon. That is the movement of millions of people to forest areas (Angel, 1985). In the past, Thailand had a lot of forests. It can be said that around half of the today rural villages were established prior to 50 years ago. On the contrary, for countries with a lot of islands like Indonesia, Malaysia and the Philippines, there is no large hinterland in the form of forests for invasion. Therefore, people need to stay around port cities or nearby areas and form a township or city. In

turn, There were a lot of forestry areas for invasion in the past in Thailand. That is why Pornchokchai (1998: 427) found that the number of population in the rural to rural migration (1,645,400 people during 1985 to 1990) is greater than that of the rural to urban migration (738,400 persons).

### 3.2 Better housing enabled by economic betterment

As mentioned earlier, in 1958, 43% of Bangkok population were in substandard housing. According to Table 1.6, 24% of the 1974 housing stock was considered slums and squatter settlements. The proportion was dropped to 3% in early 2000's. This implies that throughout the 40 years of housing development, 1960 - 2000, better housing was provided mainly by the private sector.

In other developing countries such as India, slums and squatter settlements are growing in cities. However, they are shrinking in Bangkok. The shrinkage of slums helps pave way for further city development. A clear example was a relocation of 1,570 slum households from a land area of 129.26 rai (20.6816 ha or 51.105 acres) which is the current locations of the Ministry of Foreign Affairs, Mahidol University and Rama Hospital opposite the Jitlada Palace in 1960 (Ministry of Interior and Bangkok Municipality, 1962: 39). On one hand, it is pitiful for these low-income people. On the other, this relocation paves way for other more profitable uses and helps better urban environment of the city at large.

In 1998, around 350,000 unoccupied housing units were found. On one hand, they are evidences of improperly planned housing policy and can be considered some economic waste. On the other hand, they are standard formal housing and rich resources for future residential uses. One can recognize that the number of 350,000 unoccupied housing units is very gigantic because they can house people of the whole country of Brunei Darusalam where there are only 330,000 people.

An enabling factor for better housing provision is national economic betterment. Thailand changed from agricultural-based to industrial-based country where exports of manufacturing products were major sources of income of the country. Hence, affordability is increasing. "... In 1980, an estimated 85% of Bangkok households could not afford a ready-made (turnkey) house in the open market... In 1986, only 46% of households could not afford a new ready-made house" (Pornchokchai, 1998: 436-437). A result is the predominant phenomenon of formal housing. As shown in Table 1.6, formal housing developed by private developers was accounted for 24% of the 1974 total housing stock. It became 74% in 2001.

Because of Thailand's economic betterment, sites-and-services schemes are impractical in Thailand. Such schemes are considered an imported concept from abroad. Ideally, they are good in the sense that they

provide serviced housing plots (sometimes with shell houses) for further construction on a self-help basis. In Thailand, low-cost turn-key housing units provided by private developers are at an affordable price and they are widely accepted.

Sites and services schemes as well as soil-cement technology, could be good for less-developed countries but not Thailand. Thailand has enough resources at affordable prices to cope with housing needs. Until recently, slum dwellers still used wood as their main building material. Currently wood is more expensive than brick or cement. And due to economic betterment in Thailand, the value of labourers is too higher to be used for self-help construction.

## 4. Lessons Learnt from Thai Housing Market

There have been rich experiences emerged during the exploration on Bangkok's housing markets.

### 4.1 Blind imitation on social housing construction

After World War II, social housing was massive constructed for reconstruction purposes in many developed countries. This concept of development was also brought into Thailand. However, during 1948 to 1958, some 3,462 public housing units were built of which 3,264 were rental apartments and detached houses, 198 were owner-occupied, 56 were hire-purchased and 142 were financed through housing loans (Litchfield Whiting Browne and Associates et.al., 1960: 84-85). In addition, during 1963 to 1971, another 5,120 public housing units were built of which 4,158 were rental walk-up apartments and 962 were hire-purchase. However, housing applications were as high as 72,192. This implied that only 7.1% of the need was met (Sakornpan, 1975: 20).

This was a mistake. The government followed the experience of developed countries and built social housing for lower-income groups as the first priority regardless of the fact that Thailand in 1960's was still very under-developed and hence could not afford to do so. If the government first targeted at middle-income groups who could afford more, what would have happened?

Firstly, the housing needs of middle-income households could have been responded. This would have enabled a housing filtering process, namely, when households with a higher income moved out, lower-income groups could move in by renting or buying. This would have helped minimize costs of new housing provisions in Bangkok.

Secondly, walk-up apartments would have had a good image. Until early 1990's, walk-up apartments seemed very 'less privileged', simply because they were known as places where lower-income groups resided. If at the beginning, they were built for middle income groups and public servants, they would have had a better image to the extent that even the lower-income groups would have felt privileged to stay in them.

Thirdly, with stronger purchasing power of middle-income groups, subsidy was not needed.

Revolving funds for further construction could have been generated. As understood, middle-income people have a higher affordability level than lower income ones. Therefore, the provision of housing would not have been on a subsidy basis. The government would still have had enough revolving funds.

And fourthly, Bangkok would have been better planned. If walk-up apartments were widely accepted, housing would have gone vertically with intensive land uses instead of endless horizontal development as appeared today. Costs of infrastructure extension would not be too high because there would be no urban sprawl.

Like many other developing countries, It has been a conventional practice to send students to study in developed countries and to let them come back to help develop the country. During the past hundred years since King Rama V, tens of thousands of technocrats graduated from well-known universities in the United States of America and Europe. Perhaps most of them did not have actual and intensive working experience in real life in these countries. They came

back immediately after their graduation or might stay longer but without related working experience. Therefore, they were rather proud but unskilful technocrats who could not construct proper development plans suitable to the local Thai contexts. In addition, the blind imitation also implies that there is a lack of intensive studies prior to any policy and plan formation.

#### 4.2 Warnings ignored

During the boom period, when beneficiaries were enjoying the enormous and seemingly endless increases in the value of their properties, there were warnings from time to time that this situation was not normal and would turn to be disasters. However, few beneficiaries or officers involved paid much attention to these warnings. Few measures and policies were established in time to cope with the coming bust in the market. These warnings appeared frequently. The following reviews some studies related to the warnings on the overheating which led to the bust:

Table 1: Available Warnings Ignored

Year	Sector	Findings	Sources
1991	Office Spaces	If all the planned buildings as of 1995 were built, the oversupply would last until 2006	Agency for Real Estate Affairs (1991: 91)
1991	Land prices	Land prices increased, on average, by 21.5 times from 1985 to 1991	Agency for Real Estate Affairs (1991: 101)
1993	Housing	23% of the people who paid a deposit to buy a house off the plan at the 1993 Annual Home Expo were speculators. In the case of condominiums, they comprised 31%.	Agency for Real Estate Affairs (1993: 25)
1994	Housing	Only half of the people who paid a deposit to buy a house off the plan at the 1994 Annual Home Expo were considered real home buyers. The rest bought for speculation, relatives' use or a second home (which could be for sale in the future)	Agency for Real Estate Affairs (1994: 29)
1994	Low-cost condominiums	Only 35% of the owners of low-cost condominiums were end-users who came to live in the units they bought. Speculation prevailed in these units.	Agency for Real Estate Affairs (1994b: 67)
1995	Un-occupied housing	Approximately 300,000 units of completed, developers' owner-occupied housing units in the BMR were unoccupied (mostly sold out to individual buyers already)	Agency for Real Estate Affairs (1995: 65)
1996	BMR Housing	17% of the housing projects surveyed were expected to be cancelled in the near future.	Agency for Real Estate Affairs (1996: 24)
1997	BMR Housing	40.7% of the housing projects surveyed were expected to be cancelled in the near future.	Agency for Real Estate Affairs (1997: Table 5, 1)
1998	Un-occupied housing	Approximately 350,000 units of completed, developers' owner-occupied housing units in the BMR were unoccupied (mostly sold out to individual buyers already)	Agency for Real Estate Affairs (1998: 10)

In 1991, if all the planned buildings as of 1995 were built, the oversupply would last until 2006. In 2000, some 40% of the total 6,000,000 sq.metres of office space is still considered vacant. Considering land, Land prices increased, on average, by 21.5 times from 1985 to 1991. Actually, this was a very atypical change in land prices. However, there were few measures to curb speculation.

In 1993, 23% of the people who booked to buy a house in the 1993 Annual Home Expo, were speculators. In the case of condominiums, they comprised 31%. This implies that housing units came to be considered a commodity instead of as shelters for the people.

In 1994, only half of the people who booked to buy a house in the 1994 Annual Home Expo were

considered real home buyers. The rest bought for speculation, relatives' use or a second home (which could be for sale in the future). This is was another strong confirmation of excessive speculation. However, people still enjoyed the gains resulting from speculation. In addition, only 35% of the owners of low-cost condominiums were end-users who came to live in the units they bought. Speculation prevailed in these units. This why the largest proportion of unoccupied housing units found in 1995 were low-cost condominium units.

In 1995, approximately 300,000 units of completed, developers' owner-occupied housing units in the BMR were unoccupied (mostly sold out to individual buyers already). This became an evidence and a symptom of the coming bust in the real estate markets in Thailand.

In 1996, 17% of the housing projects surveyed were expected to be cancelled in the near future. In other words, one in every 6 units offered in the market would be cancelled due to oversupply.

In 1997, 40.7% of the housing projects surveyed were expected to be cancelled in the near future. This was clear evidence of the overall bust of the market.

And in 1998, approximately 350,000 units of completed, developers' owner-occupied housing italics units in the BMR were unoccupied (mostly sold out to individual buyers already).

This demonstrates that, during the boom period, Thailand has had certain information for predicting the forthcoming bust. However, few paid serious attention to it. Some could hypothesize that even the authorities involved were not knowledgeable nor prepared to tackle the potential bust in the real estate industries.

To be fair, it can be said that the boom and bust cycle in real estate industries seems inevitable. It should be noted that in the United States of America where housing starts have been employed as a major industry indicator since the 1970s, several booms and busts still happened in the past few decades. In the United Kingdom, property professionals have been widely trained for years. The Royal Institution of Chartered Surveyors (RICS) was established in 1863. However, a lot of real estate cyclical phenomena still emerged. In Singapore where the government via the Urban Redevelopment Authority rigidly controls and carefully plans for its city state, there are still oversupplies in residential and commercial properties. They cannot escape from the boom and bust of the industry either.

It can be said that apart from having ample and reliable information, all beneficiaries or parties involved need to be well educated on the nature of property development. They include developers, home owners, related national and local government authorities, real estate educators, real estate professionals so that they could help examine and be alert to the future potential booms and busts.

Therefore, this study on "the Future of Private Housing Supply in Bangkok after the Financial Crisis: Lessons Learnt from the Developers' Perspectives",

attempts to find a way to avoid the destruction of the bust to the industry at large.

#### 4.3 Not much transfer of experience

Nowadays, people remembered the latest bust since 1997 when most housing and other real estate developers faced difficulties and could hardly recover themselves. Many also recognized the gigantic and amazing boom started in 1986. At the first few years of this latest boom, few could imagine when the boom would end although it had to be sometimes. In turn, at the beginning of the latest bust, few could foresee when the bottom of the bust would be reached.

There are two initial facts to be understood. First, the latest boom and the latest bust are not the only ones. In the history, there are many booms and busts appeared. A boom is followed by a bust and vice versa. For example, after the efforts to industrialize the country, people have higher affordability, turn-key housing appeared. Then due to over speculation, the bust came. The economic recovery brought about housing boom again. During the beginning of the boom, interest rates were low; whereas, affordability was high. Real estate hence attracted speculation.

Another fact is that during the enjoying and preferably joyful boom, people are very and probably too optimistic or even careless to prepare for a "soft landing" of the business in stead of a crash after the overheated market condition. On the contrary, people in the bust period tend to be too pessimistic and panic. Unfortunately, very often they do not study past experiences of each other. Probably they are different groups of people. The ones who failed might be discouraged and gave up; whereas, the young ones were of very high self-confident. In other words, most developers emerging during the past boom do not survive to enjoy the next boom to share their experience to new developers of the new boom.

#### 5. Conclusion

The size of urban housing market is still small compared with other countries even in the same ASEAN Region. This is because only 31% of the total population are in urban centres. Therefore, the shrinkage of the housing industry does not affect the economy at large. In turn, the overall economic crisis creates difficulties to the housing industry because the purchasing power is diminishing. Housing or other types of real estate are thus dependent variables to the economy.

Due to massive formal housing development initiated by the private sector during the past two decades, low-income households have had affordable alternative housing for them instead of slums in the past. Therefore, housing quality as a whole has been upgraded. The number of slums or blighted areas has been decreased substantially. Due to the boom in the economy, people have a higher affordability; whereas,

there has been a down-market trend in housing provision. Therefore, it can be stated that the economic betterment of the country has materialized these better housing provisions.

Since the history of housing and real estate developments in Bangkok is still very young, advanced developments, policies and apparatuses should be learnt from abroad. However, scrutiny is needed. In the past developments and public policy implications, blind imitation was made without necessary adjustment to the Thai context. This leads to the failure in public housing provisions in 1960's to 1970's. In addition, in the boom

time, beneficiaries involved tend to be too careless and very optimistic. Perhaps due to greed, warnings were ignored.

Blind imitation, ignorance of warnings, over-investment and massive speculation could be back any time when the market is recovered. However, authorities involved should protect the market. In order to do so, an intelligent unit is worthwhile to be in existence. It can watch and monitor the market changes and becomes an arm for authorities in policy formulation.

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