

Lessons Learnt from Housing Speculation in Bangkok

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Abstract

That almost 14% of the housing stock in Bangkok is unoccupied, implies some problem in the production line. In a detailed exploration, it is found that products for real demand tend to have a higher occupation rate. They tend to have few units put up for rent either. In addition, their prices are not going down. On the other hand, speculators do not have an intention to live on their units bought but rather to sell for capital gain. However, due to the bust of the economy, they could not sell the units so they were put up for rent. Speculation is considered wrong when it becomes a mania. The over-investment will result in over-production. Therefore, information and knowledge are two substantial things which must be made available to the public. The general public needs to be well, widely, equally and promptly informed about property markets. In addition, property knowledge and analytical skills form integral part in careful investment consideration.

Keywords: Speculation; Housing; Bangkok

The latest boom of housing markets in Bangkok helped house the public with the mainly efforts of the private sector. However, then, there appeared some 350,000 unoccupied housing units in the stock. This study thus tries to pave way for the understanding of Bangkok's housing markets. Previous studies are extensively reviewed to find some conceptual framework. Field exploration with empirical evidences were conducted to bring about some concrete findings on speculation which will need to learn for future better market performance.

1. Introduction

1.1. Bangkok, Thailand

After enjoying one of the the world's highest growth rates from 1985 to 1995 - averaging almost 9 per cent annually, Thailand experienced increased speculative pressure on its currency in 1997. This led to a crisis that exposed weaknesses in the financial sector and eventually forced the government to float the Baht. Long pegged at Baht 25 to the US dollar, the currency reached its lowest point of Baht 56 to US Dollar 1.00 in January 1998, and the economy contracted by 10.2 per cent in that same year. Since then, the economy has been recovering and on November 4, 2002, the exchange rate was Baht 43.4 to US\$ 1.00 (Bank of Thailand, 2002)

One of the consequences of the 1997 financial crisis was the collapse of the real estate sector in Thailand and in particular in Bangkok where the inflow of large and cheap US\$-denominated loans had caused a housing boom. A survey of housing projects in 1995 in the wake of the financial crisis found 350,000 vacant housing units in Bangkok. Many of these units had been sold by their developer, but remained unoccupied. Many of the vacant units were in the category of low-cost condominiums. This article looks into causes and effects of this oversupply of low-cost housing in a city with a strong housing demand.

1.2. Overview on Housing Stock in Bangkok

Bangkok, the capital city of Thailand, has a total area of 1,568.737 sq.kilometres. According to the Department of Local Authorities (DOLA), the population of the Bangkok Metropolitan Area was 5,795,267 in June 2002. However, the city of Bangkok stretches far beyond the boundaries of the Bangkok Metropolitan Area and the total population in the Bangkok Metropolitan Region (or BMR) which includes 5 adjacent provinces was 9,400,487 (DOLA, 2002). The economic primacy of Bangkok in Thailand is enormous. In 1993, the Gross Provincial Product of Bangkok alone was 42 per cent of the total Gross Domestic Product (GDP) of Thailand. The other 5 provinces of the BMR shared another 12 per cent of the GDP. This implies that the rest of the country accounted for less than half of the GDP. By 1999, the situation was somewhat more balanced and the rest of the country had a share to 51 per cent of the GDP. The 5 adjacent provinces of the BMR shared the same 12 per cent, whereas the share of Bangkok had decreased to 37 per cent.

During the past 20 years, the number of housing units increased substantially through the addition of new units mainly by the private sector. The total number of housing units in the BMR was only 1,036,411 in 1982 when Bangkok celebrated its bicentennial (Agency for Real Estate Affairs, 1999: 37). It was 3,477,640 units in 2002 (Government Housing Bank, 2002: 83), a 2.4 time increase. In other words, the BMR built less housing units during the first 200 years than during the last 20 years.

Table 1 shows the chronological housing development in Bangkok. During the period 1960 to 2000, the number of housing units in the Bangkok Metropolitan Region (BMR) grew almost 9 fold, whereas, the population grew only 3 fold in the same period. The number of housing units almost doubled during the period 1990-2000. In 1998, it was found, however, that there were 350,000 unoccupied housing units or 14 per cent of the total housing stock in the BMR (Agency for Real Estate Affairs, 1999: 39). This means that for every seven units, there was one unoccupied. This appears to be much greater than necessary for maintenance of an efficient market.

Table 1: Proportion of the Changes in Population and Housing Units in Bangkok, 1960 - 2000

Year	Population (million)	%	Housing Units	%
1960	3.293	100	302,689	100
1970	4.688	142	529,738	175
1980	6.871	209	970,817	321
1990	8.583	261	1,450,126	479
2000	10.080	306	2,648,681	875

Source: Tabulated based on population data of the Government Housing Bank, the National Statistical Office and the Department of Local Authorities

In order to understand the size of these un(der)-used housing stock, it is worthwhile to consider it in value terms. If a house in Bangkok is worth on the average Baht 1.5 million (US\$35,714 at 2002 exchange rate), the total value of this vacant housing stock is Baht 525.7 billion or US\$ 12.5 billion. Another way of looking at it is that the whole population of Brunei could be accommodated in the 350,442 unoccupied housing units in the BMR. These completed but vacant housing units indicate a serious economic waste.

1.3. The Problem for the study

In this study, unoccupied housing units are units that are completely built, but not occupied at the date of the survey. The vacant units are mostly sold to individual buyer. The figures for 1995 and 1998 are actual figures based on comprehensive surveys. The figures for the other years are estimates based on available records.

Table 2: Unoccupied Housing in the BMR, 1985 - 2010

Year	Total No. of Housing Stock	Unoccupied Housing Units		
		No. of Units	% to Total	Ratio 1:
1985	1,116,956	82,943	7.40%	13.5
1986	1,146,956	90,626	7.90%	12.7
1987	1,200,309	102,423	8.50%	11.7
1988	1,267,760	117,074	9.20%	10.8
1989	1,347,791	132,817	9.90%	10.1
1990	1,450,126	154,532	10.70%	9.4
1991	1,579,814	188,716	11.90%	8.4
1992	1,687,815	216,759	12.80%	7.8
1993	1,821,901	248,817	13.70%	7.3
1994	1,993,155	292,779	14.70%	6.8
1995	2,165,574	334,366	15.40%	6.5
1996	2,332,359	371,084	15.90%	6.3
1997	2,477,714	343,907	13.90%	7.2
1998	2,564,942	350,442	13.70%	7.3

Note: Unoccupied housing units are those completely built and mostly sold to individual buyers already but not being occupied at the date of the survey. 1995 and 1998 figures are the results of the comprehensive survey. The remaining period are estimated from available records.

Source: Agency for Real Estate Affairs (1999: 15)

This study explores the reasons for the vacancy rates in the housing stock in the Bangkok Metropolitan Region. Units, which were completely built but unoccupied, imply an economic waste at large. The gigantic number of unoccupied housing units also shows the mis-matching between planning and actual development or in other words, the expectation and the reality. That most of the unoccupied units were already sold out to individual buyers, indicates that there must be something wrong. A question is why many people bought a house but never lived in it.

1.4. The Method of the Study

In Bangkok, there are five major types of housing, i.e. detached houses, semi-detached houses, townhouses, shophouses and condominiums. The semi-detached houses are quite small in numbers and the shophouses have a dual residential and commercial function. Therefore, only detached houses, townhouses and condominiums are included in this study. The study is based on a 1995 survey of unoccupied housing in the BMR among 31 housing projects and follow-up surveys of the same housing projects in 1998 and 2001.

The 31 projects are typical housing projects for the housing market of the BMR. They were grouped into discrete price brackets so that they can be delineated clearly in relation to different consumer target groups.

- 3.1 Low-priced Condominium Projects (Baht 0.25-0.4 mil / unit)
- 3.2 Medium-priced Condominium Projects (Baht 1.0 - 2.5 mil / unit)
- 3.3 Luxury Condominium Projects (Baht 3.0 mil and over / unit)
- 3.4 Low-priced Townhouses (<Baht 0.8 mil / unit)
- 3.5 Medium-priced Townhouses (Baht 1.0 - 1.5 mil / unit)
- 3.6 Medium-priced Detached Houses (Baht 2.0 - 3.0 mil / unit)
- 3.7 Luxury Detached Houses (Baht 5.0 -7.0 mil)

The hypothesis of the study was that most of the housing units that are or were unoccupied were built and bought for speculative purposes, i.e. they were not intended to be occupied by the buyers, but sold after a short time for profit.

2. Explaining the Symptoms of Speculation

Ho and Kwong (2002: 360) found that the changes in property prices cause speculation. Conventionally, speculation is considered to be a driving force behind the typical booms in real estate markets. Therefore, it is worthwhile to discuss it further. Normally, in a boom period, people seem very optimistic and enjoy to participate in over optimistic investment regardless any available warning. On the other hand, when the situation becomes bad, there tends to be panic from many quarters, including developers, banks and consumers; everyone becomes very pessimistic.

Speculators tend to be defined as those whose principal motive in buying is to make their own profit from the resale of the properties at some future time or particularly when they can earn significant capital gain (see Ring and Boykin (1986: 285), Feagin (1982: 42) and Haila (1989: 350). As an explanation to observe a common phenomenon for speculators and their action, Friedman (1993: 325) added that speculator is the one who invests with the anticipation that an event or series of events will occur to increase the value of investment. For example, that the value of single-family houses has been appreciating rapidly for several months, encourages a speculator to

purchase several of them in anticipation that this rapid rate of appreciation will continue and he can sell to make profit. Lindeman (1976: 142) mentioned three major factors behind speculation, namely, steady suburban developments, inflation and the stock market debacles.

In some cases, speculation is not an individual behavior but rather becomes a mania which is observed by Kinderlerberger (1978, quoted by Batra, 1987: 121) as follows:

"When the number of firms and households indulging in these practices grows large, bringing in segments of population that are normally aloof from such ventures, speculation for profit leads away from such normal, rational behavior to what have been described as 'manias' or 'bubbles'".

In an investment mania or bubble, it does not mean that only individuals are speculating. Property developers and bankers also take parts in the mania as well. They build and finance more housing units for speculation. They even speculate in building materials for their future construction. This fact was observed long ago by Evans (1968: 203). Banks are often major participants in the speculation mania.

An implication of the mania is that people blindly follow other to invest at the last stages prior to the market burst. They often lack full knowledge of the consequence of their investment and often can be quite careless (Lindeman, 1976: 149). Due to mania, they may not be willing to realize any warning or to accept that they are wrong:

"Analysts have taken this scenario to mean a property bubble about to burst. Doom and gloom predictions about unsustainable growth leading to big falls in prices are common. But no one seems to be listening, or at least paying any attention, probably because the doomsayers have been saying the same thing for the past two years. The market continues to rumble along space" (Parrott, 2002: 56).

Generally, speculation has a negative image. It is unproductive and therefore not helpful to the national economy (Feagin, 1982: 43 and Flint-Hartle and De Bruin, 2000: 14). For example, the Governor of the Reserve Bank of New Zealand who spoke out against the trend in property investment that:

"...regrettably, real estate investment generally, contributes little to increasing the economy's output" (Reserve Bank, 1998: 4 quoted by Flint-Hartle and De Bruin, 2000: 2). However, "capital gain, wealth accumulation and provision for retirement featured strongly as the key reasons for property investment" (Flint-Hartle and De Bruin, 2000: 14).

On the other hand, Jaffe and Sirmans (1989: 23-24) share some comments that speculation actually assists the society by helping absorb the redundant stocks of housing. During the crisis, properties tend to be put at distressed prices and a bargain can easily be found (Schumacher and Bucy, 1992: 152). Therefore, speculation will be a major drive to buy out these units. This paves way to take up the supplies and hence to increase the prices over time.

Ho and Kwong (2002: 360) found in their statistical tests that although property price changes lead to speculation, speculation is not the cause of price increment. In other words, speculation cannot be blamed as a scapegoat for price surge; hence, anti-speculation measures to curb sharp rises in property price would be ineffective. It is better to prevent instead of to cure particularly when speculation has been developed to be a mania.

In summary, the drive behind speculation is to secure capital gain out of the holding of properties. Speculation is considered a mania where a lot of beneficiaries become involved such as property owners, developers and bankers. Speculation can be viewed in different sights, negatively and positively according to its scale and its impact on the market as a whole. This study will examine how it works in Bangkok.

3. Lessons Learnt from Bangkok Housing Speculation

3.1. Occupation: An Empirical Evidence of Speculation

The following table puts the 7 types of housing into 3 distinct groups, i.e. the high, medium and low occupation of the units of over 85%, 74-78% and below 61% respectively. According to the findings, condominiums have the lowest proportion of occupation, particularly those Low-priced and luxury ones (60% and 61% occupied). All medium-priced units of different types have a medium occupation. In addition, low-priced town houses and luxury detached houses possess the highest occupation which should be considered some market niche.

Table 3: Housing Occupation in Different Housing Types

House Type	No. of Completed Units		% Occupied
	Bought	Resided	
Low-priced Condominiums (Baht 0.25 - 0.4 m)	3,642	2,183	60%
Luxury Condominiums (Baht >4.0 m)	388	237	61%
Medium-priced Detached Houses (Baht 2-3 m)	626	463	74%
Medium-priced Condominiums (Baht 1-2.5 m)	2,203	1,705	77%
Medium-priced Townhouses (Baht 1-1.5 m)	1,484	1,153	78%
Low-priced Townhouses (Baht <0.8 m)	2,075	1,785	86%
Luxury Detached Houses (Baht 5.0 - 7.0 m)	74	67	91%

The above help testify the real demand of certain types of housing in the market. The higher the occupation, the higher the demand. Medium-priced products tend not to have any trouble to achieve a higher rate of occupation. This infers that developments should centre on the groups of middle-income households who tend to have certain and stable income. Middle-income groups are sizeable in number as well; therefore, there should be adequate demand to absorb the market supplies. Hence, in order to play safe in housing development, a developer may consider to concentrate on medium-priced housing.

That low-priced and luxury condominiums have the lowest proportion of occupation, implies a higher preference by the population for low-rise housing rather than multi-storied units. An empirical evidence is that many people have to commute from their low-rise housing units in the fringe at very early in the morning (~5am) to work in the city and then go back home at quite late in the evening (~8-9 pm).

In the case of very high occupation, low-priced townhouses were formerly very cheap and was affordable for the majority. Therefore, they meet the need of the large target groups who mainly have strong preference to low-rise housing. For luxury detached houses, they also meet the preference of the target groups and are ideal for residence. Due to higher prices, these units present greater risk for speculation. Thus, few speculation can be witnessed. In addition, expensive units imply the serving of only selected few customers and hence smaller market size, or in other words, market niche.

3.2. Renting As a Result of Speculation

Table 4 confirms that low-priced condominiums are unlikely "real" demand. The proportion of the owners who actually live in these units constitutes only one third. Another one-third are unoccupied and the rest are rental units. The production of these units are definitely beyond the real demand and can be considered an economic loss. Since these units are cheap, many people can afford them. Due to the previous boom when prices increased over time, these low-priced condominium units became speculative goods. This table also confirmed that luxury detached houses cater exactly the target groups because few units are put up for rent. This in turn concludes that the higher proportion of rental units in a particular type of housing indicates the clearer sign of speculation.

There is some explanation why luxury condominiums, which are considered oversupplied, have a smaller proportion of rental units compared with low-priced condominium. This is because on one hand the owners are afraid of potential damage to their expensive properties which could result in difficulty in re-sale. On the other, for affluent people, they are in no hurry to sell their property anyway. They can hold and wait for future price appreciation

There is also some explanation on why low-priced townhouses which are mostly occupied, possess a higher degree of rental units of 32% or one-third of the total units occupied. One reason is that they are attractive for rent. According to Table 7, the gross rent per sq.metre of a townhouse is only Baht 33 per month; whereas, it is Baht 48 in the case of low-priced condominiums. They can be rented for commercial purposes such as selling foods or small grocery shop; while it cannot be in the case of low-priced condominiums. In practice, it is common that a group of students or friends or a couple of families may rent a whole unit of townhouses for their residence.

Although medium-priced detached houses have medium occupation, most of the occupants are owners of the units. Only 8% of them were house renters. As observed, many white-collar workers in secure public sector tend to buy these low-rise units which are located in the suburbs. It is not convenience for renters who prefers inner city locations. This is thus a reason why there are 30% of house renters in medium-priced condominiums which are located in the inner city areas. In turn, it is a sacrifice of the end-users on long commuting time to buy this type of housing in the fringe. Many buyers of medium-priced condominiums are white-collar workers in the private sector. It should be mentioned that after the 1997 economic crisis, many firms were down-sized. As a result, many of the white-collar workers were forcedly left their job. Consequently, many unoccupied units have to be put up for rent.

Table 4: House Rental in Different Housing Types

House Type	% of Owner-occupied Units to Total Units Bought	% to Rental Units to Total Units Occupied
Low-priced Condominiums (Baht 0.25 - 0.4 m)	32%	46%
Low-priced Townhouses (Baht <0.8 m)	58%	32%
Medium-priced Condominiums (Baht 1-2.5 m)	55%	30%
Medium-priced Townhouses (Baht 1-1.5 m)	59%	25%
Luxury Condominiums (Baht >4.0 m)	51%	16%
Medium-priced Detached Houses (Baht 2-3 m)	68%	8%
Luxury Detached Houses (Baht 5.0 - 7.0 m)	91%	0%

3.3. Negative Price Changes for Speculative Units in Long Run

There appears to be some pattern in price changes in different types and prices of housing units. Previously speculative units tended to decrease in price. This is obvious in the case of abundant low-priced condominiums where they lost some 0.33% of their original value each month. In turn, low-priced townhouses, which are preferable to be occupied either on rental or owner-occupied basis, tend to appreciate in their value over time.

Table 5: Market Price Changes of Different Housing Types

House Types	2001 Price to Original	No. of Months	% Change per Month
Low-priced Condominiums (Baht 0.25 - 0.4 m)	66%	126	-0.33%
Medium-priced Condominiums (Baht 1-2.5 m)	86%	113	-0.13%
Luxury Detached Houses (Baht 5.0 - 7.0 m)	101%	126	0.01%
Luxury Condominiums (Baht >4.0 m)	103%	120	0.02%
Medium-priced Townhouses (Baht 1-1.5 m)	113%	126	0.10%
Medium-priced Detached Houses (Baht 2-3 m)	114%	116	0.11%
Low-priced Townhouses (Baht <0.8 m)	125%	122	0.18%

In addition, medium-priced townhouses and medium-priced detached houses also meet target groups who mainly have a preference for low-rise residence. As observed, the medium-priced units are mainly for middle-income groups who are employed in both the public and private sectors. Low-priced townhouses were very popular; therefore, the prices went up a lot more than was the case for other groups.

Low-priced condominiums can be regarded as speculative goods. Therefore, since the situation got worse, prices dropped substantially (decreased to 66% of the original prices of 10 years ago). This is also a confirmation that there are fewer demands on this type of housing. However, medium-priced condominiums are not quite speculative goods but previously catered to demand from white-collar workers. However, due to the 1997 economic bust, many of these became unemployed and could not afford to buy a house. These units became abundant and prices went down.

Luxury detached houses and luxury condominium units have experienced few changes. Since their prices are already high, few significant changes can be observed. In addition, their prices were steeply escalated prior to 1990. After 1990, prices were saturated and can hardly ever observe any changes. In turn, they will not drop in price simply because they directly respond to certain target groups.

3.4. Seeds for New Speculation in the Cycle

After the burst of the "bubble", investing in housing units at discounted prices for either sale or rent at a high return is considered to be timely speculation. This would definitely help improve the economy at large due to the flow of capital. Other related activities would be re-vitalized as well e.g. construction materials, construction contractors, architects and engineers, and the like.

In the bust period when prices reach the bottom, an investment should be given serious consideration, despite the gloomy environment. As observed, the return on investment in low-priced condominiums is quite high (9.46%); whereas that of the medium-priced detached houses is very minimal (2.68%). This means that at present buying a low-priced condominium unit and putting it up for rent is very attractive. In 2002, the loan interest rate was 5-7% which was considerably lower than the return available from these units. Therefore, buying these properties at this period is a good investment at a higher rate of return.

In addition, the fact that the return is high implies that investment in low-priced condominiums is risky. This is a general understanding of higher risk and higher return. Many of the low-priced units will experience considerable depreciation over time. Prices have been decreasing.

Table 6: Rent and Value of the Units

Items	Condominiums		Townhouses		Detached		Overall
	Low-priced <B 0.4 m	Medium B 1-2.5 m	Luxury >B 4.0 m	Low-priced <B 0.8 m	Medium B 1-1.5 m	Luxury >B 5.0 m	
Ave. price (Baht)	171,851	878,301	4,607,123	680,689	1,008,558	1,808,504	641,474
Ave. Size (sq.metres)	28	49	136	66	96	148	58
Ave.monthly rent (Baht)	1,355	5,508	25,257	2,208	3,861	4,044	3,122
Annual return*	9.46%	7.53%	6.58%	3.89%	4.59%	2.68%	5.84%
Rent/sq.metre (Baht)	48	113	185	33	40	27	54

Note: * Annual return = ave. monthly rent * 12 months / ave. price;
For luxury detached houses, most, if not all, are of owner-occupied units

Considering the investment perspective, an individual investor can consider investment in a housing or condominium unit at a reasonable price. First a capital gain is expected if he can buy the unit below market price. Then the unit can be put up for rent to earn an income higher than low deposit interest rate in the bust period. And eventually, when the opportunity comes with the boom again, the unit can be sold. As well, the capital can then be used for new investment.

4. Conclusions

4.1. Nature of Speculative Products

Generally, speculative goods are originally bought for resale. This is how speculation works to capture the capital gain in the transaction. However, when they cannot be sold, they are alternatively put up for rent. In a particular case of luxury condominiums, they are only expected for resale but also for rent directly. Their certain target groups are expatriate investors. However, their rental proportion is not particularly high because typically, affluent owners need not to be hurry to sell their properties. They would simply hold them and wait for an opportunity to resale in the future.

It can be concluded that speculative goods tend to have higher degree of un-occupation because they were originally expected for resale. A large proportion of their units are put up for rent because they cannot be resale as expected at the beginning of speculation. As a result, prices tend to decrease over time due to oversupplies in the market. Holding these units since the boom time until to day is thus a loss. However, in turn, to buy them at distressed price to date can be considered a high-return investment in the future.

Table 7: House Rental in Different Housing Types

House Types	Housing Occupation	% of Rental Units	Price Changes
Low-priced Condominiums (Baht 0.25 - 0.4 m)	Low	High	minus
Medium-priced Condominiums (Baht 1-2.5 m)	Medium	Medium	minus
Luxury Condominiums (Baht >4.0 m)	Low	Medium	no
Low-priced Townhouses (Baht <0.8 m)	High	Medium	a little
Medium-priced Townhouses (Baht 1-1.5 m)	Medium	Medium	a little
Medium-priced Detached Houses (Baht 2-3 m)	Medium	Low	a little
Luxury Detached Houses (Baht 5.0 - 7.0 m)	High	Low	no

Products which respond to the target groups will normally show high level of occupation. There will be only a few rental units because most of them are bought by the end-users who aimed at occupying the units themselves. For these "popular" units, prices tend to increase over time because there are certain and strong demands. In some cases, prices may stay stable because they were saturated from previous leap-frog.

For medium-priced units, they tend to possess moderate occupation. Their performance are generally acceptable. This is because their target groups tend to be stable middle-income groups, particularly those from the public sector. This leads to a conclusion that medium-priced housing units for a sizeable number of middle-income groups are safe properties to be developed in the market.

While resale of housing units is not possible in the bust period, renting them for the time being is an alternative. This is why there are quite a large proportion of rental units in speculative goods. However, there are also 2 other reasons for renting a housing units. The first is the location. Medium-priced condominiums and medium-priced townhouses which tend not to be far away from the city are attractive for rent. The second is the economy of scale.

As in the case of successful low-priced townhouses, the rent per sq.metre is even cheaper than that of unsuccessful low-priced condominiums.

4.2 Assessment of Speculation

According to the analysis of the evidences of this study, speculation is inevitable. Things develop over time. Therefore, there is some good prospect for future anticipation resulting in speculation. There is thus nothing wrong with speculation or in other words, investment in properties. Speculation activities in general can benefit all participants such as land owners, financiers, developers, builders and the city at large.

There is something wrong with speculation i.e. speculation mania. Why does speculation become a mania? Empirical evidence shows that a large number of low-priced condominiums have been built for speculation. Only one-third of the units were occupied by end-users. Another one-third were rented out, and the rest are still left vacant. Although the number of luxury condominiums was less than the low-priced ones, a large number of them were also targeted for speculation. As a result, they are still unoccupied and waiting for their opportunity to come. Therefore, when there are more and more people speculating in housing, the situation becomes a mania or in other words blind speculation.

Blind speculation emerges when there is inadequate market information available in the market. If the data is available, the number of unoccupied housing units as a sign of overproduction will appear to be as high as 350,000. The problem of data also refers to the inadequate dissemination of available data and the lack of recognition of data. When everyone invests in properties with particular expectation in short-term capital gains at the later and over-heated stages without adequate information, a mania emerges. This will definitely lead to the crash of the market that hurts everyone. Therefore, the crux is the lack of information and knowledge

5. Recommendations

5.1 Knowledge and Information Dissemination

It is to prevent the investment mania which will lead people to blind speculation resulting in over-production. Two things must be made available to the public. The first is information where the general public needs to be well, widely, equally and promptly informed about property markets. Informative environment means that everyone can closely trace the records of transaction and price changes and can catch the supply stream from the records of development permits, construction and completion.

The second is necessary knowledge on market situation and analytical skills adequate for property investment. As observed, buyers are not knowledgeable in the properties. If they are equipped with analytical skills, serious consideration will need for the investment. Eventually, mania and blind investment will hardly emerge.

5.2. The Clear-up of Un-occupied Housing Units in Bangkok

According to the understanding clarified at this study of speculation, the 350,000 unoccupied housing units in Bangkok should be put up for either sale or rent. In the case of sale, they should be offered at distressed price so that they can be attractive for home buyers as well as speculators who will hold the properties for re-sale in the future. If property prices are, on the average, expected to be stable for 3-4 years, at a discount rate of 8%, the distressed prices can be 68% - 75% of the open market value. Efficient and quick sales are expected. Fair auction or the uses of agents are among some major considerations. Eventually, this will help clear up the unoccupied housing units. At a certain stage, when supplies are well absorbed, new supplies can be initiated. This will thus enable the market to work again.

In the bust period, many people cannot afford to buy a house; therefore, the rental market is growing. As mentioned earlier, the return on investment from rent is quite attractive for distressed properties. Therefore, some selected projects with a large number of unoccupied housing units can be converted as rental accommodations. This requires professional estate management to ensure the efficient performance and hence the expected return on investment. A city-wide corporation for rental accommodation can be established to provide housing for renters who tend to be highly mobilized in accordance with their jobs. This corporation can be an autonomous one or under the existing National Housing Authority who also provide rental and owner-occupied housing for the public.

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