



Keep an eye on the 2024 measures to boost property sector: Properties priced between 3-7 million baht will benefit from the reduction in transfer and mortgage fees, while properties priced below 3 million baht will continue to face pressures.

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KEY SUMMARY

On April 9, 2024, the Cabinet approved the 2024 measures to boost property

sector. The newly approved measures include revision of registration fee reduction measure for ownership and legal transactions relating to residential properties in 2024, reducing the transfer and mortgage fee to 0.01% for the sale of residential properties valued not exceeding 7 million baht, an individual income tax deduction for home construction, and low-interest housing loans (Happy Home and Happy Life housing loan program), as well as a promotion of residential projects for low-income earners as part of the Board of Investment (BOI) housing projects.

SCB EIC assesses that the revision of the registration fee reduction measure for ownership and legal transactions relating to residential properties in 2024 will be most effective in boosting the property market relative to other measures introduced this round.

- The revised registration fee reduction measure for ownership and legal transactions relating to residential properties in 2024 is expected to gradually absorb the unsold units mainly in the mid-priced segment with price range of 3-7 million baht driven by potential buyers, particularly those already with home-buying plans. The measure may accelerate their decisions to purchase properties within this year. Meanwhile, there is still a need to monitor the utilization of the low-interest housing loan program to boost the property market priced below 3 million baht.
- SCB EIC expects the revised registration fee reduction measures for ownership and legal transactions relating to residential properties in 2024 and other measures introduced this round to have a limited impact on overall market demand. The measure will stimulate demand from potential buyers, while buyers with moderate to lower purchasing power will continue to face pressures from household debts, high interest rates, and limited access to housing loans. As a result, the overall property market will remain sluggish in 2024. Residential property demand in 2024 will continue its downward trend with a slight decline from 2023. The total number of ownership transfers nationwide is expected to contract 2%YOY, and the number of units sold in Bangkok and its vicinity is projected to

drop 1%YOY. Meanwhile, the total number of new residential units launched in Bangkok and its vicinity in 2024 is forecasted to fall 8%YOY as the number of unsold units remain high. Moreover, the increasing focus on mid-to-higher priced projects will result in a lower number of units per project compared to mid-to-lower priced projects.

The launch of new mid-priced residential projects must be proceeded cautiously.

SCB EIC anticipates a reduction in the unsold units in the 3-7 million price range, while developers are expected to increasingly launch new projects in the 3-7 million price range during the remainder of 2024, intensifying competition in the mid-priced segment. Therefore, the launch of new mid-priced residential projects in the remainder of 2024 and going forward must be proceeded cautiously to avoid risks of oversupply as demand will partly be absorbed this year as a result of the measure. Developers should also consider the competition from the resale property market, which is an attractive option for buyers.

KEY POINTS

On April 9, 2024, the Cabinet approved the 2024 property stimulus measures, which include the followings.

- 1. Revision of the registration fee reduction measure for ownership and legal transactions relating to residential properties in 2024, reducing the transfer and mortgage fee to 0.01% from 2% and 1%, respectively**, particularly for properties registered for transfer at the same time. This applies to the sale of residential properties, including detached houses, semi-detached houses, townhouses, commercial buildings, land with buildings, and condominiums registered under the Condominium Act. The purchase price and appraised property value must not exceed 7 million baht, and the mortgage amount must not exceed 7 million baht per contract. The measure excludes cases of partial sales, applies to Thai individual buyers, and will be effective from the date of publication in the Government Gazette until December 31, 2024.
- 2. Individual income tax deduction for home construction.** Individuals can deduct home construction expenses paid to contractors who are registered value-added tax (VAT) operators. This deduction applies to payments made under contracts from April 9, 2024 to December 31, 2025. The deduction amount is 10,000 baht for every 1 million baht of construction costs paid, up to a maximum deduction of 100,000 baht. This deduction is only applicable for the construction costs of a single house in the tax year in which the construction is completed according to the contract that must be initiated with the

construction commencing from April 9, 2024, to December 31, 2025. Meanwhile, the stamp duty must be paid electronically via the internet.

3. **Happy Home housing loan program** with the program's limit of 20 billion baht. The program is introduced by the Government Housing Bank (GSB) to support low-to-middle income individuals who wish to purchase land with a building or condominium, construct a building, purchase land for building construction, or purchase related equipment or amenities for residential purposes. The interest rate will be fixed at 3% per annum for 5 years with the maximum loan amount per borrower not exceeding 3 million baht and maximum loan term not exceeding 40 years. Individuals can apply for the loan at the GSB until December 30, 2025, or until GSB reaches the program's limit.
4. **Happy Life housing loan program** with the program's limit of 10 billion baht. The program is introduced by the GSB to support individuals who wish to buy land with a building or condominium, construct a building, purchase land for building construction, extension, or renovation, or refinance from other financial institutions. The interest rate will be fixed at 2.98% per annum for the first three years with loan amount per borrower starting from 2.5 million baht. Individuals, who are interested in the program, can apply for this loan at the GSB from today onwards, or until the GSB reaches the program's limit.
5. **Promotion of residential projects for low-income earners (as part of the Board of Investment (BOI) housing project).** The BOI offers tax benefits for real estate developers including corporate income tax exemption for three years, for up to 100% of the investment amount (excluding land price and working capital). The tax exemption is applicable for the construction of residential properties for low-income earners whose value not exceeding 1.5 million baht (including the land price). Application for the promotion should be submitted within the last working day of 2025.

SCB EIC assesses that the revision of the registration fee reduction measure for ownership and legal transactions relating to residential properties in 2024 will be most effective in boosting the property market relative to other measures introduced this round. The fee reduction measure is expected to gradually absorb the unsold units mainly in the mid-priced segment with price range of 3-7 million baht driven by potential buyers, particularly those already with home-buying plans. The measure may accelerate their decisions to purchase properties within this year. Meanwhile, there is still a need to monitor the utilization of the low-interest housing loan program to boost the property market priced below 3 million baht.

- **The revised registration fee reduction measure for ownership and legal transactions relating to residential properties in 2024, which reduces the transfer and mortgage fees to 0.01%, is expected to benefit the property market for properties valued under 7 million baht, both newly completed and resale properties.** Developers with ready-to-sell properties have an opportunity to clear their inventory of properties priced under 7 million baht, including both low-rise residences and condominiums. The measure is likely to facilitate the sale of semi-detached houses in outer Bangkok areas that are still accessible to the city center via extended BTS and MRT lines and expressways. It is also expected to boost the absorption of condominiums in central Bangkok areas near major BTS and MRT lines such as Green and Blue lines. In provincial areas, the measure may help developers clear their inventory of properties, particularly in major tourist destinations and commercial and investment hubs with dense populations. Moreover, the measure also covers resale properties which are attractive options for buyers as seen from the value of ownership transfer for resale properties which has been high as these properties are generally priced lower than new ones. In addition, resale properties often offer more living space compared to new ones in the same price range and location. They may also provide access to desirable locations where new developments are scarce or unavailable. Given these advantages, resale properties priced under 7 million baht are likely to benefit from such measure.
- **This measure is expected to encourage potential buyers, particularly those already with home-buying plans, by accelerating their decisions to purchase properties within this year.** For instance, a transaction purchasing a 7 million baht property will only pay 1,400 baht in total for ownership transfer and mortgage registration fees under the new measure. This represents a substantial saving compared to the previous rates, where transfer fee was 2% and mortgage fee was 1%, resulting in a total registration fee of 210,000 baht.
- **The measure is expected to gradually absorb the unsold units mainly in the mid-priced segment with price range of 3-7 million baht.** The revised registration fee reduction measure, which expands the eligible property price range from below 3 million baht previously to up to 7 million baht, is expected to stimulate purchasing decisions for properties in the 3-7 million baht price range. This price segment caters to buyers with moderate or higher purchasing power who are likely to be financially prepared for homeownership and have a low likelihood of being denied for loan applications. Meanwhile, buyers with less purchasing power, most of which are buyers of properties priced below 3 million baht, will continue to face pressures from household debts, high interest rates, and limited access to housing loans. As a result, this lower-priced segment with price below 3 million baht will still face challenges in reducing the inventory of unsold units and may not benefit significantly from the measure.

In 2023, the value of ownership transfer for properties priced below 3 million baht was 430 billion baht, representing 43% of the total transfer value for the whole country. Meanwhile, the value of ownership transfer for properties priced between 3.1 million and 7.5 million baht was 300 billion baht, accounting 29% of the total transfer value. Nevertheless, SCB EIC expects the revised fee reduction measure to boost the transfer value for properties priced between 3.1 million and 7.5 million baht in 2024. The growth rate for this segment is expected to be higher than the that of properties priced below 3 million baht, resulting in a higher proportion of transfer value of this segment.

- **Meanwhile, there is still a need to monitor the utilization of the low-interest housing loan program to boost the property market priced below 3 million baht.** As of the end of 2023, there were 116,000 unsold properties priced below 3 million baht in Bangkok and its vicinity, up 2% from 2022 and accounting over 50% of the total unsold units in Bangkok and its vicinity. If the low-interest housing loan program is well-received, it could play a significant role in reducing the overall number of unsold units in the market and stimulating a faster recovery of the property market. Additionally, it could enable mid-to-lower-income groups, financially vulnerable groups, and first-time homebuyers to achieve more homeownership.

Individual income tax deduction for home construction and low-interest housing loan program that covers both home construction and renovation are expected boost construction activities. This could benefit homebuilders and contractors, particularly SMEs registered for value-added tax (VAT), as well as businesses in the construction supply chain such as construction materials. However, the environment of high construction cost remains a challenge that should be carefully monitored, including rising costs of land, construction materials, and labor. This could put pressures on construction activities and home renovation.

Moreover, tax benefits for real estate developers for constructing affordable houses priced below 1.5 million baht for low-income earners will create a business opportunity for developers with capabilities to undertake such projects but are still facing challenges from high construction costs. Such high costs could squeeze profit margins in developing low-priced housing.

IMPLICATIONS

The launch of new mid-priced residential projects in the remainder of 2024 and going forward must be proceeded cautiously.

Considering strategies of developers in launching new projects in 2024 suggests that developers are increasingly focusing on launching new projects in the mid-priced segment both for the low-rise residences and condominiums. This reflects a strategy to avoid the challenges faced in the property market priced below 3 million baht. Additionally, the expansion of eligible property price range for the fee reduction measure from previously under 3 million baht to up to 7 million baht will help absorb the unsold units in the mid-priced segment. This is a good opportunity for developers, while attractive promotional offers could be offered in tandem to stimulate demand, thereby further reducing the inventory of unsold units in the 3-7 million baht price range.

SCB EIC anticipates a reduction in the unsold units in the 3-7 million price range. Developers are expected to increasingly launch new projects in the 3-7 million price range during the remainder of 2024, driven by financial readiness of target buyers. Additionally, developers have greater opportunities in developing properties in this mid-priced range such as in locations closer to the city center or offering larger living spaces compared to developments of properties priced below 3 million baht that are facing challenges due to financial constraints of buyers and rising land costs. Such challenges limit the options for developers in the low-priced segment, often leading to condominiums and townhouse projects.

The growing focus of developers on projects in the 3-7 million baht price range will enhance their competitiveness in order to attract buyers. Moreover, developers will have greater potential for higher profit margins compared to developments of property priced below 3 million baht. Consequently, this will intensify competition in this segment. Therefore, the launch of new mid-priced residential projects in the remainder of 2024 and going forward must be proceeded cautiously to avoid risks of oversupply as demand will partly be absorbed this year as a result of the measure. Developers should also consider the competition from the resale property market, which is an attractive option for buyers.

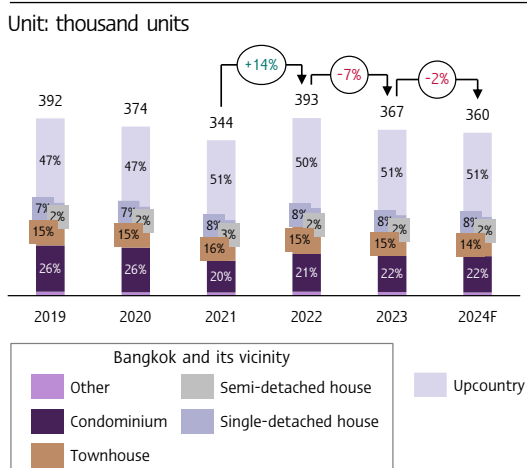
For the property market with property priced below 3 million baht, developers may offer promotions that fit the need of target buyers that are still facing financial constraints such as offering cash discounts instead of free gifts, extending the down payment period, or reducing the down payment amount per installment. Moreover, focusing the marketing efforts on renters by highlighting the financial benefits of owning a home compared to renting will help stimulate demand from these renters.

The launch of new projects priced below 3 million baht much be proceeded with special caution given intensified competition both from new projects launched by other developers and price discounts for unsold units to reduce inventory. Additionally, household debts, high interest rates, and limited access to housing loans are dampening consumer demand. In particular, the townhouse segment should be carefully watched due to challenges from declining demand and increased competition from condominium projects.

In summary, SCB EIC expects the revised registration fee reduction measures for ownership and legal transactions relating to residential properties in 2024 and other measures introduced this round to have a limited impact on overall market demand. The measure will stimulate demand from potential buyers, while buyers with moderate to lower purchasing power will continue to face pressures from household debts, high interest rates, and limited access to housing loans. As a result, the overall property market will remain sluggish in 2024. Residential property demand in 2024 will continue its downward trend with a slight decline from 2023. The total number of ownership transfers nationwide is expected to be 360,000 units in 2024, a 2%YOY contraction, and the number of units sold in Bangkok and its vicinity is projected to be 84,000 units in 2024, a 1%YOY decrease.

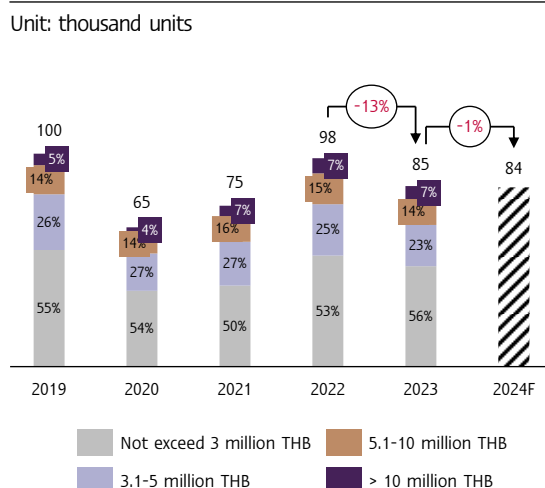
Meanwhile, slowdown of new project launches is expected to continue in 2024 as the number of unsold units remain high. Moreover, the increasing focus on mid-to-higher priced projects will result in a lower number of units per project compared to mid-to-lower priced projects. The total number of new residential units launched in Bangkok and its vicinity in 2024 is forecasted to be 940,000 units, dropping 8%YOY.

Figure 1: Residential ownership transfers across the country



Source: SCB EIC analysis based on data from REIC

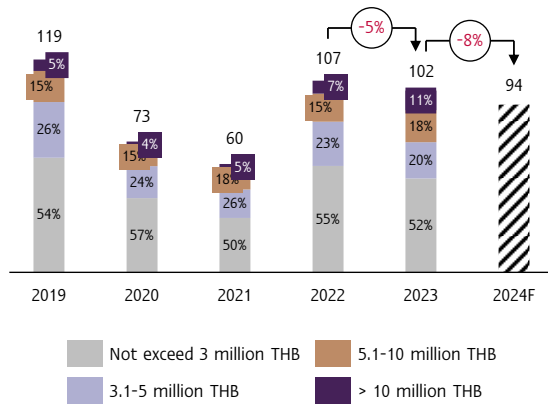
Figure 2: Residential units sold in Bangkok and its vicinity, by price range



Source: SCB EIC analysis based on data from AREA

Figure 3: Residential units launched in Bangkok and its vicinity, by price range

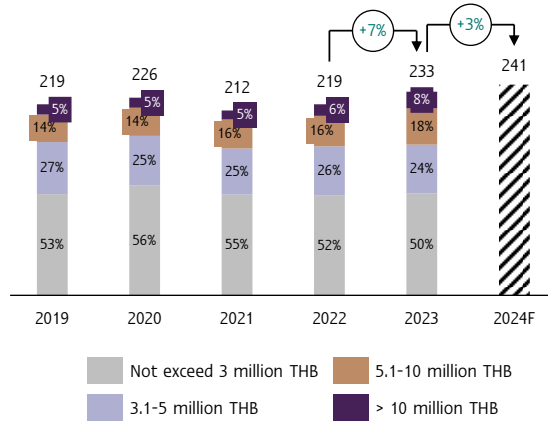
Unit: thousand units



Source: SCB EIC analysis based on data from AREA

Figure 4: Unsold residential units in Bangkok and its vicinity, by price range

Unit: thousand units



Source: SCB EIC analysis based on data from AREA

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