

L&H lowers presale target amid uncertainties

REVISIED TO 6% GROWTH FROM 2013; PLANS BT8 BN DEBENTURE ISSUE

SOMLUCK SRIMALÉE
THE NATION

LAND & HOUSES plans to issue a debenture worth Bt8 billion to support its business expansion over the next two years, even as the company has lowered its 2014 growth expectations from 15 per cent to only 6 per cent in term of presales, fearing prolonged political unrest.

The company now targets presales worth Bt32 billion, up only 6 per cent from last year's Bt30.2 billion. However, its revenue target of around Bt25 billion is about the same as last year. For the first nine months of 2013, L&H reported revenue of Bt20.77 billion and net profit of Bt4.91 billion.

Managing director Adisorn Thananum-Narapool said half of the debenture would be issued in the first half of this year, and the rest in the second half. Up to 70 per cent of the total will be used to pay back a debenture that expires this year, and the rest for business expansion.

The company has set aside an investment budget of Bt9 billion this year, of which Bt7 billion will be used to buy land for developing residential projects in 2015 and 2016. The remaining Bt2 billion will be for the firm's rental-income businesses such as serviced and regular apartments and hospitality ventures, both domestic and overseas, he said.

The company also plans to issue a property fund worth nearly Bt10 billion this year, while a real estate investment trust (REIT) is under consideration.

Adisorn said the firm applied to

the Securities and Exchange Commission last year for approval of the property fund's launch in the final quarter, but this was delayed.

Capital raised from the debenture issue and the property fund will be used to develop 21 new residential projects worth Bt35 billion this year, L&H president Naporn Sunthornchitcharoen said.

Fourteen of the projects will be detached housing, five condominiums, and two townhouse developments. Seven will be in provinces such as Chiang Mai, Khon Kaen, Maha Sarakham, Udon Thani and Chiang Rai.

"The property market has suffered a negative impact from political turmoil since November as the number of visitors [to projects] and presales dropped by 50 per cent from normal. As a result we have revised down our presale-growth target," he said.

Part of the company's targeted revenue of Bt25 billion will come from its backlog of homes awaiting transfer to the customer, currently worth Bt15 billion. Of that, Bt4 billion will be booked as revenue this year, and the rest in 2015 or 2016, he said.

He added that if the political conflict is resolved this quarter, the property market might recover with presale growth of up to 5 per cent. If not, growth will be flat.

However, transfers this year will continue to grow by 5-10 per cent thanks to a number of condominium projects launched since 2011 being completed and delivered to homebuyers.

The Government Housing Bank estimates that 110,300 new homes were registered in Greater Bangkok last year, up 8.6 per cent from 2012.

Naporn noted that commercial

banks had tightened up on mortgage approvals, with rejection rates now averaging 15 per cent. However, this will have little impact on L&H because of the company's policy of demanding higher downpayments than required by law. This ensures that its customers are able to get mortgages.



ADISORN