

## Growth with Stability in Affordable Housing Markets:

“Policy Framework,  
Institutional Infrastructure and  
Regulatory Environment with  
Focus on Affordability”



**Ballobh Kritayanavaj**  
Senior Vice President  
G H Bank – Thailand

January 30, 2011

# Thailand Highlight

- Policy Framework - Thailand has successfully provided affordable housing for decades.
- Home Ownership Rate >80%
  - no housing shortfall
- Slum & squatter settlements - Bangkok 30% (1985) → 6% (2000)
- New homes in Bangkok - avg. 160,000 Units/year (1993 – 1997)  
90,000 Units/year (2007 - 2011)
- Housing Finance - available + accessible
  - affordable with low mortgage rates

# Overview of Thailand

Items	2006	2007	2008	2009	2010	2011
Population (Millions)	65.23	65.70	66.70	67.07	67.4	n.a.
Per Capita Income (USD)	2,588	2,815	2,887	2,999	4,716	n.a.
GDP (%)	5.0	4.8	2.6	-2.3	7.8	1.5
Inflation (%)	4.7	2.3	5.5	-0.9	3.9	3.8
Policy Rate (%)	5.00	3.25	2.75	1.25	2.00	3.00

*Source : Bank of Thailand, National Economic and Social Development Board  
and National Statistical Office of Thailand*

# Residential Mortgages in the Thai Economy

Items	2006	2007	2008	2009	2010	2011*
Residential Mortgage Outstanding (RM)	1,351,182	1,443,435	1,566,440	1,715,584	1,873,784	2,016,753
All Types of Loans(AL)	7,756,122	8,137,489	9,690,223	10,390,417	11,802,544	11,856,103
GDP at current price	7,844,939	8,525,197	9,080,466	9,041,551	10,104,821	8,084,067
RM : AL (%)	17.4	17.7	16.2	16.5	15.9	17.1
RM : GDP (%)	17.2	16.9	17.3	19.0	18.5	24.9

Source : Bank of Thailand

Unit : Million Baht

\* As of Q3/2011

# Financial Infrastructure and Institutions in Thailand

- Policy Rate
- Regulation
- Supervision

## Bank of Thailand

- Thai commercial Banks (14)
- Subsidiary (1)
- Foreign Banks Branches (15)
- Finance Companies (3)
- Credit Fonciers (3)
- Foreign Bank Credit Bureau Co., Ltd (1)
- Credit Card Company (11)
- Personal Loan Company (26)

Asset Management  
Companies (21)

## Ministry of Finance

### Special Financial Institutions (8)

- Government Housing Bank
- Government Savings Bank BANK
- Secondary Mortgage Corporation
- Bank for Agriculture and Agricultural Cooperatives
- Export – Import Bank of Thailand
- Islamic Bank of Thailand
- Small and Medium Enterprise
- Development Bank of Thailand
- Small Industry Credit Guarantee Corporation

Thai Asset Management Corporation (1)

- Loan to value ratio (LTV)

House price/value < Bt 10 million - LTV up to 90% (for Condominium)

LTV up to 95% (for Single Detached house)

> Bt 10 million - LTV up to 80% (for all type of house)

- Maximum mortgage rate - 19% per year (GH Bank)
  - free market rates 12-21% (to be registered with BOT)
- Maximum late charge
  - 19% per year (GH Bank)
  - free market rates 15-28% (to be registered with BOT)
- Prepayment penalties
  - not allow prior to 3 years
  - (most banks charge 3% of loan amount)
- BIS ratio for mortgage loan - Risk weight = 35%
- Mortgage lending report - quarterly mortgage report by LTV ratio to BOT

# Government policies for promoting more affordable housing

- Mortgage registration fee - Reducing 1% → 0.01% (loan amount)
- Real estate transfer fee - Reducing 2% → 0.01% (appraised value)
- Specific business tax (SBT) - Reducing 2% → 0.01% (transaction price)
- First time homeownership policy - Promoting first time home buyers
  - **GH Bank first home project**
    - Total project loan amount : Bt 20,000 million
    - 0% interest rate (2-3 years)
    - LTV up to 100%
    - Loan amount up to 1 million
    - Only for first time ownership
- Homeownership taxation policy → interest from home loan is deductible for income taxation (Bt50,000 → Bt100,000)
- Low cost housing development policy - Board of Investment (BOI)
  - Condominiums < 1 million
  - Land & house < 1.2 million --- Income tax exemption 5-8 years

- **Thailand has successfully delivered housing to its 67 million citizens through excellent execution of policies**
- **More than 80% of Thais have their own homes**
- **Housing finance is always available to homebuyers in all situation even in economic crisis years.**
- **Affordable housing finance measures have been implemented from time to time to stimulate the housing market and overall economy.**



- 3 main government-organizations implement government housing policies and programs primarily for middle-and-lower income citizens

**NHA** - National Housing Authority developing subsidised- low cost and affordable housing for low & moderate income people.

**CODI** - Community Organizations Development Institute

slum upgrading and provision of lending mechanism to the urban poor (e.g. Microfinance and community based organization development)

**GH Bank** - Government Housing Bank offering more affordable mortgage loans to low & middle income groups

- **Development of a vibrant private-sector-led housing industry**
- **Deliver appropriate housing at affordable prices to all income sectors nationwide**
- **Recognize the housing and real estate industry's importance to economic growth**
- **Efficiency land registration system.**

more than 10 professional housing and real estate associations in Thailand

**Housing finance** : - Housing Finance Association

**Developers** :

1. Thai Real Estate Association
2. Housing Business Association
3. Thai Condominiums Association

**Home builders** :

1. Home Builders Association
2. Thai Home Constructions Association

**Valuers** :

1. Thai Valuers Association
2. The Valuers Association of Thailand

**Marketing** :

1. Real Estate Sales and Marketing Association
2. Real Estate Broker Association

**Property** :

1. Property Management Association of Thailand
2. Condominium Management Associations

**Planning** :

1. Association of Thai Urban Designers
2. Thai Urban Planning Association

- **Training**

- AREA - Thai Real Estate Business School
- Professional associations

- **Education** (Bachelor and Master degree)

- Chula U.                      - Ramkhamhaeng U.
- Thammasat U.              - Assumptions U.

# Synergy through housing information

- **Real Estate Information Center (REIC - MOF)**

[www.reic.or.th](http://www.reic.or.th)

- **GH Bank**

- GH Bank Housing Journal (Thai)
- Asia Pacific Housing Journal (English)
- GH Bank's Home Buying Information and Homeownership Counseling Center [www.ghbhomecenter.com](http://www.ghbhomecenter.com)

- **Commercial Banks**

[www.krungsriproperty.com](http://www.krungsriproperty.com)

[www.khomesmilesclub.com](http://www.khomesmilesclub.com)

- **Websites**

[www.hometophit.com](http://www.hometophit.com)

[www.teedin108.com](http://www.teedin108.com)

[www.thaihometown.com](http://www.thaihometown.com)

[www.ddproperty.com](http://www.ddproperty.com)

- **RE magazines** ( eg. homebuyers guide, Land and House etc. )

# Key conditions for affordable housing

1. National housing policy - homeownership strategy Govt.
2. Household income & expenditure People +
  - **Economic growth (GDP) > employment**
  - **Income stability + regular savings**
3. House price/cost Public + private
  - **Laws & regulations** (planning and building control)
  - **Housing industry** (public + private sector)
4. Housing finance (**F. institutions policy & competency**) F. institutions
  - **LTVR** (up to 100%)
  - **Mortgage rate** (lower than MLR)
  - **Repayment period**(30 years)
5. Government promotional policy+ measures Govt. + assoc.
  - **Taxation policy**
  - **Other measures for affordable home**
6. Household's knowledge and attitude Edu. + info

# Mortgage rates strategy

## 1. Interest rate 0% (3 – 36 months)

- **GH Bank** 0% for 36 months, year 4 – 7 = MRR, year 8 onwards MRR -0.5
- **Commercial banks** (6) 0% for 3-10 months, year 1-3 = MRR minus, year 8 onwards MRR

## 2. Fixed short term rate (1-3 years)

- **Commercial banks** (4) 1 year = 2.5% - 5.25%
  - **Commercial banks** (4) 2 year = 3.75% - 5.50%
  - **Commercial banks** (3) 3 year = 3.45% - 6.25%
- } after that MLR -0.25% to 1.75%

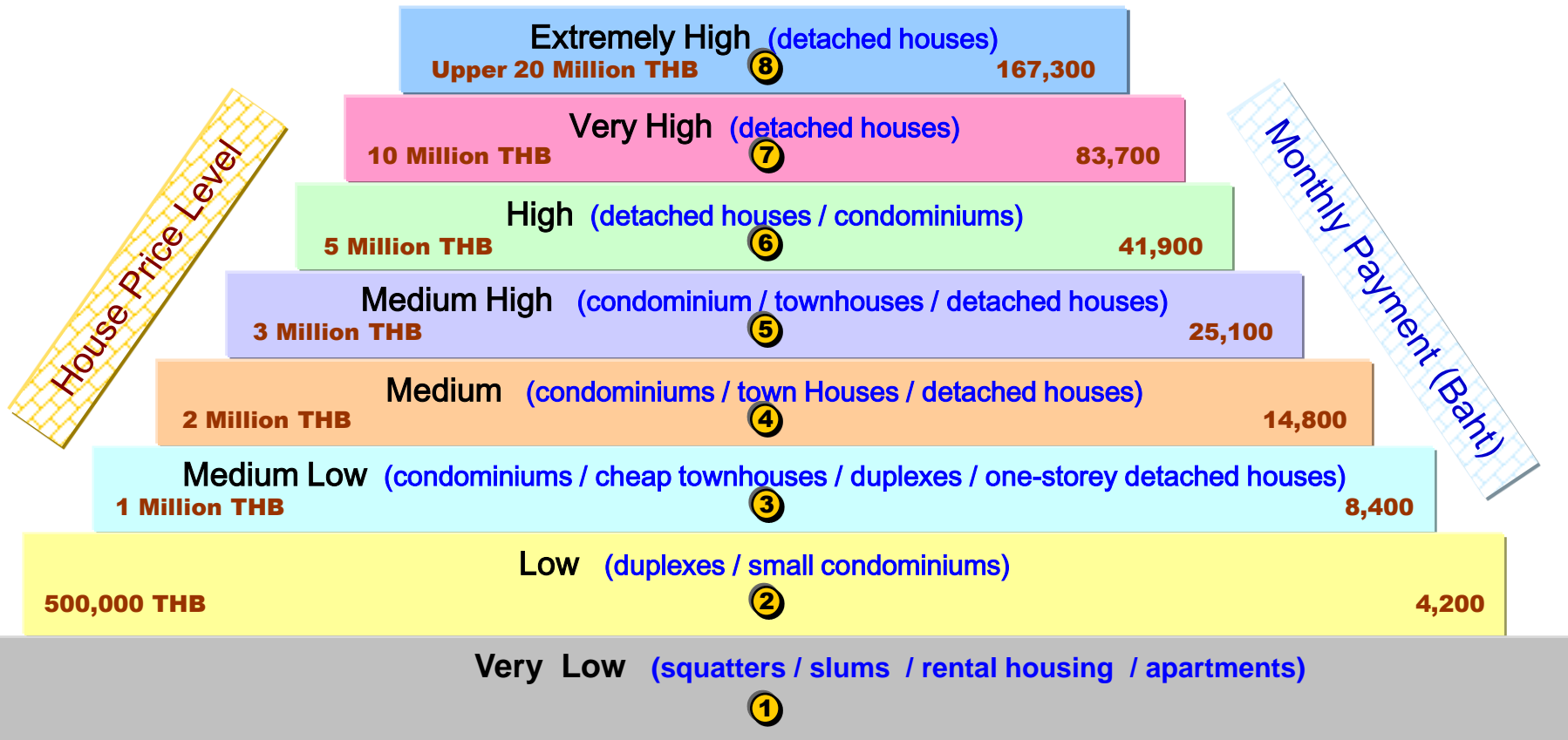
## 3. Special floating rate (1-3 years)

- **GH Bank** year 1-2 = MRR-2%, year 3 = MRR-1% after that MRR-0.5%
- **Commercial banks** (2) 1 year = MLR – 1.75% and MLR - 2.6%
- **Commercial banks** (5) 2 years = MLR - 1.00% to 4.00%
- **Commercial banks** (7) 3 years = MLR – 0.40% to 4%

## 4. Hybrid rate

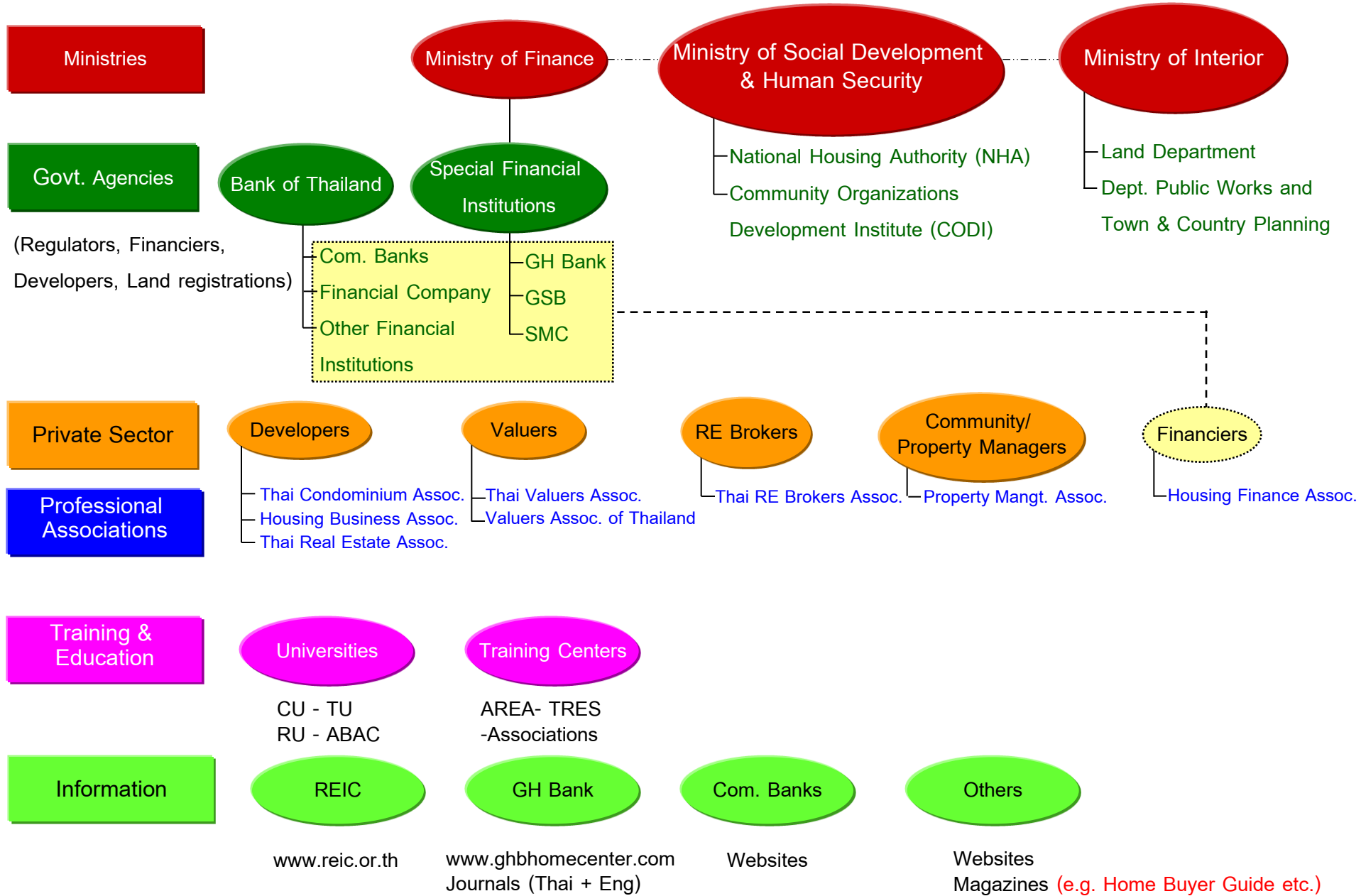
- **Commercial banks** (5) fixed year 1 = 1.25% - 2.75%  
float year 2 = MLR – 1.00 to 2.00

# Housing Ladder





# Growth with Stability in Affordable Housing Market (THAILAND)



[www.reic.or.th](http://www.reic.or.th)

[www.ghbhomecenter.com](http://www.ghbhomecenter.com)  
Journals (Thai + Eng)

Websites

Websites  
Magazines (e.g. Home Buyer Guide etc.)



**Thank You**



بنك الإسكان الحكومي  
بنك الإسكان الحكومي

*Government Housing Bank*