

Renovation of a real estate section

Synopsis: From 1987 to 1997, Thailand economy had expanded very rapidly. An economic expansion rate was at a little more than 10% of Gross Domestic Product (GDP) for several consecutive years leading to the constructions of exceptionally large, high rise buildings for residential uses, offices, hotels, hospitals, factories, theaters, condominiums and department stores. This included thousands of townhouses and single houses spreading throughout Bangkok areas, adjacent provinces, major provinces, major tourist attractions and beaches. According the constructions above, real estate entrepreneurs had gradually received a construction permit allowing them to continuously proceed the constructions up until the economic crisis in 1997. As a consequence, many constructions were left pending or had not even started yet resulting in a total investment of about 15 billion dollars. Most of these incomplete constructions were abandoned and looked dangerous. In the same period, Thailand government had issued several ministerial building regulations (MR) to provide safety in fire, public health and living environments as well as enforcing tougher permit expiration and extension regulations to prevent granting those inactive real estate entrepreneurs to continue apply for a permit. In effects, there would be no further permit extension after the expiration which therefore had forced all the pending constructions to terminate unconditionally except the installation parts necessary for building operations. The economic crisis together with the new MR had forced most of the entrepreneurs to leave the constructions and inevitably let the license expire due to the increasing in investment costs. High acquiring price lands were left unused and become non-profitable. Both forsaken lands and buildings eventually had turn into the problematic Non Performance Loan (NPL).

Remedy: The ministerial building regulations previously described are not very helpful for remedying NPL

problems in the real estate section. The government has therefore drafted a corresponding regulation to solve this limitation by allowing those pending constructions for large, remarkably large, high rise buildings, apartments, condominiums and some privileged buildings with a construction permit from during 18/02/92 - 08/08/00 to reapply for a new permit. This reapplied permit will follow the regulations used at that period with no expansion in heights and usage areas. New regulation draft is expected to become effective in early 2003 with a promise of enabling real estate entrepreneurs to re-operate those problematic lands and buildings with reasonable costs and according to market trends. This would be one of the solutions to the NPL problems.