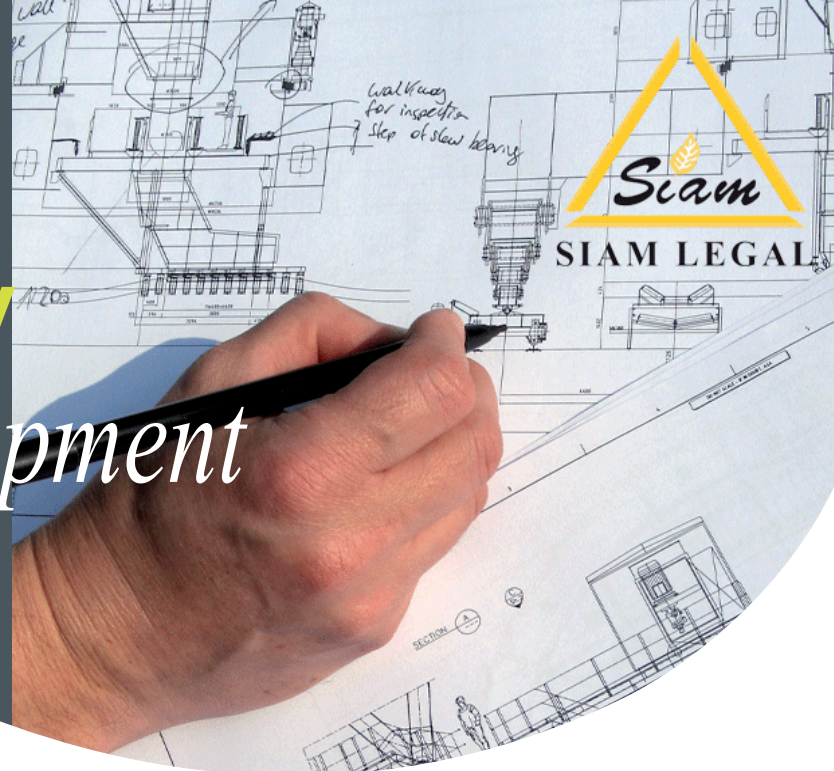




Guide to Planning a Property Development Project in Thailand

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Property Development

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Guide to Planning a Property Development Project in Thailand

Property development is a complex business process and like all businesses, proper planning is essential. Unlike other businesses, property development involves many intricate steps and solid financial management.

Property development often brings to mind stories about rags to riches. Sometimes, it is even seen as the ticket to our early retirement. However, property development is certainly not for the faint hearted and requires just as much effort, if not more, as any other businesses to yield a healthy turnover. The good news is though, with good planning and a healthy dose of hard work, a property development can indeed produce a very profitable income for the developer.

There are so many different types of property development so it is important to set out from the outset what the end goal is. This is important because the implementation of works in a project can be a

lengthy operation requiring a myriad of resources and a host of variables. In this article, we will concentrate on property or real estate development as opposed to land development or 'fixer-uppers'. Property or real estate development can be defined as the construction of physical buildings on raw land. This can take the form of residential, commercial, institutional, recreational or industrial projects. Further classification can be made on the complexity of the intended buildings or whether the project is a high or low-rise structure.

Stages of Property Development

In general, the steps in a development project can be

broken down into five stages. They are, in respective order, inception and feasibility, design, tendering, construction and handover and maintenance. This article will focus on the first stage of a project development. This first step is important as it will let you know early on whether the project will be worth your time and effort and provides a strategic structure with which to establish the rest of the development stages. In practice, this is often considered by practitioners to be the most difficult and challenging stage since if it is not handled with care, it could potentially be a recipe for disaster later on.

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Getting Started

The first thing to do is to arrange your finances and outline a budget for your project. Armed with this, you would then go out in search of suitable block of land with potential for development. It is a good idea at this stage to have your team of consultants ready at hand. You can either have a development manager who can coordinate the whole process or you can liaise individually with a number of advisers which may include a lawyer, an architect, a quantity surveyor, urban planner and an estate agent to provide you with initial advice on the property and the marketability of any possible development. Together with your advisers, this is also the stage where you identify your project objectives.

Land Resolutions

The next stage is to ascertain if there are any issues with the land. Find out if there are any zoning laws or ministerial regulations which may affect what or how much you can build on the land. In most coastal properties, restrictions regarding the height of buildings may also be in place. To find this out, you will need to check with the local district or land office where the land is located. You should also conduct a standard due diligence on the land which

includes finding out issues relating to title, discovering if there are any easements or any other covenants on title which may impede your project. This is also a good time to find out what licensing will be required for your proposed project and whether your project will need a property allocation license for the subdivision of separate plots.

Environmental Regulations

Environmental concerns are also becoming more prominent for property developers today. In late 2007, the Office of National Resources and Environmental Policy and Planning (ONEP) issued a new regulation requiring every new property project to plant a tree at least five meters in height and width for every air conditioning unit that ranges between 12,000 to 24,000 BTU. Also, a condominium project in Thailand which has more than 79 units or housing projects with a land area of more than 100 rai or about 40 acres will need to apply for an Environmental Impact Assessment (EIA). Smaller projects may also need to have an Initial Environmental Evaluation (IEE) done.

Starting a Project Brief

After all this evaluation and checks on the land, we will then need to set up a 'User's Requirement' in the form of a preliminary project brief. This is where you assess what the market wants in that area and build something that you believe would sell or lease well. Take a look around the neighborhood and consider issues relating to town planning and urban design. It should be noted that the User's Requirements are progressively refined and honed into a detailed project brief throughout the design and tendering stages so do not be too concerned if you haven't figured out exactly what it is you want to build.

The Feasibility Study

Now is time to do that all important number crunching session in a feasibility study. We will normally begin by identifying the criteria and the parameters we need when we consider the technical and financial aspects of the project. This includes, among others, time scales, costs for consultants, cost of construction as well as the likely end sale values and the profit margin you want to make. There are many softwares out there today that can help make this part faster, cheaper and easier. It can generate reports and offer recommendations on the likely success of the project.

Nonetheless, a project's success depends a lot on this feasibility study as this is what allows you to make an informed decision. Sufficient time, resources, and expenses should be allocated to ensure that the objectives can and will be achieved in the later stages.

Organizing the Team and Project

Finally, the only thing left to do in this first stage of the process is to set up a project organization and management structure. This is important in the process as it outlines the players and their roles in the project. It also sets out accountabilities and provides a framework with which everyone can work with to achieve the final goal.

Final Word

The planning stage of any property developments requires a lot of hard work and perseverance. Property development is an inherently risky business as capital expenditure is often high and liquidity is, by nature of having property as its main asset, extremely low. Financial management is crucial to the success of a project development and in order to have good financial management, it is essential to have good planning of all the technical aspects of the project. At least with good planning, you will know early on whether to continue on with the project and proceed to the next stage.

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