



Overview and Q&A: Thailand Building Materials Market

Report Highlights:

Thailand's import demand for solid wood will likely continue to increase by 4-5 percent in 2006 and 2007 due to growing demand for interior decoration and export-oriented manufacturers. The wooden furniture industry is expected to drive import growth in the next couple of years due to current rubber wood shortages.

Construction sector

Real estate industrial growth is forecast to slow in 2006 and 2007 as the Thai economy will likely continue a slower pace of around 4-5 percent in 2006-2007 following political instability compared to 6.2 percent in 2004. In the first half of 2006, the economy still grew by 5.4 percent, but has slowed in the second half of 2006. In addition, inflationary pressures from high oil prices will result in an upward adjustment in market interest rates, particularly mortgage rates. Moreover, an upward trend in prices of construction materials should increase housing prices by 5-10 percent, especially for the low- to middle-end homes.

However, according to the Thai Finance Ministry's recent study, annual housing demand is forecast to grow by 3.2 percent during 2005 – 2009. Presently, there is still an excess demand for housing of around 60,000 units annually. Moreover, annual demand for rented houses is estimated at over 720,000 units. The expectation on economic performance is reportedly a key factor in new housing demand function. Historically, despite high mortgage rate of around 15 percent during 1989-1990, new housing sales surged to the record 1.7 thousand units in line with double-digit economic growth of around 11 percent.

According to an official survey, despite a reduction in the construction area permitted in 2005, condominium registration nationwide increased significantly, most of which took place in Bangkok, due to strong demand for downtown residence near rapid mass transit transportation location. However, new apartment and condominiums in Bangkok and vicinity declined sharply in the first quarter of 2006 due to economic uncertainties. Also, new housing projects continued to decline.

U.S. hardwood still has market potential for flooring materials and architectural interiors in the construction segment particularly in commercial building and housing, including apartments and condominiums, due to its competitive prices and high quality. Trade sources reported that the decorating material segment is quite competitive, mainly depending on consumer tastes and perception about the types of wood. U.S. hardwood can bring a more luxurious style to these residences. The applications of U.S. hardwood for flooring and interiors should be introduced to Thai contractors, architects and interior designers through regular technical seminars and training in order to demonstrate the benefits of its physical properties to meet the growing demand for a more luxurious appearance and greater endurance of finished flooring and interiors.

Furniture and Interior Sector

High competition in overseas markets and decreased domestic supplies of traditional hardwoods has forced Thai furniture manufacturers to source imported hardwoods, rubber wood, medium density fiberboard (MDF), metal and rattan for alternative materials. Also, Thai furniture industry has diversified into export oriented manufacturing, particularly in wooden furniture which accounts for about 70 percent of total wooden furniture production. Wooden furniture exports currently accounted for about half of total furniture exports. Total furniture exports are forecast to continue the upward trend in 2007. Wooden furniture exports are expected to account for the bulk of the growth in response to strong import demand from major markets like the U.S. and Japan. In addition, exports to Australia are expected to grow, following the free trade agreement with Australia since January 2005. In addition, the increasing numbers of new homes will generate domestic demand for furniture, and interior design and decorations.

Thai wooden furniture production amounted to around 30 million units in 2005, down slightly from the previous year. However, export value increased by 6 percent in response to the shift of Thai furniture manufacturers towards the high-end of the market. Rubber wood furniture accounts for about 70 percent of total wooden furniture production, followed by hardwood furniture (15 percent), and panel furniture (15 percent). In the first half of 2006, wooden furniture exports continue to increase significantly despite a slight drop in total furniture exports. However, wooden furniture manufacturers are currently facing difficulties in sourcing domestic rubber wood, due to the shortages as mentioned earlier in the report. Also, rubber wood prices surged to imported hardwood levels, making the products substitutable. Furniture manufacturers are reportedly seeking alternative materials, hardwood in particular.

The Thai wood furniture industry has good market potential for U.S. hardwoods, as manufacturers are moving towards the high-end of the market. Current high rubber wood prices will encourage wooden manufacturers to shift to U.S. hardwoods, due to competitive prices and sustainable supplies, as compared to other woods. Presently, annual demand of rubber wood for wooden furniture is estimated at around 1.2 million cubic meters, accounting for about half of total rubber wood production. Regarding the current rubber wood shortage, some wooden furniture manufacturers started to shift around 10 percent of their lines of production to hardwood, U.S. hardwood in particular. Also, around 50 furniture manufacturers out of the total of around 2,000 manufacturers are reportedly interested in using imported hardwood as alternative materials. However, U.S. hardwood suppliers have to customize the sales to "cut-to-customer specification" instead of the "cut-to- U.S. standard" tradition. Otherwise, U.S. hardwood sales, oak in particular, will be limited to only wooden furniture manufacturers who also have business in flooring materials. The "cut-to- U.S. standard" sales reportedly result in excessive wastage of around 50 percent in the furniture production process, as compared to an average of around 5 percent for wood imported from elsewhere. This waste is used to produce flooring materials, but limits the attraction of U.S. hardwoods in the market. U.S. hardwoods will have a better position in the Thai furniture industry, once furniture manufacturers decide to shift permanently from a rubber wood to U.S. hardwood furniture production line.

Key Residential Property Indicators

	2004				2005				2006
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Construction Areas Permitted in Municipal Zone (,000 sq. meters)	4,843	5,919	5,706	6,210	4,727	4,611	5,360	4,936	2,738
Condominium Registration Nationwide (units)	1,533	2,363	4,239	2,252	2,740	4,744	2,024	3,731	1,338
Bangkok Metropolis and Vicinity	1,244	2,019	3,323	1,477	2,388	3,677	1,193	2,681	748
Other Provinces	289	344	916	775	352	1,067	831	1,050	590
New Housing in Bangkok Metropolis and Vicinity (unit)	11,931	14,143	15,904	20,818	16,709	15,691	17,698	17,731	10,026
Housing Project	6,846	9,462	10,586	13,858	9,396	8,411	9,793	8,335	5,350
Apartment and Condominium	598	407	132	1,048	1,656	1,252	1,346	2,399	230
Self-Built Housing	4,487	4,274	5,186	5,912	5,657	6,028	6,559	6,997	4,446

Source: Bank of Thailand

CONSTRUCTION MARKET

Country: Thailand	2003	2004	2005	2006	2007
Report Year:	Calendar Year	Calendar Year	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (thousand units)	85	100	108	115	120
--of which, wood frame (thousand units)	7	8	9	10	10
--of which, steel, masonry, other materials (thousand units)	78	92	99	105	110
--of total starts, residential (thousand units)	65	70	78	85	89
----of residential, single family (thousand units)	62	66	74	80	84
----of residential, multi-family (thousand units)	3	4	4	5	5
--of total starts, commercial (thousand units)	20	30	30	30	31
Total Value of Commercial Construction Market (\$US mil)	250	320	400	500	580
Total Value of Repair and Remodeling	400	440	490	550	610

For the full report, go to: <http://www.fas.usda.gov/ffpd/attache-reports.htm#Thailand>

Commodity: 44, Wood And Articles Of Wood; Wood Charcoal

Year To Date: January - December

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Commodity	Description	United States Dollars		
		2005	2006	2007
44	Wood	\$141,018,685	\$145,797,973	\$129,583,085
4414	Wooden Frames Paintings, Photographs, Mirrors, Etc	\$66,105,967	\$80,051,598	\$62,212,540
4419	Tableware And Kitchenware, Of Wood	\$15,588,621	\$12,518,791	\$13,608,489
4421	Articles Of Wood, Nesoi	\$13,532,088	\$11,372,295	\$13,092,868
4420	Wood Marquetry Etc; Jewel Case Etc & Wd Furn Nesoi	\$13,268,349	\$14,472,432	\$11,523,064
4409	Wood, Continuously Shaped (Tongued, Grooved Etc.)	\$13,633,146	\$8,475,707	\$10,549,007
4411	Fiberboard Of Wood Or Other Ligneous Materials	\$8,860,916	\$8,277,760	\$7,257,627
4415	Packings Etc, Wood; Pallets, Collars Etc, Of Wood	\$3,406,153	\$2,961,367	\$3,430,949
4418	Builders' Joinery And Carpentry Of Wood	\$3,568,339	\$2,212,486	\$3,126,574
4407	Wood Sawn Or Chipped Length, Sliced Etc, Ov6Mm Th	\$2,233,442	\$2,830,257	\$2,453,708
4412	Plywood, Veneered Panels & Similar Laminated Wood	\$462,531	\$2,144,052	\$1,576,391
4408	Veneer Sheets Etc, Not Over 6 Mm Thick	\$1,684	\$151,861	\$491,025
4410	Particle Board & Similar Board Of Wood Etc.	\$304,290	\$233,314	\$167,773
4417	Tools/Tool & Broom Bodies Etc Shoe Last/Trees Wood	\$51,535	\$43,457	\$73,761
4402	Wood Charcoal, Whether Or Not Agglomerated	\$0	\$38,624	\$12,757
4401	Fuel Wood In Logs Etc; Wood In Chips, Etc.	\$1,625	\$13,971	\$4,765
4416	Casks, Barrels, Vats, Etc. And Parts, Of Wood	\$0	\$0	\$1,247
4413	Densified Wd Blocks/Plates/Strips/Profile Shapes	\$0	\$0	\$540

Source: Global Trade Atlas

Question & Answer with . Ms. Wanwemol Charukultharvatch, Commercial Specialist, Department of Commerce, Bangkok, Thailand

1. How are building materials sold and distributed? Do builders and developers purchase products directly from manufacturers or are there local distributors/consolidators?

Builders and developers usually purchase directly from manufacturers. This is because they purchase in bulk. Manufacturers normally have a “project sales” division, which solely handles industrial accounts such as builders and developers.

2. What is the government’s role in residential and commercial development? Are developers privately owned or government owned?

There is one primary Government unit the “National Housing Authority” in charge of residential development. This organization develops low cost housing for low- income earners. The rest of the industry is private.

3. Are there value-added taxes or other feeds that apply to different building products?

The 7% value-added tax, applicable to all products and services, is applicable to building products.

4. Are business transactions done normally by letter of credit or bank draft?

Importers normally use a letter of credit in their first few shipments. Once the relationship is established, they tend to prefer T/T to minimize costs of transactions.

5. What are the best market opportunities for US building materials? Is there a market for higher priced and higher quality building materials?

Thai consumers have a positive perception of U.S. building materials; however, only certain segments of the market can afford to satisfy such preference. Thus, U.S products potential exists in the high-end residential and hotels segments. Mid-priced products with the right designs, dimensions and quality may compete in the larger upper income housing market.

6. Are consumers able to afford imported building materials? If so, which type of products are in greatest demand?

To a limited degree, consumers can afford imported building materials. Products that are likely to succeed in this market should meet one or both of the following two criteria: (1) not manufactured by local company (2) represents the latest popular trends.

7. Please describe Thailand’s housing stock – condition, single family vs. multi family, high rise vs. low rise, etc.

Single detached houses and high-rise residential buildings are the primary types of housing stock offering in Thailand. The condition of Thailand housing stock varies. (This would be an area requiring more research)

8. Trade shows in construction and building materials

Architect 2008

Date: April 30-May 4

Venue: Impact Exhibition Center

Organizer: The Association of Siamese Architects

Architect 2008 is an annual trade event for building products and architectural designs. It is the largest trade show of its kind. The theme of the 2008 show is “unplugged” emphasizing alternative energy, energy conservation, simplicity, and balance with nature.

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