The Formal Private Sector in Bangkok: Providing A Low-Income Housing Alternative?

by

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Abstract

Current housing scholars and policy-makers argue that 'enabling' strategies and policies in the housing sector hold out the best prospects of providing shelter for the growing number of people in urban areas. Beginning in the 1980s, the Royal Thai Government endorsed a package of 'supportive' strategies, that aimed, in part, to encourage the formal construction industry to meet the housing demand of lower-income households in Bangkok. The implementation of supportive policies (which currently includes tax incentives for low-cost housing construction) has coincided with a supply of developer-built low-cost condominiums (LCCs). Some Thai and foreign housing analysts have claimed LCCs play an important direct and indirect role in improving the housing conditions of lower-income groups (such as factory and service sector workers and even slum dwellers), improving their tenure status and living conditions. This thesis builds on the findings of earlier housing research in Bangkok, notably Setchell (1992), by examining recently available data on the occupants of LCC projects to ascertain the veracity of these claims. By examining the socio-economic characteristics of LCC occupants, this thesis aims to uncover assumptions that have been held by different housing institutions and policy-making bodies about the role of LCCs as a form of low-income housing and the efficacy of supportive housing strategy.

This study suggests that only a small percentage of owners and renters of LCC units are the 'urban poor', contrary to what housing researchers and policy analysts have implied or stated elsewhere. In addition, while some of the households have lower-wage earners, most LCC households appear to be lower-income in a particular sense: They are mostly young, small, single-family, well-educated households who are early in their working life and whose socio-economic profile suggests that their household income will expand over time. Most LCC occupants are renting their accommodation, dampening claims that LCCs were enabling many lower-income people to achieve home ownership. Housing researchers and policy analysts concerned about the housing conditions of lower-income households in Bangkok may want to consider adopting a different set of guidelines for research and evaluation -- and vision of who private developers in Bangkok will service.

Thesis Supervisor: Lisa Peattie, Professor Emeritus of Urban Studies and Planning
Acknowledgments

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### Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BMA</td>
<td>Bangkok Metropolitan Administration</td>
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<tr>
<td>BMR</td>
<td>Bangkok Metropolitan Region (includes the BMA and contiguous provinces of Pathum Thani, Nonthaburi, Samut Prakan, Nakhorn Pathom, and Samut Sakhorn).</td>
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<tr>
<td>BOI</td>
<td>Board of Investment, Office of the Prime Minister</td>
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<tr>
<td>BOT</td>
<td>Bank of Thailand</td>
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<tr>
<td>GHB</td>
<td>Government Housing Bank</td>
</tr>
<tr>
<td>GB</td>
<td>Greater Bangkok (includes BMA, and contiguous provinces of Pathum Thani, Nonthaburi, Samut Prakan)</td>
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<tr>
<td>HPS</td>
<td>Housing Policy Subcommittee</td>
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<tr>
<td>LCC</td>
<td>Low-cost Condominium</td>
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<tr>
<td>NESDB</td>
<td>National Economic and Social Development Board</td>
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<td>NHA</td>
<td>National Housing Authority</td>
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<td>NSO</td>
<td>National Statistical Office</td>
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<td>RTG</td>
<td>Royal Thai Government</td>
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<tr>
<td>TMB</td>
<td>Thai Military Bank</td>
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<tr>
<td>UNCHS</td>
<td>United Nations Center for Human Settlements</td>
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### Distance and Area Conversions

- 1 sq. meter (sq.m) = 10.76 sq. feet (sq. ft.)
- 1 wah = 2 meters
- 1 square wah = 4 sq. m, 43.06 sq. ft.
- 1 rai = 400 sq. wah, or 1,600 sq. m or .395 acres or .16 hectares
- 1 kilometer = 1,000 meters or .621 miles
Chapter 1: Introduction and Methodology

Despite over thirty years of debate by housing scholars and planners about how to eradicate housing deprivation in developing and developed countries, many low-income groups continue to lack adequate shelter. More than one billion people worldwide do not have adequate housing\(^1\). While most of the urban population do manage to find some form of shelter, its quality is very uneven, varying widely among countries and between the rich and poor in each city. Some have a shack with four walls and a roof that leaks in the rain, built on land they have no legal claim to be on. Others have only dirt underneath to sleep on and a bridge with cars and trucks roaring overhead. Yet others live in housing that does not provide reasonable space, ventilation, or access to transportation. Though 'everyone is somewhere', there are those whose living environments are immeasurably more difficult than others. Of those living without safe, adequate housing in developing-country cities, the vast majority are the poor, whose housing lacks the most basic services such as potable water or adequate sanitary facilities.

Among the many debates that are taking place presently about how to better address the housing problems of lower income groups in developing countries are those related to the new 'enabling strategy' as outlined by the World Bank and United Nations Center for Human Settlements (Habitat) in Global Strategy for Shelter to the Year 2000.\(^2\) This strategy outlines a rearrangement of responsibilities between the state and the private sector -- emphasizing the formal and informal sectors as housing producers. One of the tensions within this new strategy -- and the questions raised by policy-makers -- is where should emphasis be placed? Should the aim of policy be on expanding the formal sector (by encouraging developers to move down market) or servicing the informal sector (by facilitating the supply of land and infrastructure to settlers)? In this study\(^3\), I look at a place where the formal private sector did move down the market to provide lower cost housing than had previously been the case and ask whether lower-income people benefited. Between 1980 and the present, a number of studies and Royal Thai Government (RTG) agency reports claimed that the formal private sector in Bangkok is producing housing -- first row-houses and townhouses and later, condominiums that are affordable to lower-income households. Thai housing analysts have reported developer-built housing to be affordable to families as low-income as the 20th income percentile in 1990.\(^4\) (see: Figure 1-1)

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2 UNCHS, Global Strategy for Shelter to the Year 2000 (Nairobi: UNCHS, 1990)
3 The findings of this study are based on two months of field research in Bangkok, Thailand during the fall of 1994. Research was funded by the Center for Human Settlements, University of British Columbia.
This 'down market' trend coincided with housing and planning government agencies' adoption of a package of 'supportive' housing policies that in some ways resemble the 'enabling' approaches advocated by World Bank and UNCHS housing theorists. In particular, Thai strategies have emphasized providing ample amounts of housing finance, maintaining minimal development regulations, allowing personal income tax deductions and the like. Later (1993) Thai agencies adopted price supports aimed explicitly at "supporting" the formal private sector to produce housing to meet the demand for lower and middle income households in Bangkok. While this study does not assess to what extent these policies are responsible for the emergent supply of low-cost housing in Bangkok (because there were many other factors at play during this period), it does address the question of what kinds of people seem to have benefited directly from developer-built low-cost housing in recent years. This study builds upon the findings of other earlier research in Bangkok, notably by Setchell in 1991-1992, that give cause to question whether lower-income households are gaining access to the formal private sector's low-cost housing products. Specifically, I examine what kinds of households are presently occupying the cheapest formal developer-built housing product-- low-cost condominiums (LCCs). I connect these findings to the claims that have been made about the role of LCCs in addressing low-income people's shelter needs (and the reported 'success' of 'supportive' housing strategy) to assess the relative opportunities and constraints of LCCs as a low-income housing strategy. By doing so, this thesis aims to uncover both some of the assumptions that have been made about LCC's affordability and the success of the Thai housing strategy to 'enable' the formal private sector to produce low-income housing.

The first part of this introduction surveys the issues in the housing policy debate about enabling the formal sector's to providing low-income housing to the poor -- presenting both the view that the formal private sector has a significant role to play and skeptics' questions about the limits of encouraging the formal private sector down the market. Next, I review recent research on Bangkok' housing and land market that has helped fuel these debate. Finally, I raise some questions that emerge from the debate and the 'evidence' and point to areas that have not been addressed adequately.

Housing economists argue that the best way to make housing accessible to the lower income groups is to allow the market to work more efficiently. They argue that the multiplicity of housing problems around the world are the result of governments' "tendency to treat the housing sector as a social welfare "issue" rather than a viable economic sector." Governments, they say, have too often tried to subsidize their way to more and better housing, and in the process have created policies that overlook the neediest groups, displace private investment, and construct

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badly designed and located buildings. Consequently, World Bank economists are now urging governments to 're-engineer' housing policy to emphasize the importance of market forces in creating an adequate supply of affordable, comfortable housing.\(^6\)

Governments can help the housing sector function more efficiently by replacing policies of direct intervention with enabling strategies that allow the formal and informal private sector (see: definitions, Appendix 1) to produce housing units on a large scale.\(^7\) (see: Table 1-1) Enabling advocates particularly stress the importance of improving financial services through private savings instruments, interest rate policies and improving the regulatory framework through deregulation, lowering of standards, and tax reform to stimulate private initiatives and investments. Undertaking these reforms, enabling advocates claim, will allow the private sector to respond more efficiently to housing demand which will result in greater housing supply, more affordable prices, and better overall housing conditions.\(^8\)

Although the 'enabling' literature is ambiguous about the relative emphasis policy-makers should place on supporting either the formal sector or informal sector in housing development to improve the lot of lower-income households, some stress the potential role of the formal private sector. Private developers, freed from distortive and expensive regulatory constraints and given the resources to build, can be encouraged to produce more housing and meet market demand from many different consumer groups, including lower-income groups. Others argue that even very low-income households benefit, albeit indirectly, from well-functioning housing markets. Even if the construction industry only builds for lower-middle-income households, this generates positive benefits for the urban poor through filtering dynamics: As lower and lower-middle-income households move up-market, lower-income households will take their place in the housing they leave behind.\(^9\)

Critics of the 'enabling' approach have pointed to problematic aspects of relying on the formal sector to provide affordable housing. They have challenged the assumption that the formal construction sector will actually service the lower-income market, arguing this is unlikely because developers' seek to maximize their profits and low-cost housing typically means lower profit.

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\(^6\) Ibid., p.44.
<table>
<thead>
<tr>
<th>ENABLING Housing Markets to Work</th>
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<tr>
<td><strong>Instruments</strong></td>
</tr>
<tr>
<td>Developing property rights</td>
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<td>Developing mortgage finance</td>
</tr>
<tr>
<td>Rationalizing subsidies</td>
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<tr>
<td>Providing Infrastructure</td>
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<tr>
<td>Regulating land and housing development</td>
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<tr>
<td>Organizing the building industry</td>
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<td>Developing an institutional policy framework</td>
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margins than middle and upper-income residential development. 10 Even if the construction industry temporarily engages in low-cost development -- perhaps because of an absence of opportunities to undertake more lucrative ventures -- this participation is subject to "changes in key variables on both the supply and demand side (which) means that there will probably be ups and down in the production of low-cost housing by the private sector, rather than a long-term expansionary down market trend." 11 Consequently, long-term planning for low-income housing development can be seriously compromised by relying on the formal developers who, with increases in the prices housing inputs or demand for upper-end housing, will quickly abandon low-cost housing development. Several other points have been raised: The locations of the projects the private sector are able to produce en masse for profit tend to be located far outside the city, in places unfavorable for the poor -- many of whom live in the city to make their living. 12 In addition, formal private sector low-cost housing can add non-financial problems such as the small size of units formal sector businesses market to the low-end market -- inappropriate for home-based economic activities. 13 These housing analysts argue that if governments intend to engage the private sector in land and housing delivery it makes sense to concentrate on the sector which has proven to be both willing and capable of catering for the housing needs of low-income groups: the informal housing sector -- through facilitating the supply of land for low-income settlers and the like. 14

Bangkok has often served as the "best source of empirical evidence" that by creating a favorable financial and regulatory environment the formal construction sector will move down-market to provide housing for low-income groups. 15 Thai housing analysts as well as World Bank economists have time and again pointed to Bangkok as a successful example of where the private construction sector has, given supportive conditions, moved down-market to include low-income groups in their operations -- directly delivering housing affordable to lower-income households. 16 The claims that have been made about developer-built housing affordability and hence the

12 This is not a problem exclusive to private sector projects. Historically, the public sector in Thailand and elsewhere has built housing for low-income people in distant locations from the city where people work. This often has been because land is excessively expensive in the central city for limited housing authority budgets. Yet the attempt to economize on land costs has lead to many projects that have failed in their intent of providing housing that meets low-income peoples' needs.
success of the Thai 'supportive' approach have been remarkable -- drawing the attention of many housing researchers and policy-analysts. Setchell, who carried out doctoral research in 1991-1992 on Bangkok's low-cost condominium and slum housing sectors (to document whether housing conditions had improved over the 1974-1992 period under facilitative strategies), pointed out that two 'key facts' -- the affordability of developer-built housing and decline of the share of slums of total housing stock -- have been used to substantiate this claim. Tanphiphat, for example, current managing director of the Government Housing Bank (GHB) told the audience of the Third Shelter Conference in Washington in 1990 that:

"...the formal housing market, as recently as 1980 precluded over three quarters of the population, of which a large group had to resort to slum housing... Developers used to build housing exclusively for the top-end of the market until only a few years ago. Now they provide over 70 percent of all new housing that cater to millionaires as well as hawkers, factory workers and the like; remarkably reaching down to the 20th income percentile."

Amidst this dramatic surge in formal housing development, slum housing growth was also, apparently in decline in terms of its share of total housing stock. Tanphiphat told the same audience that:

"Slum housing growth has virtually stopped while overall housing stock expanded at some 7 percent per annum leading into an unprecedented housing boom that is now continuing into the 4th year."

More recently (1994), government officials have claimed that slum housing stock stands at a mere 8 percent of total housing stock -- from 11 percent in 1990 and 24 percent in 1974. (see: Table 1-2)

With few exceptions, the 'enabling' housing policy literature and recent research of Bangkok's land and housing market focus on the importance of generating a supply of low-cost housing, and do not address the issue whether or how low-income people actually gain access to the low-cost units produced by the formal sector. Rather, the supply-side focus of 'enabling' theory and most housing market research in Bangkok has assumed a relationship exists between theoretical affordability of housing products, measured by housing price and income comparisons, and lower-income groups ability to access those products. In particular, housing analysts have reported as recently as 1994 that the private sector's cheapest housing product -- low-cost condominiums (LCCs) are affordable for lower-income people.18

### Table 1-2

**HOUSING STOCK in Metropolitan Bangkok, By Provider, 1974-1993**

<table>
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</thead>
<tbody>
<tr>
<td>1. Self-Built</td>
<td>240,477</td>
<td>341,732</td>
<td>470,386</td>
<td>519,380</td>
<td>555,839</td>
</tr>
<tr>
<td>2. Developer-Built</td>
<td>154,959</td>
<td>361,308</td>
<td>851,966</td>
<td>1,104,664</td>
<td>1,202,291</td>
</tr>
<tr>
<td>3. Public Housing</td>
<td>9,377</td>
<td>91,349</td>
<td>131,150</td>
<td>141,192</td>
<td>168,351</td>
</tr>
<tr>
<td>4. Slums*</td>
<td>139,326</td>
<td>160,145</td>
<td>191,000</td>
<td>183,548</td>
<td>182,457</td>
</tr>
<tr>
<td>5. Other**</td>
<td>41,024</td>
<td>60,543</td>
<td>40,000</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>585,163</td>
<td>1,015,077</td>
<td>1,684,502</td>
<td>1,988,784</td>
<td>2,148,938</td>
</tr>
</tbody>
</table>

Source: Housing Policy Subcommittee, National Economic and Social Development Board (NESDB), 1994

* Due to official definitions of slums, does not include: construction site housing (which is considered temporary) slums near to and under footings of bridges (bridge slums), or slums which do not have at least 15 houses (small slums) slums which have been in existence under three years, (new slums).

** Includes Temporary Boat Housing, Military and other Institutional Housing, and Dormitories.
Some critics of enabling approaches have raised the issue above, suggesting that the characteristics of formal developer-built LCCs (e.g. the reliance on formal housing finance, distance from low-income groups workplaces) may inhibit access. Setchell, for example, first pointed out that the distinction between housing affordability and housing occupancy had been overlooked by earlier research (specifically in reference to the Planning and Development Collaborative International (PADCO) 1988 study of Bangkok's urban land and housing markets).

His research included surveying 504 randomly selected households in 60 low-cost condominium projects throughout the Greater Bangkok area (the BMA and three contiguous provinces of Nonthaburi, Samut Prakan, and Pathum Thani), in November of 1991, and a slum housing survey of 76 slum communities in July 1992. While the final synthesis of his findings were not available to me at the time of writing, findings that appeared in his "Greater Bangkok Slum Housing Market Study," Final Report. Bangkok: USAID (1993) are discussed in more detail in Chapter 3 and 4 -- including his findings that LCC households were "middle income, perhaps upper-middle income" by prevailing Greater Bangkok 1991 incomes. 19 Despite this emerging contradictory evidence, however, RTG housing institutions and other Bangkok observers have largely ignored the questions that surround various low-income groups' ability to access the formal market.

The on-going discourse about LCC's affordability, absence of evidence that LCCs are providing housing for low-income households, and the questions raised by skeptics of the World Bank/UNCHS 'enabling strategy' have provided the starting point for this investigation. This study examines what kinds of people are occupying low-cost condominiums (LCCs) in 1994 -- to help bridge the gap between what has been assumed and who seems to have gained access to the formal housing market in Bangkok. The study uses this evidence to raise questions about the efficacy of supportive housing strategy and 'enabling' theorists claims. I have chosen the Bangkok case because, as indicated above, of the contemporary affordability claims made about Bangkok developers housing products. The Bangkok case is significant because World Bank and UNCHS publications repeatedly reported Bangkok's success as demonstrating the efficacy of 'enabling' housing approaches20. I focused on low-cost condominiums because they are the least expensive formal housing product built by developers within the immediate city region.

Chapter 2 describes the housing policy context and institutions in Thailand and the emergence and rationale of supportive housing policy in Thailand. It also outlines the claims that have been made about the success of the approach. Chapter 3 looks more specifically at the claims made about the role of LCCs in meeting low-income groups' housing needs, and the

indicators used by Thai housing analysts to substantiate these claims. This chapter also gives the reader a brief orientation to other historic housing sub markets and housing delivery systems in Bangkok. This provides the backdrop for the discussion of findings. The fourth chapter turns to the LCCs sub market, examining what groups appear to be buying and occupying them, and what groups are not. I discuss these findings in relation to the perceived role that LCCs are playing in Bangkok’s housing system and the government’s 'supportive' housing policy goals. Chapter Five concludes with reflections on the measures housing planners and policy-makers may want to consider to improve understanding of the role and function of formal private sector housing in Bangkok.

Methodology

This study is based on two months of fieldwork in Bangkok, Thailand between November and December of 1994. During this period I interviewed members of the Housing Policy Subcommittee (HPS), public agency staff with the Government Housing Bank (GHB) and National Housing Authority (NHA), low-cost condominium (LCC) developers and other condominium developers, residents of LCC projects, housing advisors and activists. I collected the available data on the LCC and other sub markets, reviewed national housing policy documents, and visited a number of low-cost condominium projects.

My description of housing policy and housing delivery systems in Bangkok are based on interviews with past and present members of the Housing Policy Subcommittee (HPS), which is the principle advisory body on housing policy-making in Thailand. In addition to HPS, I interviewed staff from a number of government agencies that are active in administering policies to support developers to build low-cost housing. These include the Government Housing Bank (GHB) which lends the majority of the mortgage and construction loans used by developers for low-cost condominium projects and the Board of Investment (BOI) which offers tax incentives to developers to build housing for lower and middle income groups. I also interviewed staff at the GHB and National Housing Authority (NHA) who are or have been involved in carrying out research on Bangkok’s housing market and producing annual reports for the HPS assessing the housing situation. I reviewed policy and planning documents, when available in English, about supportive policies, housing demand and supply, and the role of LCCs in low-income housing development.

My findings on LCC projects and occupants are based on a 1994 city-wide survey of low-cost condominiums carried out by a local Thai research consulting firm, the Agency for Real Estate Affairs (AREA) in a study commissioned by the Government Housing Bank (GHB) as well as my own interviews with LCC residents and managers in two LCC projects in Bangkok. I have not compiled complete case studies of each project. Rather, I draw on interviews and observations to make comparisons among the projects and findings of the city-wide survey in 1994, and then
make generalizations from patterns observed in all three information sources. Because the 1994 LCC city-wide survey findings were available only in Thai, I also interviewed the research team that carried out the survey to confirm my understanding of the data. The findings generally come from these sources, and I have made a point of distinguishing the source of a finding in the text of this document. Where relevant, I supplement or compare these findings with Setchell’s earlier (1991) LCC occupant survey. At times, I draw findings from my interviews with Bangkok developers, real estate market analysts, local housing advisors, and community activists.
Chapter 2: Housing Policies and Institutions in Thailand: The Emergence and Contours of “Supportive” Housing Strategy

In 1985, the Royal Thai Government (RTG) undertook a comprehensive set of policies, upon advice from the Housing Policy Subcommittee (HPS), to support housing development and create supportive conditions for the construction industry. These policies, discussed in detail below, included providing ample amounts of housing finance, changing or maintaining minimal levels of regulation, and later offering developers tax incentives for constructing low-cost housing. An enormous housing supply and 'down market trend' coincided with the implementation of these policies. The down-market move of private developers in the 1980s, first identified by the PADCO Land Management Study and the National Housing Authority (NHA) in 1986, has led to claims that persist to the present day: the formal private sector is playing a major role as affordable housing providers for lower-income groups. These claims, in turn, have provided a strong rationale for the government's 'supportive' housing approach. As noted in the World Bank's policy paper (1993) "The Bangkok study assisted the government in its determination to facilitate the private sector in middle- and low-income housing provision..."21

This chapter describes the 'facilitative' policies of the RTG related to the housing sector, which some have credited with contributing to the apparent improvements in Bangkok's housing conditions over the past 10 years.22 The discussion lays out the framework and substance of 'supportive' policies in Thailand, which includes reference to past low-income housing approaches, but generally tries to characterize the RTG's position towards promoting the private construction sector role as a housing provider after 1985. First, I look at conditions for the emergence of "supportive" housing policy. Then, I outline the major elements of the approach between 1985-1991 and under the Seventh Plan (1992 to the present) -- focusing particularly on strategies to 'support' formal developers. Next, I review some of the claims that have been made by housing analysts and policy-making bodies in Thailand about the role that low-cost condominiums (LCCs) are playing in terms of providing housing for various low-income groups. This provides the backdrop to the following two chapters, which shows how housing institutions and policy-making bodies have measured the housing sector performance and what their indicators miss -- who and who is not gaining access to developer-built LCCs.

22 Such as Dowall (1988) and Mayo (1994).
I. History and Major Elements of 'Supportive' Housing Policy (1983-1991)

The economic policies of successive Thai government have historically emphasized the principles of private initiative, free enterprise, and non-intervention in the market -- which has applied to the housing sector as well as other areas of social development. Prior to the establishment of Thailand's public housing agency -- the National Housing Authority (NHA) -- several agencies and department at local and central government level were involved in housing on a limited scale: the Housing Bureau, the Slum Clearance Office of the Bangkok Municipality, the Government Housing Bank (GHB) and the Housing Division of the Department of Public Welfare, and the Bangkok Metropolitan Administration (BMA). Their work was largely limited to slum improvement.

Some claim that with the establishment of the National Housing Authority (NHA) in 1973 the implicit housing policy became that 'the state would address the housing problems of urban settlers and other low-income people through direct public construction.' The NHA, however, has since its inception had a small percentage share of annual production and total share of housing stock. As Table 1-1 illustrated, public housing in Thailand has never occupied more than 8 percent of total housing stock. The NHA started with ambitious plans: After two years of considering their role in solving the housing problem, the NHA presented a five-year plan to the government ministries in 1975. This plan proposed to build 120,000 units over five years for low- and lower-middle income families, with heavy government subsidy. However, two years into the plan, the RTG halted the First Plan because of lack of funds, claiming it could not continue to subsidize the program. As Wonghanchao writes, and goes on to substantiate: "This scenario was to repeat itself over and over again in the future: the NHA adopts an ambitious plan and accomplishes little, if anything, before the plan is abandoned and replaced with another." In addition to these financial issues, critics say that early NHA construction efforts produced housing with excessively high standards that almost completely disregarded the requirements of their target groups. With repeal of government subsidies, such housing ended up being occupied not by lower-income households but by the middle class.

Later, in 1979 a combination of housing construction, sites and services, and upgrading programs were undertaken. Such a strategy, as discussed extensively elsewhere, has proven

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to be far from adequate, the NHA having persistently been plagued with the well-known pattern of social welfare housing policies without sufficient funds, adequate management and technical capacity. For example, largely because of reduced government subsidies and 'cost-recovery' requirements, the plots the NHA are able to acquire for the sites and services program have failed to reach the target group because locations were too far from possible sources of employment. Bureaucratic procedures and an absence of technical expertise have complicated the land acquisition process: rigorous site selection criteria (largely to counter accusations of corruption) coupled with a lack of sufficient market analysis work to exclude many land parcels from consideration. This, as Baker and Kampholpan note, "has often relegated the NHA site selection process to a choice of very few land offerings situated at the periphery or beyond Bangkok's built-up area." The NHA upgrading program, which provides piped water, paved sidewalks, and drainage channels in slums, though considered by some as the one 'bright spot' in the agency's activities, continues to miss the most urgent problems of the slum inhabitants -- such as the threat of eviction. In sum, with Bangkok's rapidly expanding population, it has become evident that the public housing agency will not be able to meet the housing needs of the growing urban population and that individual home-seekers will, as one observer put it "... continue to find shelter for themselves; indeed as they have always done."

Although the NHA has continued to pursue a program of housing construction to the present day, including hire-purchase and rental accommodation, in combination with sites and services and upgrading programs, its role in the construction policy of the RTG has been significantly reduced. Rather, beginning in the 1980s, housing policy shifted from one with direct public construction for low-income households as a means to address shelter problems to one which favors the creation of a supportive environment for the housing market to function more efficiently.

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29 Baker, L and T. Kampholpan, "NHA Land Acquisition and Site Selection Practices," Working Paper for the Bangkok Land Management Study, (Bangkok: NHA) 1986, p.1 Baker and Kampholpan note that because of these cumbersome procedures, the average time for the NHA to acquire land parcels from the submission of a land acquisition proposal to the NHA Board to the actual transfer of the title deeds was 20 months, compared to 1-4 weeks required by the private sector. p.ii.

30 As Yap Kioe Sheng states, "upgrading is not a guarantee against eviction: 13 settlements which have been upgraded by 1984, and 7 settlements which had a community committee by 1984 had been evicted by 1988. Moreover, Kioe Sheng reports that the impact of the NHA slum improvement program have been limited. There are around 400 improved slums, either the work of the NHA which upgraded 132 slums (NHA, 1991, p.78-79) or of non-governmental organizations. Kioe Sheng, Y. "Low-income Housing Submarkets," in Low-income housing in Bangkok: A review of some housing submarkets. (Bangkok: Asian Institute of Technology, 1992) p.15.
Government officials report that in response to recommendations made in a Ministry of
Finance/World Bank Study on housing finance, the RTG set up a standing committee on
housing policy under the National Economic and Social Development Board (NESDB) in 1983.
The Housing Policy Subcommittee (HPS) was to be the central body setting housing policy at the
national level, and responsible for monitoring implementation as well as providing information
about the housing situation. Over the past 12 years the HPS has made a significant impact on
the formulation and adoption of housing policy, as seen in the RTG's adoption of its 1985
guidelines, and revised in 1991.

The starting assumptions of the HPS and the composition of its membership is telling of
its belief and emphasis on an uninhibited market and efficient housing producers (the formal
private developers) in addressing the shelter problems of the city in general and low-income
households in particular. Sidhijai Tanphiphat, current managing director of the Government
Housing Bank (GHB) and member of the HPS, wrote in 1990:

From the outset, the HPS regarded housing as the product of the market-place. The
housing that a market produces -- whether enough is built, whether it is cost-effective, or
of the right type and at the right place -- depends on three main factors: 1) effective
demand of the various groups of housing consumers, 2) conditions of the housing input
markets, such as land for housing, financing, building materials, construction technology,
labor and other human resources...3) Regulative environment created by such laws as
the Subdivision Control Legislation (1972), Building Control Act (1979), and Town and
Country Planning Act (1975). These regulations are designed for the benefit of the
housing consumers are often over stated or obsolete and are hurdles that must be
overcome at some costs -- to the detriment of housing delivery efficiency.

Today, as in 1983, the HPS is comprised of a body of specialists from housing-related
fields and government agencies -- calling on representatives from the formal developer industry,
other businesses, and academia to work alongside public sector representatives from agencies
whose work affects the housing development process. Notably, no community representatives
or housing NGOs have ever participated on the HPS.


The first task of the HPS was to articulate a "comprehensive and coordinated housing policy."
HPS members say that this housing policy was intended to be a response not only to the
perceived failures of the NHA to address the low-income housing problem, but also to the
economic recession apparent by 1985: GDP growth had slowed to under 5 percent growth for

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31 Knight, A. Housing Finance Study in Thailand, Office of Fiscal Policy, Ministry of Finance, 1982 cited in
33 Tanphiphat, S. et al. Thailand Case Study: Private Sector Housing Production at Scale: Land, Finance,
the first time since 1970 and the RTG wanted to revitalize the economy through the housing sector. 34 Hence, the HPS formulated a set of 'supportive housing policies' that aimed to create a responsive and dynamic housing sector through mortgage finance, tax incentives, deregulation and intelligence for the business sector. Their primary aims were to:

- improve the availability and conditions of housing finance, thereby enhancing the effective demand of housing consumers;
- enhance the cost-effectiveness and supply of housing inputs, particularly land for housing;
- reduce regulatory inefficiencies. For example, to reduce developers cost due to delays in obtaining approvals for land subdivisions and building permits, and
- improve information systems by providing forums for exchange and to generate and disseminate useful data for those involved in the housing sector. 35

Members of the HPS outlined the major elements of the strategy, and responsibilities of respective agencies (see: Table 2-1) This policy package was submitted to Cabinet in 1985. 36 Appendix 2 provide an outline of the policies adopted as the state's construction policy, financial policy, organizational and coordination and other policies. Notably, the construction policy notes in 3.1.2.3. that the state should Encourage and support investors of the private sector in accelerating development of housing, both of standard and quality for people of varying incomes so as to meet public demand. 37

HPS members say that the two most urgent priorities were to 1) improve the availability of housing finance and 2) reduce bottlenecks in the housing delivery process by maintaining or reducing minimal development regulations. 38 The actions taken on these issues are discussed in some detail below.

A. Housing FINANCE.

Up to the mid-1980s the availability of mortgage loans and development financing in Bangkok was unpredictable and the terms were harsh. For the most part in Thailand, the private sector

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34 Personal interviews, HPS members, Russammee Chaiyanandha, NHA and Orajitt Bumroongsakulsawat, NESDB, 1994.
36 Government officials and public records indicate that not all of the measures outlined were implemented during the 1985-91 period and where this is the case I have made a note.
37 Chaiyanandha, R. Housing Policy of Thailand. Cited in paper prepared for the Joint Study between Indonesia and Thailand in the Field of Housing 7-8 February 1991, p. 3-4.
38 Personal interview, Russammee Chaiyanandha, NHA and Orajitt Bumroongsakulsawat, NESDB, 1994.
<table>
<thead>
<tr>
<th>Elements of SUPPORTIVE HOUSING STRATEGY 1985-1991</th>
<th>proposed short-term strategies</th>
<th>proposed long-term strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance</td>
<td>• Reduce sales tax for low-income housing in BMR and regional cities (7,000 B per year [1985], 12,000 [1990], 10,000 B [1994])</td>
<td>• Encourage life insurance companies to give housing/construction loans</td>
</tr>
<tr>
<td>Board of Investment</td>
<td>• Income tax deductions for housing finance. (Implemented 1993)</td>
<td>• Study housing standards under the Subdivision Control Act; revise if too high for low-income.</td>
</tr>
<tr>
<td>National Housing Authority</td>
<td>• Tax exemptions for low-income housing in the BMR and regional cities</td>
<td></td>
</tr>
<tr>
<td>Bank of Thailand</td>
<td>• Participate with the private sector to build lower middle income housing projects</td>
<td></td>
</tr>
<tr>
<td>Government Housing Bank</td>
<td>• Give credit to commercial banks for providing housing finance</td>
<td></td>
</tr>
<tr>
<td>Ministry of Commerce</td>
<td>• Expand housing finance and change to long-term mortgages (15-20 years with lower interest rates for lower income household loans).</td>
<td></td>
</tr>
<tr>
<td>Ministry of Commerce</td>
<td>• Revise their minimum declaration of life insurance credit.</td>
<td></td>
</tr>
<tr>
<td>Ministry of Sciences and Technology</td>
<td>• Develop mass production technology for housing production.</td>
<td></td>
</tr>
<tr>
<td>Ministry of the Interior</td>
<td>• Give private sector incentives to use pref-fab/modal production.</td>
<td></td>
</tr>
<tr>
<td>Land Department</td>
<td>• Declare comprehensive plan (1992)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Integration of transportation and land use planning *</td>
<td></td>
</tr>
</tbody>
</table>

* None, or little change
depends on investment capital from domestic loans sources such as the Government Housing Bank (GHB) and other financial institutions. The GHB, in particular, however was constrained in its inability to mobilize sufficient funds to re-lend, as well as plagued with bad loans and other operational problems. The GHB depended on funds from government subsidies and domestic and foreign funds from time to time. This, as one observer observed, limited that construction of housing in general because of the shortage of steady supply of financial resources. The Ministry of Finance study (1983) discovered that the investment allocations for housing construction in Thailand in 1982 were only 2 percent of the gross domestic product (GDP) while private sector savings came to 20 percent (of GDP). This showed that the allocations of savings for the provision of services in the housing sector were low. The commercial banks, for their part, monopolized more than 90 percent of all deposits in the mid 80s but gave home loans low priority, preferring shorter-term commercial and industrial credits. The National Housing Authority (NHA) was restricted to financing its own products on hire-purchase terms, while other, such as finance companies and credit fonciers played a very small role in housing finance.

The HPS, convinced that improving housing finance was key to a successful housing and economic strategy, advised the RTG to make the Government Housing Bank (GHB) the primary organization to lead reforms and to provide financial service for housing development for the National Housing Authority (NHA) and the private sector. The GHB moved away from having to source funds from oversee and local financial intermediaries, which had been their position up to 1984, and began to access the savings market directly through innovative deposit instruments. Because of the GHB has low overhead compared to other commercial banks (because of fewer branches and advanced operational techniques) it was able to offer higher deposited rates. The GHB also embarked on a process of internal change so that it might further improve and expand its mortgage lending terms. Through their reorganization and internal streamlining process, the GHB’s goal was to offer the lowest interest rate loans in the market, while offering higher deposit rates, and maintaining a healthy profit margin. Today, the GHB leads the market as the largest lender for a single institution with the lowest interest rates and terms, while other commercial banks follow usually within 1 to 2 percentage points.

41 Chaiyanandha, R. Housing Policy in Thailand, paper presented to the Joint Study between Indonesia and Thailand in the Field of Housing. 1991, p.3-5.
43 Ibid., p.23.
The government also provides incentives called 'special capital-adequacy allowances' to encourage commercial banks, life insurance corporations, as well as other financial institutions which have long-term capital resources available to provide home loan assets. In the late 1980s, these incentives (coupled with the GHB demonstrating the attractiveness of the home-loan business), combined with the high level of resources available to the banking community in the rapidly growing economy: Thailand's commercial banks and finance companies went into mortgage lending in an aggressive way. Between 1987 and the present rates for new loans declined and though they increased again in the period following the Gulf War crisis returned to low levels in 1992 to the present. Longer-term mortgage loans (with terms of 20 years) and loan to value ratios of 80 percent became common, and all types of financial institutions competed for business. In addition, the RTG began to allow personal income tax reductions for the portion of mortgage interest paid by borrowers

The outstanding mortgage loan portfolios of all institutions (see Table 2-2) grew between 1982-1986 at a compounded rate of 16.4 percent per year. For 1987 to 1988 the growth expanded to an average of 38 percent over the two years. In 1992-1994, the growth has been more modest. Over the 1982-1988 period the commercial banks made the most impressive gains: In 1988 their share of the outstanding portfolio stood at 67.55 percent while the GHB retained the largest share for a single institution at 16.71 per cent.

This highly competitive mortgage lending situation has provided housing developer industry with ample credit to undertake housing development and stimulated consumer demand. Formal developers became the main supplier of new housing in Bangkok by 1987, a status they hold today -- aided by the ease of access for new firms into the development business and strong demand across the income ranges.

B. Reducing BOTTLENECKS in Land and Housing Delivery Process

The HPS saw another priority as being to reduce bottlenecks in the housing delivery process related to regulatory inefficiencies. The emphasis on reducing regulatory inefficiencies, to the outside observer, seems slightly odd because Thailand has historically had (compared to other Asian countries such as Malaysia or Singapore) very few development controls or regulatory procedures. For example land use has never been regulated in any substantive framework and

Table 2-2

OUTSTANDING HOME-MORTGAGE FINANCE
By Types of Financial Institutions (as at December 30, 1988)

<table>
<thead>
<tr>
<th>Types</th>
<th>No. of Borrowers</th>
<th>Value (Mill.baht)</th>
<th>Share (%)</th>
<th>growth per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1982-86</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>205,859</td>
<td>48,921</td>
<td>67.55</td>
<td>23.7</td>
</tr>
<tr>
<td>Government Housing Bank</td>
<td>54,916</td>
<td>12,100</td>
<td>16.71</td>
<td>5.1</td>
</tr>
<tr>
<td>Finance Companies</td>
<td>14,237</td>
<td>5,816</td>
<td>8.03</td>
<td>18.8</td>
</tr>
<tr>
<td>National Housing Authority</td>
<td>47,811</td>
<td>2,590</td>
<td>3.58</td>
<td>16.6</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>4,815</td>
<td>1,085</td>
<td>1.5</td>
<td>22.2</td>
</tr>
<tr>
<td>Credit Fonciers</td>
<td>5,147</td>
<td>1,322</td>
<td>1.82</td>
<td>-10.9</td>
</tr>
<tr>
<td>Government Savings Bank</td>
<td>3,124</td>
<td>587</td>
<td>0.81</td>
<td>41.4</td>
</tr>
<tr>
<td>Total</td>
<td>335,909</td>
<td>72,421</td>
<td>100</td>
<td>16.4</td>
</tr>
</tbody>
</table>

Source: Bank of Thailand, GHB cited in Tanphiphat, S et al.
the four land-use plans for Bangkok (including the 1992) "have never been implemented in any serious way." 47

Nonetheless, developers do (in theory) face building and subdivision regulations, and members of the HPS committee note that "...numerous dialogues between regulators (Lands Department and Bangkok Metropolitan Administration) and developers have...enabled compromises resulting in reduced standards, revised procedures for more practical business operations and reduced time delays." 48 For example, in 1992, a second revised edition of the Building Control Act which amended the section which made it easier to commence construction (only notification of an intention is now required) to make the application procedure more efficient. In total, the Building Control Act within 45 days after the receipt of application which is according to the Act. 49

Again, these improvements have been made in an already relatively liberal regulatory context. For example, the process for land subdivision in Bangkok during in 1980 took approximately 100 working days (32 months in Indonesia and 5-8 years in Malaysia). 50 In terms of land recording and transfer procedures, the Torrens system is used which makes land transfers a relatively simple and short process -- making land transaction costs relatively low. Taxes are levied on land transactions, but they are very low.


When the HPS revised the housing sector guidelines above in 1991 for the Seventh National Plan, they provided the formal private developer industry with more indirect incentives to produce cheap housing to meet the demand from lower-income groups. The reasons were multiple: Government agencies estimated that housing demand during the 1992-96 period would be around 160,000 units per year for those below the median income level in the BMR. This demand, according to BOI officials, was especially strong from lower-middle income groups for units priced lower than B 600,000 (US $23,530). 51

As HPS members put it, this housing demand clearly could not be met by the NHA alone. In addition, the final report of the PADCO-Land Institute Foundation (LIF) Study (a follow-up to the PADCO-NHA 1986-88 study) was released in 1990 -- emphasizing the perceived

50 Other examples of Bangkok's liberal regulatory system abound: Only land and house developers are subject to subdivision regulations and administrative constraint such as the subdivision approval process -- LCC developers are simply subject to Building Code regulations, which unlike the subdivision regulations, do not require open space ratios, etc.
51 Personal interview, Dheeragool, P. Office of the Board of Investment, 1994.
accomplishments of the private developer industry in providing affordable housing over 1980-
1987 period. Developers were in 1991, holding a market share of new housing at 80.5 per cent. Moreover, the PADCO-LIF Study report that housing developers had responded to increasing land costs and shifting to condominium development to economize. In terms of the low-end market, low-cost condominiums were becoming the "principal form of affordable housing."52 These findings, as noted by Dowall (the principal research for the PADCO study) in the World Bank's policy paper (1993) "The Bangkok study assisted the government in its determination to facilitate the private sector in middle- and low-income housing provision..."53 This emphasis on the role of the formal developer can be seen in a Report to the RTG by HPS which states that the government should focus on the promotion of the role of the private sector in the development of housing. The role of the public sector is to develop and improve the efficiency and management of housing development and to support and steer the development of housing.54 This principal was re-stated in the Seventh National Plan which gave three major guidelines for "development of the urban poor”; one being “to encourage the private sector to provide housing for the low-income and industrial laborers” in addition to public sector efforts to upgrade slum communities and provide employment programs to "enable" the urban poor to have job security with regular income. More specifically, the Seventh Plan stated that the state should: Encourage the private sector to increase their participation in construction of housing for the low and middle income groups by considering incentive measures to attract investment and enable construction of inexpensive housing.55

In 1993 these recommendation were acted on and the Board of Investment (BOI) began price support (tax exemptions) for developers to construct low- and middle-income housing, defined as under B600,000 (US $23,530) including the price of land. The major conditions are that developers must provide no fewer than 150 units for Zone 1 (in the BMR), and 75 units for projects in Zone 2 and 3 (outside the BMR), each unit (if condominium development) must be 31 sq. m (which is the NHA's housing standards), and the project must receive building permits under the Building Control Act. In return, for Zone 1 (BMR), developers get corporate income tax exemption for 5 years.

BOI incentives have proven to be enormously popular with developers: As of March 1994, the BOI had approved 114 projects or 60,894 units in 1994, representing a 30 billion Baht

54 Guidelines for Housing Development in the Long-Term. Prepared by the Housing Policy Sub-Committee (Bangkok: NESDB, 1985).
investment. Both listed and unlisted companies have shifted their focus to projects designed for low-end consumers, particularly because of the oversupply situation that has persisted in the upper-end residential market over the past two years. According to an account in The Nation, a major Thai newspaper: "...the Board of Investment expects to see double the combined investment in low-cost housing projects seeking promotional privileges this year, estimating a total of B 60 billion." 56 Of the units approved under BOI promotion, 59 per cent are townhouses, while 38 per cent are condominium units and the rest are single detached homes.57 As reflected in this percentage share, developers say that the price support has given them the opportunity to return to low-cost townhouse development, which they say Thai people prefer to condominium designs.58

Developers of BOI housing, as present, are under no obligation to ensure that the housing goes to lower-income consumers. In other words, there are no mechanisms to monitor who buys and occupies government-subsidized housing.

III. Supportive Housing Policy: Stated Achievements and Goals

This chapter outlined the actions of RTG agencies to initiate a 'supportive' or 'enabling approach to housing development. The guidelines drawn up by the HPS sought to create an 'enabling' environment for the housing sector to facilitate housing development. For multiple reasons, including the perceived failure of public housing construction policies as well as a desire to stimulate the economy through the housing sector, the RTG clearly endeavored to support the private home-building industry and encourage the private developers to play a larger role in providing lower and middle-income housing.

Who do the RTG and HPS expect will benefit from the indirect and direct support they are giving to the private sector for low-cost housing development? Government officials and members of the Housing Policy Subcommittee (HPS) say they expect primarily low-wage earners with stable incomes (for example, industrial workers living near factories on the outskirts of Bangkok as well as service-sector workers).59 This is reflected in statements made in the Seventh

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57 And seventy five per cent of the promoted development are located on the outskirts of Bangkok and the surrounding provinces (BMR). The remaining projects are in other areas.
58 This was a theme that came up repeatedly in interviews with both developers and government officials. As one HPS member stated: "Thai people don't want to live in a condominium. Thai people historically have lived on the ground. They want a piece of land they can walk around on. They are individualistic people, who don't want to share common facility or pay to share common facilities through a maintenance and operation fee. Thai people don't share easily -- they are close to their family but not close to society. People live for years beside each other and don't know each other. Perhaps in the next generation it will change and people will accept condominiums as a housing form because they must -- land prices are getting too high for it not to change. However, the lower middle income group still have choices -- a row house, townhouse -- and so they prefer to invest in that." Personal interview, NESDB, 1994.
59 Personal interview, P. Dheeragool, Office of the Board of Investment, 1994. O. Bumroongsakulsawat, NESDB.
National Plan and other government publications. There has also been a belief on the part of some housing advisors, government officials, and policy-makers that 'supportive' policy through developer-built low-cost housing has benefited households outside this target group -- namely slum dwellers. One housing analyst I interviewed stated that for some years low-cost condominiums (LCCs) were considered by some to be the "entry point from the slums."  

These reported accomplishments of the private sector in terms of low-cost housing supply and apparent diminishing prominence of slum housing is as a housing solution helped deepen the RTG resolve that supportive housing policies were an effective means to address low-income housing issues. Chapter 3 now looks closer at the indicators used by housing institutions to assess the housing sector's performance during the 1985-1994, and the specific role government agencies believed LCCs were playing a low-income housing.

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60 Personal interview, Prof. Manop, Chulalongkorn University, 1994.
Chapter 3: Bangkok's Housing Sector and Delivery Systems

Some Thai policy analysts and housing officials claim that since 1985 the urban housing market in Bangkok, being relatively unfettered by public controls, was able to respond to demands spurred by persistently high economic growth and other factors. Consequently, the overall urban housing situation, including the situation of the urban poor, have gradually improved. These claims have provided a strong rationale for the government's 'supportive' housing approach. As noted in Chapter 1 and Chapter 2, the evidence suggested that during the 1987-90 period in particular, dramatic improvements took place: the formal housing market became increasingly accessible to more and more lower-income people while the slums declined in their share of the growing housing stock.

This chapter begins by reviewing the major indicators of the housing sector's performance that are used by Thai analysts to assess the performance of the urban housing sector and make policy-decisions. The discussion combines a review of the data available for 1980-1990 and updates this data, where possible, for 1991-1994. I pay special attention to the years 1987-1990 and, more recently, 1992-1994, the years when it appeared that formal private developers had moved down market to provide substantial amounts of housing at lower prices than had previously been the case. This leads to a discussion of Bangkok's historic and emergent housing types and actors, as stated in official RTG data, and the role that LCCs have been reported as playing within the housing delivery system. Finally, I raise questions about the issues that are not addressed by the housing indicators, such as: How can we know from these indicators who is benefiting from the supply of developer-built housing, specifically LCC projects? The housing indicators used in Thailand for policy and market evaluation are silent on the subject of the poor's access to the supply of LCCs, allowing supply figures and affordability ratios to determine the policy-maker and planner's perception of what groups developers are servicing. This, as the next chapter shows, has resulted in a flawed reflection of who is actually occupying LCCs.

I. Housing Indicators in Thailand: Methods for Policy Analysis

Since 1990, the HPS has requested that the GHB and NHA produce a "Housing Situation Report" which brings together housing data to assist planners and policy-makers in their planning and decision making. This report, under the umbrella of a Housing Information System (HIS) program, attempts to collect and summarizes recent developments in:

- population data, including the rate and rises in population;
- laws and regulations that affect housing development
- labor data, such as the rates of construction and professional labor
- number and classification of housing starts, such as by housing type
housing stock data, in terms of quantity and quality and by housing producers

housing demand, as measured by changes in incomes and attitudes

housing supply, in terms of quantity of housing completion's

housing finance, such a rates of finance and quantity of system finance

land utilization, such as maps showing land use and permission for land allocation

construction material and technology 62

In fact, however, the Housing Situation Report has not been able to report systematically on any of the above (with the possible exceptions being laws and regulations, housing starts and completion's, and quantity of housing finance) since the beginnings of the HIS. This has been due, in part, to the fact that responsibilities for different data are spread amongst eight different agencies, and the technical expertise, resources, and quality of data collection procedures of each of these agencies vary significantly. (see: Table 3-1)

Table 3-1
Sources of Housing-Related Data

<table>
<thead>
<tr>
<th>Classification of Data</th>
<th>Source of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Population</td>
<td>BMA, National Statistical Office (NSO)</td>
</tr>
<tr>
<td>2. Housing Demand</td>
<td>NHA, NSO, and Thai Military Bank (TMB)</td>
</tr>
<tr>
<td>3. Housing Stock</td>
<td>NSO, NHA, BMA</td>
</tr>
<tr>
<td>4. Housing Completion</td>
<td>TMB, NHA, and BMA</td>
</tr>
<tr>
<td>5. Slums</td>
<td>BMA, NHA, NGOs</td>
</tr>
<tr>
<td>6. Housing Finance</td>
<td>Bank of Thailand, GHB, TMB</td>
</tr>
<tr>
<td>7. Land</td>
<td>Department of Lands, BMA</td>
</tr>
<tr>
<td>8. Laws and Regulations</td>
<td>BMA and Department of Lands</td>
</tr>
<tr>
<td>9. Construction Materials</td>
<td>Thailand Institute of Scientific and Technological Research</td>
</tr>
</tbody>
</table>

Source: HPS, Housing Situation Report, 1991-2 (Bangkok: HPS)

Timely data and analysis of housing demand, housing and rental prices, household incomes, consumer attitudes and preferences as well as data on low-income earners and the urban poor in Bangkok, including slum surveys are particularly lacking in the Housing Situation Reports. That said, the following is a contextual summary of the housing sector's performance in Thailand and the BMR over recent years, as measured by indicators above with the available data and other sources of information. Because Chapter 2 discussed Finance and Regulation in some detail, these areas are omitted here.

### Table 3-2

**Thailand's GROSS DOMESTIC PRODUCT (GDP) 1985-1993**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth -Total</td>
<td>4.6</td>
<td>5.5</td>
<td>9.5</td>
<td>13.3</td>
<td>12.3</td>
<td>11.5</td>
<td>7.9</td>
<td>7.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5</td>
<td>0.4</td>
<td>0.1</td>
<td>10.5</td>
<td>9.7</td>
<td>-3.7</td>
<td>4.4</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Industry</td>
<td>1</td>
<td>8</td>
<td>14.1</td>
<td>16.4</td>
<td>17.5</td>
<td>16</td>
<td>12.4</td>
<td>4.5</td>
<td>11.1</td>
</tr>
<tr>
<td>Construction</td>
<td>-0.2</td>
<td>1.5</td>
<td>9.8</td>
<td>12.7</td>
<td>28.3</td>
<td>19.7</td>
<td>18.2</td>
<td>7.5</td>
<td>10.2</td>
</tr>
<tr>
<td>Trade and Services</td>
<td>6.9</td>
<td>5.9</td>
<td>10</td>
<td>12.1</td>
<td>9.5</td>
<td>13.2</td>
<td>5.3</td>
<td>6.5</td>
<td>7.2</td>
</tr>
<tr>
<td>GDP at current prices (bil. baht)</td>
<td>1056</td>
<td>1133</td>
<td>1300</td>
<td>1560</td>
<td>1856</td>
<td>2182</td>
<td>2509</td>
<td>2800</td>
<td>3101</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.4</td>
<td>6</td>
<td>5.7</td>
<td>4.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Per capita (bht)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33.204</td>
<td>38,592</td>
<td>43,335</td>
<td>47,920</td>
<td>52783</td>
</tr>
</tbody>
</table>

Source: Bank of Thailand and National Economic and Social Development Board, 1993
The central facts of housing and economic output generally in Thailand are that of sustained growth, with the exception of 1991/2 and an increasing private sector role in that growth. On the economic front, through an economic strategy of economic development through export-oriented industrial and tourism promotion, the Thai economy has achieved impressive growth. From 1970 to 1993 the rate of economic expansion did not dip below 5 percent except briefly during the 1985-87 recession. In recent years, Thailand's economy grew at rates of 9.5 percent and 13.3 percent each year between 1987-1990. The economy weathered the storms of a series of political and economic crisis's -- which included the Gulf War (1990-91) and a 1991 coup detat and pro-democracy demonstrations in 1992, averaging 7.9 percent growth rates in 1991 and 7.4 percent in 1992. The year-end GNP for 1993 was estimated at 7.9 percent. (see: Table 3-2)

The focus of population growth has largely been in the Bangkok Metropolitan Region (BMR) -- which forms of the center of the highly centralized Thai economy. The sprawling metropolis includes the city of Bangkok and the five neighboring provinces of Samut Prakan, Samut Sakhorn, Nakhon Pathum, Nonthaburi, and Pathum Thani. The total area of the BMR is approximately 2,995 square miles (7,758 sq. km) of which Bangkok is 604 Sq. miles (1,565 sq. km). As Thailand undergoes the transformation from an agrarian economy to an industrial one, the overwhelming majority of all population growth period is occurring in urban areas.

Table 3-3 shows how the population of the BMR and Greater Bangkok (Bangkok and the three contiguous provinces of Samut Prakan, Nonthaburi, and Pathum Thani) has consistently increased at a faster rate of growth than Thailand as a whole during the 1980-1993 period.

Table 3-3

<table>
<thead>
<tr>
<th>Area</th>
<th>1980</th>
<th>1990</th>
<th>Change No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMA</td>
<td>4,697,071</td>
<td>5,876,000</td>
<td>1,178,929</td>
<td>25.1</td>
</tr>
<tr>
<td>Nonthaburi</td>
<td>369,777</td>
<td>575,000</td>
<td>205,223</td>
<td>55.5</td>
</tr>
<tr>
<td>Pathum Thani</td>
<td>319,674</td>
<td>411,000</td>
<td>91,326</td>
<td>28.6</td>
</tr>
<tr>
<td>Samut Prakan</td>
<td>484,829</td>
<td>770,000</td>
<td>285,171</td>
<td>58.8</td>
</tr>
<tr>
<td>Samut Sakhon</td>
<td>247,168</td>
<td>321,000</td>
<td>73,832</td>
<td>29.9</td>
</tr>
<tr>
<td>Nakhon Pathom</td>
<td>525,906</td>
<td>629,000</td>
<td>103,094</td>
<td>19.6</td>
</tr>
<tr>
<td>BMR</td>
<td>6,644,425</td>
<td>8,582,000</td>
<td>1,937,575</td>
<td>29.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>44,824,540</td>
<td>54,532,000</td>
<td>9,707,460</td>
<td>21.7</td>
</tr>
</tbody>
</table>


Setchell notes that the BMA and BMR's shares of Thailand's total population during the same period also increased, "...suggesting that the region is becoming even more of a center for the nation's affairs, despite previous development planning efforts to decentralize urban population growth to regional centers and elsewhere."  

The BMR's economic dominance in the country can also be seen in Table 3-4 which shows the Gross Regional Product (GRP) for Bangkok and the rest of Thailand. Bangkok's per capita GRP, in contrast to that of the Northeastern Region -- the most populated and poorest region of the country reveals striking regional disparities: Bangkok's 1989 per capita GRP is over eight times that of the Northeast, while average household incomes in Bangkok in 1990 and 1992 were well over double than the average for the country. In light of these figures, it is hardly surprising that many Northeastern people come to Bangkok to seek the work they can't find in their hometowns. Although there is no recent data to confirm this, in-migration from the North, as well as other surrounding provinces probably explains why the population growth rate of the BMR has remained significantly higher than in the rest of the country.

B. The Demand Side:

Continued in-migration and population growth (Table 3-5) combined with trends that point to higher household formation rates indicate increasing demand for housing and other services in Bangkok Metropolitan area. Average household sizes have been declining sharply, as shown in Table 3-6, due to a successful population control program (which has succeeded in slowing the country's overall population growth from an annual rate of 2.1 percent in 1983 to 1.5 percent in 1992), rising incomes, and many other social factors. In Greater Bangkok, the average household size in 1992 was reported as 3.3 people compared to 5 in the 1980s -- suggesting that young couples are moving out of traditional homes and having fewer children. In addition, the prime home-buying population (20-44 years) has increased and is expected to increased from 41.2 percent of the country's total population in 1993 to 42.6 percent by 1997.  

In 1985, the price to income ratio for Thailand was 2.5 -- significantly lower than many of its Asian neighbors. However, overall housing affordability indicators, such as average rent-to-income and price-to-income ratios have been scarce in recent years. What information

### GROSS REGIONAL PRODUCT (GRP)

**Per Capita**

BMR and Northeastern Thailand, 1989

<table>
<thead>
<tr>
<th>Area</th>
<th>Percent Share of Population *</th>
<th>GDP Per Capita **</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Baht</td>
</tr>
<tr>
<td>BMR</td>
<td>16</td>
<td>96,239</td>
</tr>
<tr>
<td>Rest of Thailand</td>
<td>84</td>
<td>32,028</td>
</tr>
<tr>
<td>Thailand</td>
<td>100</td>
<td>11,981</td>
</tr>
<tr>
<td>Northeast</td>
<td>35</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Bank of Thailand, 1994
### PROJECTED POPULATION GROWTH

**Bangkok Metropolitan Region**

(100,000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok (BMA)</td>
<td>5,880</td>
<td>6,370</td>
<td>7,230</td>
<td>8,120</td>
</tr>
<tr>
<td>Samut Prakan</td>
<td>770</td>
<td>890</td>
<td>1,170</td>
<td>1,500</td>
</tr>
<tr>
<td>Nonthaburi</td>
<td>570</td>
<td>690</td>
<td>930</td>
<td>1,240</td>
</tr>
<tr>
<td>Pathum Thani</td>
<td>410</td>
<td>480</td>
<td>610</td>
<td>780</td>
</tr>
<tr>
<td>Samut Sakhorn</td>
<td>320</td>
<td>360</td>
<td>440</td>
<td>530</td>
</tr>
<tr>
<td>Nakhon Pathom</td>
<td>630</td>
<td>690</td>
<td>810</td>
<td>930</td>
</tr>
<tr>
<td>BMR</td>
<td>8,580</td>
<td>9,480</td>
<td>11,190</td>
<td>13,100</td>
</tr>
</tbody>
</table>

Source: Data derived from TDRI, National Economic and Social Development Board, UDCD, 1993
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok (BMA)</td>
<td>6.32</td>
<td>6.15</td>
<td>5.18</td>
<td>4.45</td>
<td>na</td>
</tr>
<tr>
<td>Greater Bangkok</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.3</td>
</tr>
<tr>
<td>BMR</td>
<td>6.23</td>
<td>6.1</td>
<td>5.24</td>
<td>4.47</td>
<td>na</td>
</tr>
<tr>
<td>Thailand</td>
<td>5.69</td>
<td>5.79</td>
<td>5.3</td>
<td>4.44</td>
<td>3.9</td>
</tr>
</tbody>
</table>

### AVERAGE PRICE
of Low-cost Housing in Sub-urban Areas, 1991-1993

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>two storey 50-60 sqVar</th>
<th>two storey 16-18 sqVar</th>
<th>condominium 21-35 sqM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baht</td>
<td>$US</td>
<td>Baht</td>
</tr>
<tr>
<td>1991</td>
<td>1,920,000</td>
<td>75,294</td>
<td>700,000</td>
</tr>
<tr>
<td>1992</td>
<td>2,100,000</td>
<td>82,353</td>
<td>762,000</td>
</tr>
<tr>
<td>1993</td>
<td>1,705,000</td>
<td>66,863</td>
<td>645,000</td>
</tr>
<tr>
<td>1994</td>
<td>1,467,000</td>
<td>57,529</td>
<td>606,400</td>
</tr>
</tbody>
</table>

Growth Rate

<table>
<thead>
<tr>
<th></th>
<th>91/92</th>
<th>92/93</th>
</tr>
</thead>
<tbody>
<tr>
<td>91/92</td>
<td>9.40</td>
<td>8.80</td>
</tr>
<tr>
<td>92/93</td>
<td>-18.81</td>
<td>15.35</td>
</tr>
</tbody>
</table>

Source: Government Housing Bank, 1994
that does exist, shown below, indicates that 'minimum' housing prices increased in 1992, but
have remained relatively stable overall (Table 3-7). As shown in Table 3-7, prices of low-cost
condominiums went up to B355,000 ($US 13,921) in 1992, representing a 17.55 percent
increase. However, last year, a downward trend in prices appeared again, with oversupply
looming in all segments of the market. In addition, the table below illustrates that low-cost
housing prices are remaining steady in 1994. It appears that the oversupply situation in other
market segments are driving developers again to the lower end of the market and pushing prices
down even further. New supply of low-cost townhouses and condominiums that have received
tax incentives from the Board of Investment (BOI) may have helped drive prices down -- as the
UBS Thai Property Research reports, from 4 January 1993 to 31 May 1994, 13,500 units were
produced and from 1 June 1994 to 1 October 94, 17,081 more units were approved for the BMR.
In addition, there are many older LCC units for sale at prices ranging from B 200,000 upwards, a
price which is according to conventional financial analysis (25 percent of income allocated for
housing expenditures and present mortgage finance conditions) well within the range of
affordability for lower-income households.

C. Land

The land supply issue is a serious one in Bangkok and an area in which housing experts
say the RTG has fallen behind.69 The increasingly scarce suitable parcels of land serviced by
sufficient trunk infrastructure, combined with massive demand for land in a high-growth economy
have resulted in dramatic land price increases -- particularly on the urban fringe. As Dowall noted in
1990, during the 1988-90 period, with overall prices of serviced and unserviced residential plots
increasing at 21 percent and 37 percent per year respectively (see Table 3-8). In some places,
prices doubled or tripled annually for several consecutive years.70

Table 3-8
Land Price Increases, 1988-1990

<table>
<thead>
<tr>
<th>Distance from City Center (kmC)</th>
<th>Serviced Plots</th>
<th>Annual increase</th>
<th>Un Serviced Plots</th>
<th>Annual increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>639</td>
<td>673</td>
<td>748</td>
<td>8.2</td>
</tr>
<tr>
<td>6-10</td>
<td>322</td>
<td>372</td>
<td>439</td>
<td>16.7</td>
</tr>
<tr>
<td>11-20</td>
<td>146</td>
<td>175</td>
<td>217</td>
<td>21.7</td>
</tr>
<tr>
<td>21-30</td>
<td>96</td>
<td>131</td>
<td>154</td>
<td>26.8</td>
</tr>
<tr>
<td>Over 30</td>
<td>41</td>
<td>55</td>
<td>76</td>
<td>36.3</td>
</tr>
<tr>
<td>Overall</td>
<td>233</td>
<td>276</td>
<td>341</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Source: Dowall (1990) p.32

69 Personal interview, R. Archer, November 1994.
70 Pornchockchai, 1990. Data for 1990-94 was not available.
In recent years, the RTG has invested more of its GDP into infrastructure provision, however the effects on the land market are difficult to assess because of an absence of more current land price data. It appears that the housing producers adjusted to increasing land prices in the 1987-1990 period by providing more cost-effective housing products. The private sector's switch to low-cost condominiums (LCCs), as noted below, was largely a consequence of the rapid escalation in land prices.

D. The Supply Side

The PADCO study of 1990 noted that residential development accounts for about 50 percent of the land used by urban development. The market has responded dramatically to the increasing demand for housing between 1985-1993. Table 3-9 illustrates the steady growth in Bangkok's housing stock between 1974 and 1984 by type of housing. The classification of these categories of housing are explained below, in the following section on Bangkok's Housing Delivery Systems. The city's total stock of housing was estimated to have increased from 585,163 units from 1974 to 998,436 in 1984 --- and absolute increase of 413,273 dwelling units, and a percent increase of over 70 percent.

Table 3-9

<table>
<thead>
<tr>
<th>Type of Housing</th>
<th>1974</th>
<th>%</th>
<th>1984</th>
<th>%</th>
<th>Absolute Change (74-88)</th>
<th>Share Inc.</th>
<th>% Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Shophouses</td>
<td>134,766</td>
<td>23.0</td>
<td>247,553</td>
<td>24.8</td>
<td>112,787</td>
<td>27.3</td>
<td>83.7</td>
</tr>
<tr>
<td>2. Developer-built</td>
<td>20,193</td>
<td>3.5</td>
<td>113,755</td>
<td>11.4</td>
<td>93,562</td>
<td>22.6</td>
<td>463.3</td>
</tr>
<tr>
<td>3. Independently-built</td>
<td>240,477</td>
<td>41</td>
<td>341,732</td>
<td>34</td>
<td>na</td>
<td>24.5</td>
<td>42</td>
</tr>
<tr>
<td>4. Public Housing</td>
<td>9,377</td>
<td>1.6</td>
<td>74,708</td>
<td>7.5</td>
<td>65,330</td>
<td>9.3</td>
<td>410.6</td>
</tr>
<tr>
<td>5. Slum Housing</td>
<td>139,326</td>
<td>23.8</td>
<td>160,145</td>
<td>16</td>
<td>20,819</td>
<td>5</td>
<td>14.9</td>
</tr>
<tr>
<td>6. Others</td>
<td>41,024</td>
<td>7.0</td>
<td>60,543</td>
<td>6.1</td>
<td>19,519</td>
<td>4.7</td>
<td>102</td>
</tr>
<tr>
<td>Total</td>
<td>585,163</td>
<td>100</td>
<td>998,436</td>
<td>100</td>
<td>413,273</td>
<td>100</td>
<td>70.6</td>
</tr>
</tbody>
</table>


Between 1984 and 1990, as shown on Table 3-10, the housing stock increased a further 686,066 units, a nearly 68 percent increase from 1984. The increases in population, households, incomes, and availability of housing finance combined to result in a substantial increase of 464,436 units in the number of dwelling units built during the 1990-1993 period.

Since the PADCO study, no assessment of the increase in housing stock, including slum housing stock, has been made using aerial photographs. However, as Table 3-10 illustrate, the number of housing units constructed per annum between 1991 and 1994 fell in 1991/2 period, to pick up dramatically again in 1994.
Table 3-10

<table>
<thead>
<tr>
<th>Item</th>
<th>1974</th>
<th>%</th>
<th>1984</th>
<th>%</th>
<th>1990</th>
<th>%</th>
<th>1992</th>
<th>%</th>
<th>1993</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Self-Built</td>
<td>240,477</td>
<td>41</td>
<td>341,732</td>
<td>41</td>
<td>470,386</td>
<td>28</td>
<td>519,380</td>
<td>26</td>
<td>555,839</td>
<td>26</td>
</tr>
<tr>
<td>2. Developer-Built</td>
<td>154,959</td>
<td>26</td>
<td>361,308</td>
<td>26</td>
<td>851,966</td>
<td>51</td>
<td>1,104,664</td>
<td>56</td>
<td>1,202,291</td>
<td>56</td>
</tr>
<tr>
<td>3. Public Housing</td>
<td>9,377</td>
<td>2</td>
<td>91,349</td>
<td>2</td>
<td>131,150</td>
<td>8</td>
<td>141,192</td>
<td>7</td>
<td>168,351</td>
<td>8</td>
</tr>
<tr>
<td>4. Slums*</td>
<td>139,326</td>
<td>24</td>
<td>160,145</td>
<td>24</td>
<td>191,000</td>
<td>11</td>
<td>183,548</td>
<td>9</td>
<td>182,457</td>
<td>8</td>
</tr>
<tr>
<td>5. Other**</td>
<td>41,024</td>
<td>7</td>
<td>60,543</td>
<td>7</td>
<td>40,000</td>
<td>2</td>
<td>40,000</td>
<td>2</td>
<td>40,000</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>585,163</td>
<td>100</td>
<td>1,015,077</td>
<td>100</td>
<td>1,684,502</td>
<td>100</td>
<td>1,988,784</td>
<td>100</td>
<td>2,148,938</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Housing Policy Subcommittee, National Economic and Social Development Board (NESDB), 1994

* Due to official definitions of slums, does not include: construction site housing (which is considered temporary) slums near to and under footings of bridges (bridge slums), or slums which do not have at least 15 houses (small slums) slums which have been in existence under three years, (new slums).

** Includes Temporary Boat Housing, Military and other Institutional Housing, and Dormitories.
II. Bangkok’s Housing Delivery Systems

In official sources, the housing in the BMR is often divided into 6 different housing types which are produced by various actors for their own use, rent, or sale. Table 3-9 showed the housing stock distribution between 1974 and 1984, as tabulated in the PADCO-NHA Land Management study. These include:

1. Shophouses. These are usually 2 to 4 story terrace units which have small-scale industries on the ground floors and residences on the upper floors.\(^\text{71}\) Although an important form of housing for traders and their employees, the share, increased only slightly between 1974 and 1988, and is expected to have fallen off thereafter (Table 3-9). Government data collapses this housing form into the developer-built category in Table 3-10.

2. Developer-built housing. These obviously vary in form and type, consisting of detached houses, multi-story apartments, two-storied row houses, townhouses, condominiums, and combinations of these types within a single development.\(^\text{72}\) As shown in Table 3-9, developers have become the main supplier of new housing in Bangkok accounting for 49.6 percent of the share of new housing between 1984-88. Current data (1993) suggests that developer-built housing accounts for 56 percent of total housing stock. (see: Table 3-10) The emergence and role of low-cost housing supply in Bangkok’s housing system is dealt with in more detail below.

3. Independently-Built Housing. Individually-built housing historically has been the most common housing delivery system in Bangkok. It is defined as detached dwellings or small-scale terrace developments that due to their small-scale are scattered throughout the city, and is distinguished from self-built slum housing by its good quality.\(^\text{73}\) Increasingly, better-off home-seekers are opting to purchase ready-made housing rather than undertake the designs, seek the permits, and contract out or oversee the construction of housing. Table 3-10 shows that Independently-built small-scale housing has reduced to 26 percent of total housing stock, from above 40 percent in 1974.

4. Public Housing. This is housing built by the NHA, (1974 accounts for housing built by the Public Welfare Department of the Ministry of the Interior) which includes detached, semi-detached, and terraced housing as well as walk-up apartments.\(^\text{74}\) In recent years, the NHA has begun a number of condominium projects. The various NHA housing types are available for rent and for-sale on hire-purchase terms to both lower-income and middle income groups. Profits

---
\(^{73}\) Ibid., p.2-4
\(^{74}\) Ibid., p.2-5
made from middle-income housing development are used to subsidize low-income housing programs, including their sites and services and upgrading programs.

5. Slum Housing. In the Thai context, slum housing is considered as substandard housing built on rented land -- both public and privately owned. The houses tend to be small, irregular, high-density, owner-built and can be temporary or semi-permanent.\(^{75}\) Access ways typically consist of raised wooden planks, slum areas typically have no drainage or sewerage treatment and flooding is common. RTG agencies definitions of slums typically mention the poor physical and environmental conditions, low level of service provision, and some physical density criteria (For example, the NHA’s definition states that there must be at least 30 buildings per one rai [.3951 acres] and the Bangkok Metropolitan Administration uses 15 buildings per rai).\(^{76}\)

As mentioned earlier and dealt with in more detail later in this chapter, official data shows that between 1974 and 1993, the slums decreased from 24 percent to an estimated 8 percent of the BMR’s total housing stock.

6. Other Housing. This housing includes rental houses, apartments, institutional housing such as dormitories, police and military barracks, as well as ‘canal’ housing -- traditional Thai homes built along the canals. Of these, rental housing, mostly in the form of walk-up or low-rise apartments aimed at low and middle income markets have been a primary housing form for students, newly formed households not yet able to purchase a house or condominium, unmarried persons, and others.\(^{77}\) There are small rental projects all over Bangkok.

III. Role of LCCs in Addressing Low-income Housing Problems

The ‘down-market’ housing first reported by the ‘Bangkok Land Management Study’ (PADCO/NHA) in 1986 were single or two story townhouses on plots of about 80 m\(^2\) in peripheral locations. However, a noted, between 1987-1990, land prices rose dramatically -- the investment boom caused such rapid price inflation that row houses became unaffordable for moderate income households and developers switched to more cost effective designs, namely townhouses and condominiums. Starting only in 1989, many higher density condominium projects at location closer to the off city center job markets began. As of 1989, more than 30 low-cost condominiums (LCC) projects with over 30,000 resident units were started and two-thirds were completed by 1990. These are 4 and 5 story walk-ups units that in 1989 were selling at B140,000 to B 200,000 Bath (US $5,400 to $7,700) per unit. These projects average about 24

\(^{75}\) Ibid., p.2-5.
m² to 30 m² per unit, tend to located near to industrial areas, and according to developers in Bangkok were initially aimed at the market of factory workers. ⁷⁸

Today at least two major low-cost housing types are being produced: Single or two-story townhouses in the outskirts of Bangkok and LCCs, which tend to be within 11-20 km of the center of the city. The lowest priced new townhouses, without BOI subsidies, are currently selling at approximately B686,000 (US$26,900) whereas BOI townhouses are priced below B600,000 (US$25,530). Most LCC projects, on the other hand, are selling at between B200,000 to B350,000 ($US 7844 to $US 13,725) in 1994 for a 21-35 m² unit. ⁷⁹

Thai housing analysts and representatives of housing institutions like the HPS and GHB have reported that LCCs are playing a significant role in addressing housing demand for low-income households in the city. The Housing Policy Subcommittee (HPS)' Annual Housing Situation Report stated:

housing demand for the population in the Greater Bangkok Metropolitan Area in the 6th Plan (1992-1996) were 250,000 units and about 112,500 units for low-income people (averaging 22,500 units a year). It was found that at the end of the 6th Plan, the private sector had constructed and sold about 53,402 units of low-cost condominiums averaging 10,680 units per year. Low-cost condominiums helped increase the housing stock and meet the housing demand of low-income people about 47.5 percent. ⁸⁰

As written in the Housing Situation Report 1991-92, LCCs were believed to be benefiting 'the urban poor' in the following ways:

- Providing housing for the low-income urban population, including the urban poor and low-wage earning lower-and lower-middle income groups.
- Allowing low- and lower-middle income people to become homeowners
- Generally improving housing conditions through 'filtering'.

In other words, Bangkok's responsive formal private sector has "directly delivered housing to low-income group" as well as indirectly helped low-income groups through filter dynamics as middle income groups move 'up-market'. ⁸¹ As noted in the previous section, the claim that slum housing stock has progressively declined in its share of total housing stock (to an estimated 8 percent in 1993) has been noted as evidence of filtering dynamics. This is in addition to the perception in some quarters that the share of slum housing of total new housing stock is on the decline.

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Summary

From the data given and analyzed using the indicators above, the housing sector in Bangkok appears to be providing more and better quality housing for the BMR's population. Clearly, private developers have emerged as the major housing suppliers in recent years --offering a diverse product-mix targeted at the middle and ostensibly lower-income sub markets of the total mass-market. While in many respects, the performance of the housing in Bangkok has been impressive, the analyses of Bangkok urban land and housing situation in the late 1980s and through the 1990s continued to miss key questions: Even if the formal private sector is producing low-cost housing, were lower-income people really gaining access? Setchell posed the question in 1991 and carried out a city-wide LCC occupancy survey that showed that most LCC occupants in that year were "middle income, perhaps upper-middle income in terms of prevailing Greater Bangkok income data." Some claimed that his research came at a time when LCCs were an extremely new phenomenon, and there could be important changes in the composition of LCC occupants as the housing type becomes less 'new' and more accepted.

Claims of LCCs affordability and assumptions about who was benefiting from their development continued to persist through the 1990s. For example, 1991/92 reports of Bangkok's housing situation suggest that LCC's are affordable to lower-income groups and represent a viable housing alternative. So, three years after Setchell's 1991 LCC survey, are low-wage earners occupying the units? Are the 'urban poor' or slum-dwellers? Do affordability claims and measures actually reflect low-income people's ability to access formal market housing? Of the groups that can afford low-cost condominiums, are other forms of housing more attractive to them?

There are some further questions that must be answered to fill the gap between the theory of facilitating formal sector low-cost housing supply and the reality of who benefits from this housing: Thai newspapers have for years now provided anecdotal accounts of "thousands of buyers" turning up to "snap up cheap flats...for speculation," yet little attention has been paid to adverse-ownership issues in this sub market, in spite of the potentially negative implications for genuinely low-income buyers access. How does speculation affect this housing sub market? Do speculators hold units vacant or re-sell or rent to lower-income groups? As shown in the next Chapter, evidence suggests that speculation is indeed a pervasive part of the LCC sub market with many units presently vacant and creating considerable management problems for many projects.

All of these questions are related to the larger question: What are the constraints of a housing strategy to encourage the formal private sector down the market to provide low-income housing? Concluding that a supply of cheap housing means that lower-income people are benefiting, is the leap of faith that the market can solve most, if not all, housing problems. It is also the point where, if proven false, the logic of 'supporting' private developers to provide low-cost housing (for low-income people) begins to break down.
Chapter 4: An Analysis of Low-cost Condominiums as Low-income Housing

The focus on developers' success in supplying the housing market with relatively cheap low-cost condominiums (LCCs), particularly over the past seven years has overlooked important questions. This chapter examines the findings of a recent survey that helps answer some of the questions, which until recently, some Thai housing institutions and housing researchers have overlooked. I reviewed the findings of a city-wide study, conducted by the Agency for Real Estate Affairs (AREA) of condominium projects with units that the RTG defines as 'low-cost': units valued below B 400,000 ($US 15,686)\(^84\) (the majority of which are units with a market value between B200,000 and B300,000 ($7,843 and $11,765). (see: Appendix 3 for description of AREA LCC Study).

To gain insight into some of the questions that study did not address, I interviewed condominium developers, the principal investigator and members of the AREA LCC study research team, and local housing experts. I also carried out a case study of two LCC projects in Bangkok where the units were also valued below B 250,000 and interviewed the developers, estate managers, and residents who lived in the projects. This section also brings together the findings of earlier research on low-cost condominiums (LCCs)\(^85\), where relevant, to explore some of the assumptions that have been made about developer-built LCC projects in Bangkok.

In reviewing the study findings and carrying out the case research, I wanted to know who was buying LCCs and who was occupying them, whether low-cost condominiums were providing an improved housing form for lower-income households, and if so, in what way (e.g. as renters or as homeowners). My objective is to relate these findings to housing analysts and policy-makers claims that low-cost condominiums are providing an affordable housing alternative for low-income households in the ways outlined in Chapter 3: Namely, that LCCs are benefiting the poor by directly providing a housing alternative, enabling low-income people to become homeowners, and indirectly improving low-income groups' housing conditions through 'filtering.'

First this chapter presents a profile of the households who do and do not live in LCCs in relation to the claims that have been made about developer low-cost housing as a low-income alternative and the objectives of the 'supportive' Thai housing strategy. Second, I look at the evidence provided by a number of different researchers that contradicts the claims of overall improvement of housing conditions in Bangkok and the 'diminishing' importance of slums as a low-income housing alternative. Chapter 5 ends with reflections on the policy issues that arise from findings and will attempt to define some of the questions and measures that housing policy-

\(^84\) At B 25. 5 = $US 1.
\(^85\) Including the work of Foo Tuan Seik (1992) in his case study of a low-cost condominium project in the Northern Corridor of Bangkok and Charles Setchell (1991) who carried out a survey of households that applied for loans in Greater Bangkok LCC projects, according to then available GHB data.
makers and planners might consider to improve understanding about the accessibility of low-cost condominiums.

I. **Who Occupies Low-cost Condominiums?**

To answer this question, we must first distinguish at least between two different types of 'lower-income' people that different housing analysts and institutions claim have benefited from low-cost condominiums (LCCs) and the policy that supports their development: One group are lower income households with formal employment in low-wage sectors such as industrial laborers and service sector workers. These are people with stable fixed incomes whose household earnings is below the median of prevailing Greater Bangkok median income and targeted for housing provision under the Seventh Plan. 86 This group is the stated target group of recent BOI incentives and the HPS in promoting developer-built low-cost housing as a housing strategy. The other group that some have claimed or implied are gaining access to LCCs is the 'urban poor'. Although not the target of the government policy, because the prevalent perception that they may be benefiting directly (by renting) and indirectly via filtering, it is important to address. In Bangkok this refers to those that live in slums are hired laborers and/or small-scale self-employed workers. Again, generalization is difficult because research shows that not all the 'urban poor' live in slums and not all of those that do are poor. However, some major indicators used generally to distinguish the urban poor and non-poor are in the BMA and BMR appear in Table 4-1.

A. Are the 'Urban Poor' Living in LCC projects?

In general, the urban poor tend to have larger household sizes than the Greater Bangkok average -- about one more household member than non-poor households. In both the BMA and BMR poor households have a slightly higher average number of earners relative to non-poor households and be headed by a female. In addition, poor households tend to have less stable forms of income (often self-employed or hired laborers) than non-poor and have less than a primary level of education.87. The rhetoric about who is benefiting from LCCs tends to blur the distinction between these different kinds of people and often refer to them both as lower-income.

The findings of the AREA study indicate that LCC households generally do not share the characteristics of the 'urban poor.' In comparison to major indicators of poor BMA and BMR households, LCC occupants tend to have small households, are relatively well-educated and have formal sector employment. The average household size was 3 persons -- significantly lower than the average 'poor' households (4.67 for BMA and 5.10 for surrounding provinces) As shown on Table 4-2, most of those interviewed had graduated at a secondary school level (48.9 percent)

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Table 4-1

KEY CHARACTERISTICS
of the Urban Poor and Nonpoor: BMA and BMR

<table>
<thead>
<tr>
<th>Region</th>
<th>Average HH Size</th>
<th>Dependency Ratio</th>
<th>Average # of Earners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poor</td>
<td>Nonpoor</td>
<td>Poor</td>
</tr>
<tr>
<td>Whole Kingdom</td>
<td>4.65</td>
<td>3.49</td>
<td>1.81</td>
</tr>
<tr>
<td>BMA</td>
<td>4.67</td>
<td>3.5</td>
<td>1.76</td>
</tr>
<tr>
<td>Five Vicinity*</td>
<td>5.1</td>
<td>4.02</td>
<td>2.01</td>
</tr>
</tbody>
</table>

Source: Urban Development Coordination Department, NESDB, 1994
### Table 4-2

#### SOCIO-ECONOMIC CHARACTERISTICS

<table>
<thead>
<tr>
<th>Respondent Characteristics</th>
<th>Owner</th>
<th>Tenant</th>
<th>Relative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex (n=1116)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>14.8</td>
<td>27.1</td>
<td>1.5</td>
<td>43.4</td>
</tr>
<tr>
<td>F</td>
<td>23.7</td>
<td>31.6</td>
<td>1.3</td>
<td>56.6</td>
</tr>
<tr>
<td>Age (n=1116)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 24</td>
<td>7.1</td>
<td>25.3</td>
<td>1.1</td>
<td>33.5</td>
</tr>
<tr>
<td>25-29</td>
<td>10.1</td>
<td>15.9</td>
<td>0.7</td>
<td>26.7</td>
</tr>
<tr>
<td>30-34</td>
<td>10</td>
<td>9.4</td>
<td>0.4</td>
<td>19.8</td>
</tr>
<tr>
<td>35-39</td>
<td>4.5</td>
<td>4.2</td>
<td>0.2</td>
<td>8.9</td>
</tr>
<tr>
<td>&gt;40</td>
<td>6.7</td>
<td>3.9</td>
<td>0.5</td>
<td>11.1</td>
</tr>
<tr>
<td>Average</td>
<td>31.8</td>
<td>27.2</td>
<td>29.5</td>
<td>88.5</td>
</tr>
<tr>
<td>Education (n=1082)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary school</td>
<td>9.1</td>
<td>17.2</td>
<td>0.7</td>
<td>27</td>
</tr>
<tr>
<td>Secondary</td>
<td>17.9</td>
<td>29.8</td>
<td>1.2</td>
<td>48.9</td>
</tr>
<tr>
<td>High School</td>
<td>4.8</td>
<td>8.2</td>
<td>0.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Bachleors Degree</td>
<td>5.6</td>
<td>4</td>
<td>0.3</td>
<td>9.9</td>
</tr>
<tr>
<td>&gt;Bachleors Degree</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Marital Status (n=1116)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>11.7</td>
<td>29.7</td>
<td>1.6</td>
<td>43</td>
</tr>
<tr>
<td>Married</td>
<td>26</td>
<td>28.5</td>
<td>1.4</td>
<td>55.8</td>
</tr>
<tr>
<td>Divorced/Widowed</td>
<td>0.6</td>
<td>0.5</td>
<td>1.4</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Agency for Real Estate Affairs, Low-Cost Condominium Study, p.42
and 10.4 percent finished a degree at a university level. Less than one-fourth (27.1 percent) had not completed education further than primary school. Most of those that had done university level work were owners of the units. This contrast to indicators of the urban poor households in Bangkok which generally have not completed past primary school. In terms of employment, on average, 2 out of the average 3 people per household are working members.88 More than half of the working members of a households are employed in the private sector (57.5 percent) -- most of which are companies or private business employees, 26.3 percent work in the informal sector, doing freelance work, unregistered trading etc.89 Only 9.9 per cent of the responses showed government officials as an occupation of LCC households.

If we the turn to the questions of a) whether LCC units are affordable to slum residents and b) whether there has been movement from the slums into LCC units, we find the answer to both seem to be largely 'no.' Research carried out by Sopon Pornchockchai, a leading authority in Thailand on Bangkok slums 90 and the principal investigator of the AREA LCC Study, made the following comparisons between incomes of the LCC occupants and slum residents based on data he compiled for International Labor Organization (ILO) study:

**Table 4-3**

**Comparison of Incomes: LCC and Slum Households**

<table>
<thead>
<tr>
<th>Income (LH/Hmo)</th>
<th>LCC Condominium %</th>
<th>Slum %</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3,350</td>
<td>1.3</td>
<td>17.3</td>
</tr>
<tr>
<td>3,351-4,580</td>
<td>2.2</td>
<td>27.9</td>
</tr>
<tr>
<td>4,581-5,950</td>
<td>4.1</td>
<td>19.5</td>
</tr>
<tr>
<td>5,951-7,390</td>
<td>8.1</td>
<td>12.0</td>
</tr>
<tr>
<td>7,391-9,180</td>
<td>12.1</td>
<td>10.1</td>
</tr>
<tr>
<td>9,181-11,430</td>
<td>15.5</td>
<td>5.0</td>
</tr>
<tr>
<td>11,431-14,840</td>
<td>14.2</td>
<td>3.4</td>
</tr>
<tr>
<td>14,841-19,820</td>
<td>19.4</td>
<td>2.5</td>
</tr>
<tr>
<td>19,821-31,650</td>
<td>19.3</td>
<td>1.9</td>
</tr>
<tr>
<td>31,651&lt;</td>
<td>4.0</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


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89 Details of occupational categories were obtained by the author through interviews with the principal investigator for the AREA LCC study. Sopon Pornchockchai, AREA, Personal interview, 2 August 1994.

90 Pornchockchai's publications on slums include *1020 Bangkok Slums: Evidence, Analysis, Critique* (Bangkok: School of Community Research and Actions, 1985), *Slum Growth: Migration is not the Culprit* (Bangkok: School of Community Research and Actions, 1987).
Pornchockchai's data indicates that the income profile of slum residents and LCC residents are very different. Less than 13.1 percent of slum households have incomes (above B 9,181/mo) that could even theoretically afford to buy the cheaper-priced LCC units (at B250,000). Rather, the majority of households (67.5 percent) living in slums have monthly incomes below B5,950/mo -- below the incomes needed to either rent (at an average of B 1,875/mo) or purchase an LCC unit.

Not surprisingly, the AREA study found, that when asked about previous housing type, only 8.6 percent of LCC residents said they came from 'crowded communities' or slums. Over 50 percent of LCC households have monthly income higher than B 11,431/mo ($US 449/mo) whereas less than 8 percent of families living in slums have household incomes above this level.

In sum, the data above undermines the claim that LCCs are an "entry point from the slum", either as rental housing or as owner-occupants, as other housing analysts have reported. A small percentage are from the slums, or share characteristics with the 'urban poor.'

B. Are LCC Occupants Low-wage earners?

So then, do LCC residents comprise the lower-income group the government has identified as a target group for low-cost housing built by the formal private sector -- particularly in relation with measures to provide incentives to developers of low-cost housing, support of allocation of credits for housing for low-income earners, and easing loan conditions for housing? Are LCC residents low-wage earners, particularly in the industrial sector and other low-wage employment sectors?

First, to take a broad cut at the question: can LCC households be considered 'lower-income'? The most reliable data on incomes is the 1992 National Statistical Office data which collect income data for the Greater Bangkok area (where most of the LCC projects are). To compare the median and average household incomes with those of Greater Bangkok, I adjusted Greater Bangkok household income totals to account for the time interval between the two surveys. Adjusted totals thus reflect an annual increase of 12.16 percent over the 19 month

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92 It should be noted that the currency and reliability of income data available -- like many other forms of data -- is a problem in Bangkok. The National Statistical Office carries out socio-economic household surveys every two years, though the findings of these surveys are typically available to the public over two years after completion. For example, in 1994, the most recent National Statistical Office income data available is from a 1992 Household Socio-economic Survey. In the interim, housing planners in agencies like the Government Housing Bank (GHB), National Housing Agency (NHA), and National Economic and Social Development Board (NESDB) each have their own sheets of income estimates, income distributions, guesses and opinions about that can and do vary widely. A comparison of the sheets of income data provided to the author at different agencies revealed a spread in household income data for 1992 (the year NSO data is available) of as high as 20%. Estimates of 1994 household incomes are predictably worse: the range of estimates for 1994 that housing planners and policy-makers are working with vary by a much as 66%
93 Household income data were collected in the Greater Bangkok area by the National Statistical Office (NSO) during July 1992, while the AREA LCC Survey data were collected in January-February 1994, a difference of approximately 19 months.
period. Though the 12.16 percent increase is not certain, the number exceeds the increase in economic activity (measured in terms of GDP) during the same period (at a 7.6%/yr.) in a similar way that average incomes exceeded GDP growth (which averaged 20.0 % per year) during 1988 and 1989 and average income increases (at 15 percent) were estimated to exceed average GDP growth (12.6 percent/yr.) between 1990-1991.94

Table 4-4
Comparison of LCC Survey and Bangkok Metropolitan Region Monthly Household Incomes

<table>
<thead>
<tr>
<th>Household Group</th>
<th>Average (HH Income)</th>
<th>US $</th>
<th>Median (HH Income)</th>
<th>US $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LCC Survey 1994</td>
<td>B14,558</td>
<td>571</td>
<td>B12,114</td>
<td>475</td>
</tr>
<tr>
<td>2. Greater Bangkok 199295</td>
<td>B15,240</td>
<td>598</td>
<td>B10,66896</td>
<td>598</td>
</tr>
<tr>
<td>3. Adjusted Greater Bangkok 1994</td>
<td>B 17,928</td>
<td>703</td>
<td>B 12,549.697</td>
<td>492</td>
</tr>
</tbody>
</table>

Source: Data are derived from National Statistical Office (NSO), Preliminary Report of the 1992 Socio-economic Household Survey (Bangkok: NSO, 1992) and Agency for Real Estate Affairs (AREA) (Bangkok: GHB, 1994). All numbers are rounded off.

As the comparison shows, LCC median household incomes are very close to the median Greater Bangkok household -- with a fairly wide range of incomes, though the largest share is in the B10,001-15,000 ($US392-588) group at 28 percent, followed by the B8,001-10,000 ($US314-392) at 18 percent, and B15,001-20,000 ($US 588-784) at 17 percent (see: Table 4-5). The average incomes of both owners (B15,994/mo.) and tenants(B13,559/mo) are above the estimated prevailing median income of Greater Bangkok households at B12,549.6/mo. So the findings can be stated as follows: The socio-economic profile of LCC households point to a heterogeneous income distribution with household incomes belonging mainly to the upper lower income and lower-middle income levels. About half of the LCC households sampled in the AREA study may 'fit' the lower-middle income group being targeted by government. However, LCC residents are certainly not only the low-income group that has been assumed by some. Many have incomes above estimated Greater Bangkok average and median incomes.

LCC households that ARE lower-middle income may be lower-income only in a particular sense. Other socio-economic information about residents paint a picture of LCC households as being characteristically small-sized (3 persons), young, married, well-educated, and formally

94 I used a similar estimation method that Charles Setchell used in his work on low-cost condominiums in Bangkok. (Charles Setchell, "Selected Data on Condominium Projects Classified as 'Low-Cost' By the Government Housing Bank," unpublished notes, 1992, p.6).
96 The median is arrived at by using a rule-of-thumb given by the Housing Indicators Program, suggesting that the median can be calculated as 70 percent of the average.
97 At 70 percent of estimated 1994 average.
Table 4-5

<table>
<thead>
<tr>
<th>Monthly Household Owner</th>
<th>Renter</th>
<th>Relative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>AREA LCC Survey</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy Status</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

Income per Family (n=1,053)

<table>
<thead>
<tr>
<th></th>
<th>Owner</th>
<th>Renter</th>
<th>Relative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 4,000</td>
<td>0.01</td>
<td>0.02</td>
<td>0.01</td>
<td>0.04</td>
</tr>
<tr>
<td>4,001-6,000</td>
<td>0.02</td>
<td>0.06</td>
<td>0.00</td>
<td>0.08</td>
</tr>
<tr>
<td>6,001-8,000</td>
<td>0.05</td>
<td>0.08</td>
<td>0.01</td>
<td>0.13</td>
</tr>
<tr>
<td>8,001-10,000</td>
<td>0.06</td>
<td>0.11</td>
<td>0.01</td>
<td>0.18</td>
</tr>
<tr>
<td>10,001-15,000</td>
<td>0.10</td>
<td>0.17</td>
<td>0.01</td>
<td>0.28</td>
</tr>
<tr>
<td>15,001-20,000</td>
<td>0.08</td>
<td>0.09</td>
<td>0.00</td>
<td>0.17</td>
</tr>
<tr>
<td>20,001 &lt;</td>
<td>0.07</td>
<td>0.06</td>
<td>0.00</td>
<td>0.13</td>
</tr>
</tbody>
</table>

Average 15,994.8 13,599.60 14,740 14,557.90

per capita income 6,535 4,977 5,104 5,583

Source: AREA LCC Study, 1994 (Bangkok: GHB) p.43
Table 4-6

<table>
<thead>
<tr>
<th>LCC Household STRUCTURE (n=1044)</th>
<th>Owner</th>
<th>Renter</th>
<th>Staying Free</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>no.</td>
<td>%</td>
<td>no.</td>
<td>%</td>
</tr>
<tr>
<td>Single Family</td>
<td>298</td>
<td>28.5</td>
<td>275</td>
<td>26.3</td>
</tr>
<tr>
<td>Extended Family</td>
<td>65</td>
<td>6.2</td>
<td>196</td>
<td>18.8</td>
</tr>
<tr>
<td>Pooled' Family***</td>
<td>21</td>
<td>2</td>
<td>138</td>
<td>13.2</td>
</tr>
<tr>
<td>Alone</td>
<td>15</td>
<td>1.4</td>
<td>7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Data are from the AREA LCC Survey, 1994, p.43.

* For owners, over 1/2 are single families. Extended family are defined as over 2 generations and comprise 1/4 of owners.
** For renters, 1/5 of all tenants are single families.
*** Staying with friends or relatives
They are largely young single-family households (56 percent) who may be early in their working life and who, if they wish, could later move on to more expensive, conventional houses when their household income expands (see: Table 4-6). Of the respondents interviewed 1,117, the average age of the interviewees was 29 years old -- The largest share of the interviewees (33.4 percent) are young adults under 24 years of age. Unit owners had a slightly higher average age (31.8 years old) than renters (27.2 years old). 56 percent of LCC respondents were married and 49 percent had received at least secondary education. 58 percent of all LCC households had members employed in the formal private sector. (see: Table 4-2)

Findings on travel mode provide some additional evidence. 37.3 per cent of the low-cost condominium residents surveyed go to work by bus (See: Table 4-7). However, 68.3 percent travel by some form of private transportation: 14.1 per cent travel by their own private car and 17.5 percent by motorbike and about 38 per cent of LCC workers travel to work by company -provided transportation (37.3 percent). That a full 31 per cent of the dwellers make their way to work via their own private transportation shows that certainly not all LCC units are occupied by lower -income households. Private vehicles are still quite expensive and that fewer than 50 per cent of all Greater Bangkok households own a private vehicle of any kind --including motorcycles.98 The fact that a significant percentage of LCC households travel to work via their own private vehicle suggests that many are well above the 50th percentile of the Greater Bangkok household income spectrum.99

To what extent are LCC households the low-wage earners targeted by recent housing policy? The new incentives being given by the BOI are designed to encourage developers to provide housing for lower and middle income earners -- particularly industrial workers. While the AREA LCC Study shows that over half of the LCC households have members with formal, private sector employment, this question is difficult to answer definitively using this data because the AREA Study did not break down the private sector employees into occupational categories. However, in the case of the two LCC projects I looked at, although the projects were located near factories, managers of the projects say that few of the residents were industrial workers in the factories. Rather, most working residents traveled to the Central Bangkok District (CPD) for work of one kind or another, returning home late at night because of the traffic congestion encountered in their commute. My interviews with some of Bangkok's LCC developers also suggest they do not consider low-wage industrial workers the primary target of their projects. I asked developers "Who did they perceive their market to be?" Some developers responded by saying that although initially many (developers) thought that industrial workers were the market for

99 Setchell came to a similar conclusion based on the fact that a number of LCC residents in his 1991 survey cited vehicle parking as a problem in the projects. Ibid., p. 24.
### Table 4-7

#### COMMUTING MODE

<table>
<thead>
<tr>
<th>Occupancy Status</th>
<th>Owner</th>
<th>Renter</th>
<th>Relative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How to go to work (n=697)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Car</td>
<td>8.5</td>
<td>5.3</td>
<td>0.3</td>
<td>14.1</td>
</tr>
<tr>
<td>Private Motorbike</td>
<td>8.3</td>
<td>8.2</td>
<td>1</td>
<td>17.5</td>
</tr>
<tr>
<td>Company’s Car</td>
<td>2.6</td>
<td>14.9</td>
<td>0.3</td>
<td>17.8</td>
</tr>
<tr>
<td>Bus</td>
<td>14.9</td>
<td>21.4</td>
<td>1</td>
<td>37.3</td>
</tr>
<tr>
<td>Walk</td>
<td>1.4</td>
<td>8.2</td>
<td>0.4</td>
<td>10</td>
</tr>
<tr>
<td>Others</td>
<td>1.7</td>
<td>1.5</td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Time to Go to Work (n=752)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Close to Office</td>
<td>47.5</td>
<td>32.7</td>
<td>41.7</td>
<td>38.7</td>
</tr>
<tr>
<td>Less than 10 mins.</td>
<td>4.8</td>
<td>4.1</td>
<td>0.4</td>
<td>9.3</td>
</tr>
<tr>
<td>10-29 min.</td>
<td>8.2</td>
<td>21.4</td>
<td>0.3</td>
<td>29.9</td>
</tr>
<tr>
<td>30-59 min.</td>
<td>9.8</td>
<td>12.9</td>
<td>0.9</td>
<td>23.7</td>
</tr>
<tr>
<td>60-112 min.</td>
<td>10.9</td>
<td>9.7</td>
<td>0.8</td>
<td>21.4</td>
</tr>
<tr>
<td>120 min. up</td>
<td>4.3</td>
<td>3.2</td>
<td>0.3</td>
<td>7.7</td>
</tr>
<tr>
<td><strong>Cost of Coming and Going to Work (n=652)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>34.9</td>
<td>27.7</td>
<td>27.5</td>
<td>30.6</td>
</tr>
<tr>
<td>Less than 20 B</td>
<td>7.4</td>
<td>17.9</td>
<td>0.6</td>
<td>25.9</td>
</tr>
<tr>
<td>21-30 B</td>
<td>15.3</td>
<td>21.3</td>
<td>1.1</td>
<td>37.7</td>
</tr>
<tr>
<td>31-50 B</td>
<td>7.4</td>
<td>7.5</td>
<td>0.3</td>
<td>15.2</td>
</tr>
<tr>
<td>51-100 B</td>
<td>1.7</td>
<td>2</td>
<td>0.3</td>
<td>4</td>
</tr>
<tr>
<td>101 up</td>
<td>6.3</td>
<td>6.1</td>
<td>0.2</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: Agency for Real Estate Affairs, Low-Cost Condominium Study, p.45
LCCs, and started building projects near industrial areas. Over the years, however, it seems that low-wage factory workers are not the ones that buy LCC units, but rather administrative and office workers working in the CBD (Central Bangkok District). One developer stated because factory workers generally come from up-country, they don't want to buy a condominium because they plan to return to their hometown. They prefer to rent, and can find cheaper rental accommodation than LCC projects (that average B1,787/mo). According to my interviews, many projects in the suburbs reportedly failed because of the mistaken perception that factory workers could afford to buy or rent LCCs.

In sum, there may be basis to question whether lower-wage factory and service sector workers gain access to LCCs for a number of reasons, housing preferences included. III. Are LCCs Enabling Lower-income People to Becoming Homeowners?

Secondly, housing analysts have claimed that LCCs are enabling lower-income people to become homeowners. HPS members say that they have historically attempted to increase rates of home ownership among lower-income households by having the Government Housing Bank (GHB) offer low-interest long-term loans. The Annual Housing Situation Report 1991/2, states that the low-price of LCCs, combined with such favorable mortgage finance offered by the GHB, has allowed low-income people to "buy their own housing and do not need to rent of share a room with others." The report goes on to note that LCCs "provide low-income people with decent housing with safety and security of tenure. They provide the opportunity for low-income people to obtain home-ownership which is the dream of every family."

Already, we have seen that many LCC households are not lower-income either by estimated Greater Bangkok median household incomes, nor by their socio-economic characteristics. The AREA LCC study shows further that the majority of all LCC households, irrespective of income, do not own their LCC unit. As shown in the Table below, the majority of LCC occupants are renters, not owners.

Table 4-8

<table>
<thead>
<tr>
<th>Current Tenure Status</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>429</td>
<td>(38.4)</td>
</tr>
<tr>
<td>Renter</td>
<td>655</td>
<td>(58.7)</td>
</tr>
<tr>
<td>Living Rent-free</td>
<td>32</td>
<td>(2.9)</td>
</tr>
</tbody>
</table>


102 Personal interview, Jiwalai, 1994.
104 Ibid., p.38.
Not surprisingly, unit owner households have a higher income than renters: owner occupants have household income of B 15,994.8/mo compared to the B13,599.6/mo of the renters -- both being well above the estimated median Bangkok household income (B 12,549.6).

III. Are LCCs Helping to Improve Overall Housing Conditions in Bangkok?

Finally, some argue that LCCs are indirectly improving housing conditions for lower-income groups in Bangkok through 'filtering' dynamics. Filtering refers to a process in which as new housing supply becomes available, households move into them leaving their old accommodation behind, for other households to fill. The argument in relation to LCC units goes like this: As new households move into LCC units, irrespective of their incomes, they are releasing their previous rental units or other (presumably) less expensive accommodation onto the market. People who live in slums or other substandard housing then have more housing alternatives to choose from. Over time, the housing conditions of all will be enhanced.

There are now a number of different pieces of evidence to suggest that this is not happening in Bangkok. To begin with, there were a number of findings from the AREA LCC Study that indicate a) the households occupying LCC units are not leaving empty accommodation behind, and b) the substantial number of vacant LCC units, bought and held by speculators, inhibit filtering processes. Secondly, Setchell's 1992 research on Bangkok's slums suggest that rather than households moving out of the slums, a greater number and percentage of Greater Bangkok's population now lives in slums than in 1974. This finding appears to contradict the claims that slums are decreasing in terms of total housing stock share, referred to in Chapters 1 and 3. Ironically, the declining slum share of total housing stock, which housing analysts have used to illustrate Bangkok's improving housing conditions, combined with Setchell' findings suggest that Bangkok's slums are becoming increasingly congested. Rather than housing conditions getting better, for an increasing number of people in Bangkok's slums environmental conditions may be getting worse.

First the evidence from the AREA LCC Study: In response to questions about previous occupancy status, 40 percent of LCC respondents stated they had been living rent-free in their previous residence. Those that owned their previous residence comprised a minority (17.1 percent). About 43 percent claimed they had lived in some form of rental housing prior to moving into a low-cost condominium.

LCC respondents who stated they were NOT the owners of their previous residence were asked who were. Their responses were as follows:
Table 4-9

<table>
<thead>
<tr>
<th>Owner of Previous Residence</th>
<th>% of total respondents (no. 651)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent/relative</td>
<td>65.9</td>
</tr>
<tr>
<td>Friend</td>
<td>1.7</td>
</tr>
<tr>
<td>Welfare Housing</td>
<td>11.1</td>
</tr>
<tr>
<td>Apartment Owner</td>
<td>21.4</td>
</tr>
</tbody>
</table>

Source: AREA, LCC Study, 1994, p. 43

Most respondents came from their families' homes, suggesting that many LCC households represent a breaking up of the traditional extended family household.\(^{105}\) This makes sense given the young average age of LCC respondents (29 years) and general household formation indicators in Bangkok, such as declining average household sizes discussed in Chapter 3. Setchell also tentatively concluded from the findings of the 1991 city-wide survey, that LCC households seemed to be branching off from the extended family.\(^{106}\)

All this means that it is unlikely that those moving into LCC projects are leaving a residence behind for other, lower-income people to 'move up' into.

Secondly, one can make the argument that the high levels of vacancy in even older LCC projects, largely because speculators' seem to be buying and then holding onto their units, represent enormous waste of both the housing units themselves and the land they have been built on. Thousands of completed LCC units are unoccupied; a fact that undermines the claim that LCC units are facilitating filtering processes. The AREA LCC Study surveyed 64 condominium projects with more than 50 percent occupancy rates. This represented about 29,459 units, of which 96.1 percent were sold out but only 64.3 percent of the units actually had been occupied.\(^{107}\) This finding was confirmed in an interview with the principal of the AREA LCC Study. Because the majority of the projects chosen for study had been completed prior to or in 1990 -- according to the details of the projects and corroborated by the average occupation period of LCC occupants (4 years)\(^{108}\) -- the research team concluded that the most of the sold-out unoccupied units were being held for speculative purposes. My case study condominium

\(^{105}\) This is also substantiated by the fact that a high percentage of individuals (30.7 percent) cited 'splitting from their family 'as a primary reason for moving out of their previous residence (only 'being close to work and transportation' (36.9 percent) was higher).

\(^{106}\) Setchell found in 1991 that the"...the responses to the question of the tenure status of interviewees in the previous residence revealed a host of social relations... Roughly 75 percent of LCC households surveyed (504) stated that they did not own their previous residence, and roughly 28 percent stated that they did not pay rent while living at the previous residence."\(^{106}\) The total number of LCC residents that he observed at the time, as he implies, of either coming from a previous residence where they were not paying rent was actually lower (28 percent) than those shown in the 1994 survey which revealed that out of 1109 responses to the question, close to 39.1 percent has lived rent-free in their previous residence. Only 17.1 per cent had come from housing that they had owned. Setchell, C. "Greater Bangkok Slum Housing Market Study," Final Report. Bangkok: USAID, 1993.


\(^{108}\) Ibid., p.(5.2.1)
projects in Prakanong district and the Northern Corridor of Bangkok (both 6 years old) seem to confirm the general conclusion of a high degree of speculative holding. Although 100 percent sold out, over 40 percent of the units in one project were vacant. According to the managers of the projects most of these units were held by people who had never moved in nor re-sold or rent out the units. Managers say that this situation is causing significant maintenance problems for LCC projects. In the case study LCC projects, many of the vacant units were poorly maintained and created a generally unpleasant living environment. Many of the residents complained about these units in interviews. In both projects, the estate managers stated that collecting the management fee for common space maintenance had become a major problem because so many of the unit owners lived elsewhere and tended not to regularly pay their B200/mo maintenance fee for common spaces. In one project, there even had been reported incidence of break ins into some of the vacant units by vagrants, adding to a sense of insecurity.

In addition, the principal researcher of the AREA study stated that the many of the 264 projects explored in the field and were later excluded from the final sample of 64 projects. Most were excluded because they did not contain adequate occupancy rates, though many of the project units were sold out and had been completed for some time. He suspected that the degree of speculation among the projects not studied in this survey is high.109 It might also be added that it is reasonable to assume that those who are speculating are largely not lower-income, given that they can afford to both maintain their own housing and invest in a LCC unit to make a profit.110

That many speculators are holding their units is somewhat unusual. It raises a question -- namely, why are not more LCC owners either re-selling or renting out their purchased units? There may be a number of answers to this question, none of which can be stated definitively in this these as the 'correct' ones. Firstly, it appears that it is difficult for LCC owners to re-sell in the present market. The significant amounts of supply of low-cost housing, ever increasing with the BOI’s new incentives for developers to produce more have, as seen the in previous chart of low-cost housing prices, driven LCC prices down. In other words, selling in today’s market is not a lucrative proposition. Also, LCC rents, on average, may be higher than other rental

110 In their survey of re-sale units (113 successful interviews) the AREA Study found that most of the unit owners or representatives had no intention of occupying the unit and had purchased the unit with the intention of re-selling for profit, that the majority of those contacted owned more than one unit in either the project or another low-cost condominium project, and that, on average they asked for prices 9 percent higher than the valued price of the condominium unit.

AREA researchers estimated in their report to the GHB that 19,884 units (67.5 percent) of the total 29,459 units in the 64 projects, are owned by speculators. They arrived at this estimate with a number of fairly conservative assumptions: 1) that for all the units sold out with no dwellers (35.7 percent), that 22.5 percent of those being re-sold are speculators. 2) At present, of the 11,450 units being rented, 38.9 percent are owned by speculators, 3) of the owners today who have bought the units from those other than the project owners, 6.3 percent bought from speculators, representing 1,873 units. On this basis they conclude that speculators have played a role in 67.5 percent of the units represented by the AREA Study.
accommodation available in the city. The average LCC rent, according to the AREA Survey is B1,1787 ($US 70/mo), however according to Bangkok housing researchers other public sector rental units, factory dormitories, informal rental rooms, and even privately-owned detached rental houses are available throughout the city for rents that can be considerably lower. 111 Secondly, the carrying costs of holding onto the units are low, in part, because, of a weak and somewhat ineffectual taxation system. The real estate taxation system in Thailand is one that is separated into two specific types of tax: a land tax and a rental tax (or tax on property rents). The notoriously low tax rates, particularly of the house and rent tax, the pervasive exemptions available under both taxes, and poor administration of the system are widely criticized elements. Firstly, anyone can own a certain amount of land that is exempted from any taxation. In the Central City area, one can own 100 sq. wah (400 sq. m) of land and not pay a cent in tax, whereas in the vicinity area the allowable 'tax-exempt' land is significantly larger (400 sq. wah or 1,600 sq. m). (see: Appendix 4 for an outline of other exemptions) The land tax rate structure, while better than a perfectly inelastic flat tax on land, increases in small increments in relation to the price of land. Its low rates, numerous exemptions, and narrow coverage has propelled some writers to call it little more than another 'tax on the rice farmers, who are otherwise the target of several direct and indirect executions such as export duties, purchase policies of public monopolies, and management of the rates of currency exchange."112 The house and rent tax (HRT) applies to houses and buildings used for commercial purposes, including rental and the attached land. The tax liability is a proportional rate of 12.5 percent of the annual value of the property, actual or imputed and reported by the taxpayer. Buildings unoccupied for 12 months or more are fully exempted from the HRT. Pallai notes that "Low rates, excessive exemptions, poor administration, gross underreporting of rents, and low retribution for delinquency are among the many known weaknesses of HRT."113 Though I have not explored this issue in depth, it makes intuitive sense that the low rates of land and housing tax combine to result in low carrying costs for LCC owners. Possibly, many can afford to simply hold on to the property without seeking tenants to offset their costs while they wait for land and housing prices to rise. In addition, the availability of other rental housing accommodation in slums, public sector housing, and private-sector projects that is cheaper may make LCCs -- whose rent is on average B1,787/mo.-- as less attractive option than the less expensive rental accommodation scattered throughout the city.

This, in turn, tempers the claim that low-cost condominiums are playing an important role in meeting the demand of lower-income groups in Bangkok. Rather, the evidence shows that speculators, those who can obviously afford higher priced housing are, in a sense, distorting

112 Pillai, V. 1984, p.46
113 Ibid., p.52.
market demand from the low-income group. It is quite possible that, low-income households have been somewhat displaced by wealthier buyers in the first-come, first serve system of sales of units in the market.\textsuperscript{114}

Secondly, Setchell's findings on Greater Bangkok's slums. Table-1-1 illustrated the slums as a percentage of total housing stock in the BMR, based on official RTG data. The distribution of the stock suggest that slums have declined as a percentage of total housing stock -- leading to earlier claims of "slum housing declining in relative importance as a housing supplier." Official data shows that between 1974 and 1993, the slums decreased from 24 percent to an estimated 8 percent of the BMR's total housing stock (or at least 9 percent in 1992).

Research by Setchell (1993) however, shows that these data may be deceptive. Rather, from research he carried out in 1992, Setchell found that population in the slums in Bangkok have increased in both absolute and percentage terms over the 1974-1992 period. This is a somewhat surprising and disturbing finding, given the attention that housing analysts have brought to the declining share of slum housing of new housing stock, which has created the impression that slum people's housing conditions were improving. How did Setchell reach this seemingly contradictory conclusion? First, Setchell reassessed RTG data available for the 1974-1992 period and carried out interviews with all 38 district level officials of the BMA Social Welfare Department Community Development Section during April to June 1992 to update data on BMA slum communities. Interviews with the district level officials indicated "that a considerable portion of the BMA slum housing stock has been -- and is -- being overlooked, resulting in the systematic undercounting of slum housing in the BMA" (he estimated 22,273 units were undercounted in the 1992 census, representing a 14.3 per cent increase in official figures)\textsuperscript{115} This 'shadow' stock is in addition to the number of registered houses in BMA slums that increased by 32,760 units over the 1990-1992 period. It may be that this number represented not simply new slum housing, but the registration of housing that had previously been unregistered. However, the total with the estimate of 22,372, shadow stock equals 55,132 houses that have been added to the slum housing supply since 1990. Along with available official data for the three provinces, Samut Prakan, Nonthaburi, and Pathum Thani (to comprise the Greater Bangkok area) and using estimates of number of persons per household, and households per house, Setchell concluded that:

During the 1974 and 1987 period...population density in the slums measure in terms of people slum dwelling units increased dramatically (see: Table 4-10), and then eased some during the 1987-92 period.

\textsuperscript{114} Tuan Seik, Foo. \textit{Low-cost Condominiums: A Viable Alternative for Housing the Urban Poor? A Case Study in the Northern Corridor of Bangkok.} (Bangkok: AIT) p. 82.

\textsuperscript{115} Setchell, C. p. 47
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Slums</td>
<td>890</td>
<td>1,020</td>
<td>1,500</td>
<td>1,401</td>
</tr>
<tr>
<td>Dwellings</td>
<td>139,326</td>
<td>160,145</td>
<td>173,770</td>
<td>235,030</td>
</tr>
<tr>
<td>Households</td>
<td>182,450</td>
<td>183,600</td>
<td>235,655</td>
<td>307,889</td>
</tr>
<tr>
<td>Populations</td>
<td>890,000</td>
<td>1,100,000</td>
<td>1,320,000</td>
<td>1,693,390</td>
</tr>
<tr>
<td>Households/DU</td>
<td>1.31</td>
<td>1.15</td>
<td>1.36</td>
<td>1.31</td>
</tr>
<tr>
<td>Population/DU</td>
<td>6.39</td>
<td>6.87</td>
<td>7.6</td>
<td>7.21</td>
</tr>
</tbody>
</table>

He goes on to note that

.. contrary to recent research, slums have become increasingly important housing for a growing number of Greater Bangkok residents in both absolute and relative terms. Based on official data, at least one out of every five Bangkok area residents was living in a slum in 1992, and increase in both numerical and percentage terms over 1974. 116

Although the overall slum housing share of new additions to housing stock may be decreasing, Setchell's research shows that rather than the slums diminishing in their significance as a housing supplier, they may even be becoming increasingly important -- providing housing for a growing percentage of Bangkok's population. Rather than people moving out of the slums and into better housing, it seems that more people are moving in and facing increasingly congested and environmentally degraded living conditions. (see: Setchell, C. "Greater Bangkok Slum Housing Market Study," Final Report. (Bangkok: USAID, 1993)

Summary
The evidence about LCC occupant raises many questions. Why are not more low-income households gaining access to LCC units? What are the poor actually doing? While I can only speculate, there are a number of at least plausible interpretations of why more LCC units are not going to lower-income households.

Some factors are fairly obvious -- the terms of mortgage finance, the necessity of monthly payments, the size of the downpayment converge to render lower-income households effectively priced out of the formal market. Often, housing analysts only calculate the monthly installment fee (sometimes throwing in a couple of other variables, such as maintenance fee, taxes, etc.) and on that basis conclude that a given unit is 'affordable.' However, the most liberal mortgage finance terms in Thailand still require that the borrower put down 20 percent of the price of the low-cost unit. So in the case of a cheap LCC, at the price of B300,000 ($US 11,765) this is B 60,000 or $US 2,353 -- a very significant sum of money for a lower-income household to accumulate.

Moreover, other costs, such as the monthly maintenance fees of LCCs -- which average at about B 200/mo ($8) -- are additional costs that are rarely factored into any affordability analysis, yet may in combination with other expenses affect a low-wage earners households' ability to live in a developer-built housing unit.

Other factors are less obvious but likely just as important in determining the affordability of LCC and other accommodation. Distance from work is a very important factor in Bangkok -- where extreme traffic congestion has made the commute to work not only an expensive undertaking, but mentally and physically exhausting. The average distance of the 64 projects AREA surveyed was 16.7 km from the center of the city. Although many factories tend to be located in the 11-20 km

116 Ibid., p. 54.
range of the central city, the 'urban poor' who tend to be employed in the informal sector work in the central city, according to Bangkok researchers. The AREA LCC survey also showed that commuting costs are quite significant for LCC households -- a factor that may exclude the poor from living in LCC units. 12.6 percent of the households surveyed were paying between B 51-100/day ($US2-4) to go and return from work. 5 percent were paying B100B and higher ($US 4). The majority (56.9 percent) pay between B 20-50 B/day ($US 1-2). Paying B 50 per day, 6 days (it's a 5 and half day workweek in the private sector) a week, with a median household income of B12,550/mo amounts to nearly 10 percent of a household's monthly income.

A third factor may be the inappropriateness of the LCC unit for home-based activity. On average, an private sector LCC unit is 26 sq. m, consisting of a single room, an adjacent toilet room, and sometimes, a tiny balcony. (see: Figure 4-1) Some residents I interviewed in the two case study projects spoke of problems cause by the small size of the unit. Women, in particular, voiced their unhappiness with the unit size and design. With such a tiny space, cooking and washing is often relegated to the balcony, which in the typical unit design is adjacent to the toilet room. The ill-conceived design and small size of LCC units may very well be another important factor in why low-income households, particularly those that make income from home-based production would choose other accommodation. One wonders if women were given the chance to design this living space, what would it look like?

Sorting out this puzzle and coming to more definitive conclusions of why more lower-income households are not in LCC units requires a different kind of research than what I undertook in this study. There may be many social and cultural, as well as economic factors hidden behind the low percentages of lower-income households in the formal sector's LCC units. Coming to some understanding of what they might mean asking poor people, what is the function of a house to them? To make money? To live and have a family? What do they think about when choosing accommodation? What are their other priorities and why? Why do people who could, in theory, afford 'better housing' continue to live in slums? My interviews with slum activists suggest that people sometimes live in slums because there's a community there, with human and other informal resources to draw on when needed. The culture of living in a LCC project seems to be very different -- at some of the projects I visited there seemed to be very little interaction between residents, as evidenced by reports of persistent management problems (e.g. little participation in management meetings), a high number of vacant units, and a physical design few common spaces, and floor upon floor of tiny uniform units.

These questions have not been asked, but I think that it is these kinds of questions that may well be more important than the many others that have been. They could help illuminate what

the function of a house is for poor households actually is: What are their preferences and priorities? Why they make the housing choices that they do? Addressing these questions in a way that informs the decisions we make about housing policies could, in a more complete and profound way, result in a housing strategy to benefit those who the state should be helping.
Chapter 5: Conclusions and Recommendations

I. Reflections on Supportive* Housing Strategy: The Limits of the Formal Market.

In the late 1980s, the Housing Policy Subcommittee called upon the various housing institutions in Thailand to undertake strategies to support the housing sector and the private developer industry. Their housing approach was credited with many achievements: The huge supply and diversity of housing products available through the late 1980s and 1990s, the down-market trend of private developers, and a diminishing share of slum housing were all seen as evidence of 'success'. This success 'legitimized' the Thai housing approach -- of emphasizing housing finance, deregulation, and incentives as mechanisms to encourage the formal private sector to service lower-income groups. Indeed, it appeared that Bangkok's developers were emerging to play a significant role in supplying low-cost housing, affordable by conventional financial analysis to lower-income groups.

Supportive housing policies are obviously not solely responsible for developer's low-cost housing products. As seen from of Foo Tuan Seik's work, many factors other than the RTG's policies and incentives are influencing developers' decision to produce low-cost housing in the late 1980s-- a major one being oversupply in the upper and middle parts of the residential market. However, the down-market trend was in many circles where housing policy is discussed and debated, such as the World Bank and UNCHS, considered evidence that the Thai 'supportive' approach was the 'right' approach. In 1993, the Board of Investment, under HPS recommendation began offering incentives for developers to build low-cost housing -- presumably with the belief that these low-cost products are eventually occupied by lower and middle income households.

Years later, there is conflicting evidence whether the developer-built lower-cost housing supply has indeed benefited genuinely lower-income groups either through rental or homeownership -- a finding that calls into question the wisdom of encouraging the private sector to 'take the lead' in providing low-cost housing. Offering tax incentives without examining the factors that enable or prevent lower-income households from gaining access to this housing may result in subsidizing those who do not need to have their housing subsidized. This study shows that the assumption of Thai and other housing analysts that the urban poor and low-wage earners of Bangkok are LCC occupants is, at best, only partly true. LCCs are providing a housing alternative for some genuinely lower-income people but more are small, beginning households, perhaps branching from their parent's homes. Such households may be lower-income only in the sense that their earning power, at present, is low because they are early in their working lives. In

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addition, most LCC households are renting -- contrary to the home ownership objectives of housing institutions like the Government Housing Bank (GHB). It seems that very few of Bangkok's urban poor live in LCCs. Moreover, it is unlikely that the urban poor are benefiting even indirectly from LCC development for a number of reasons: 1) because a large number of LCC households are not leaving empty housing behind them, and 2) because a significant number of LCC units are being held vacant -- obviously not facilitating filtering processes. In addition, Setchell's slum research findings show that an increasing number and percentage of Greater Bangkok's population are living in slums -- casting a dark shadow on the claim that overall housing conditions have indeed 'dramatically improved.' Rather, housing conditions for the poor since 1974 seem to have gotten worse.

This research has not been able to address all the questions that arise from these findings in a complete way. Why so many LCC units are vacant, for example, needs to be explored further. Are there particular laws (e.g. weak foreclosure laws) or tax incentives to owners that discourage them from renting out? I have suggested that the low rates of real estate taxation and the availability of other less expensive rental accommodation may be factors, but the question is a nagging one that requires more research and reflection. In addition, the factors and institutional barriers to lower-income groups gaining access to LCC require further probing. Some of the factors I have raised above, the terms of mortgage finance, the distance of the projects from the poor's employment centers, the physical design of units and the culture of condominium living need to be examined systematically to develop better ways of assessing what factors may or may not be affecting the 'affordability' of these projects and lower-income peoples access to them. There may be other ones, such as the bias of developers against lower-income buyers, or the lifestyle of condominium living that makes LCCs an inaccessible or unattractive proposition.

Despite the limitations of the research and that it is unwise to generalize too much from Bangkok's experience, several points are fairly clear. The case does show that even under extremely favorable conditions -- a supportive policy framework, high rates of economic growth, and a liberal regulatory environment -- there are definite limits to who the formal private sector provides housing to. The city may have escaped the same kind of supply shortage of some of its neighbors, but clearly housing problems for the poor persist. A re-thinking on the part of the state about what role the formal private sector can be expected to play in addressing this need may be in order.

Doebele (1987) argues that the only real way to help the urban poor improve their shelter situation is through efforts to increase the supply of land "directly available" for low and moderate income people. Doebele states that a first step is direct public action, to expand services and infrastructure, prevent demolition of slums, modernize land information systems, and buy land. Although it is outside the scope of this research to make recommendations about whether or not
this is the most important problem to be addressed in Bangkok, in light of the continued in-
migration into Bangkok and Setchell's findings on increasing congestion in the slums, it seems
that investigating what can be done to facilitate the supply of land to new settlers should be a
priority area for further research.

II. Methodological Issues: Improving Housing Information Systems.

One of the larger issues looming in the foreground of these findings is how do we go evaluating
housing strategies? How do policy-makers in Thailand and in lending institutions like the World
Bank come to these opinions, insights, understanding, and discourse of who is benefiting from
what housing? Should we be asking different questions? Is there a better way of understanding
the housing delivery systems in Bangkok?

Inadequate information within the housing policy-making system in Bangkok is a very real
issue, as in other countries. In Thailand, Thai policy-makers and planners use housing indicators
to evaluate the performance of the housing sector and make policy decisions. These indicators
tell us something about increases in population, the laws and regulations that have been
introduced or receded, the number of housing starts, the share of different housing types, how
much mortgage finance is available in the system, etc. -- but they tell us little about how people
actually participate in the various housing in Bangkok. Looking at the housing sector in this
'macro' way causes policy-makers to miss key dynamics within and between housing sub markets:
like how adverse ownership outcomes affect the LCC submarket and consequently the overall
housing market, whether there is (or is not) movement between slums and low-cost condominium
units, what the socio-economic characteristics are of different groups in different kinds of
housing, and how people finance their housing.

That developers were producing and selling low-cost condominiums between 1987 and
1994 that according to standard financial analysis are "affordable" to households as low as the
20th, did not mean that the majority of purchasers and even occupants were in this income range
as owner-occupants nor as renters. The study recently commissioned by a housing financial
institutions (GHB) shows this quite clearly. This study was one positive step to close at least one
of the information gaps that, until recently, have been largely ignored. However, there are other
critical areas that must be addressed systematically -- in the context of a housing evaluation
strategy -- to bridge the divide between the general picture that policy-makers see with supply,
finance, housing stock indicators and a view of who's actually benefiting from the supportive
policies of the state. The factors that may be affecting the "affordability" of LCCs and inhibiting
lower-income groups access to this housing need to be investigated. New ways of gathering,
organizing, and interpreting information that gives Thai housing analysts and decision-makers a
clearer understanding of how housing system is working may be needed.
The Housing Policy Subcommittee (HPS) -- as the lead agency for policy-making and umbrella body for data-gathering efforts for housing sector analysis and decision-making -- may want to consider a number of changes. These changes should correspond with the different problems in data gathering, organization, and analysis in Bangkok. Some questions the HPS may want to consider and suggestions follow.

Who, specifically, is the target group(s) for 'low-cost' developer-built housing? What is known about the target group(s) and the factors that may prevent them from gaining access to LCCs?

The Seventh Plan and Board of Investment (BOI) currently state that the 'target' group of incentives to developers to produce 'low-cost' housing is lower income and industrial workers -- in other words low-wage earners with stable incomes. The HPS may want to further specify the characteristics of the 'lower-income' group they want to target. The next step might be to:

- **Carry out housing preference and ability-to-pay studies.**

Currently, there are no studies (at least that the author is aware of) on industrial workers or service-sector workers housing preference and ability to pay to draw upon. If the HPS and RTG intends to target a particular group of lower-income people, housing agencies could carry out research that investigates what type of housing these groups prefer. Before offering more incentives to developers through the BOI, the HPS may want to investigate whether industrial workers and other low-wage earners want to invest in condominium or townhouse, or whether they prefer to live in rental accommodation. LCC developers suggest that industrial workers may, because they are from other parts of the country, want to live in rental housing which gives them more flexibility and mobility. This, of course, is not the only issue. That there may be few genuinely low-wage earners in LCCs suggest that they cannot afford it, as discussed in Chapter 4. These could include mortgage finance terms, the distance of projects from employment centers and costs of commuting, the design of units, and many others. These costs, as well as other costs, such as the monthly maintenance fees of LCCs -- which average at about B 200/mo ($8) -- are rarely factored into any affordability analysis, yet may in combination with other expenses affect a low-wage earners households’ ability to live in a developer-built housing unit. The HPS should require the GHB, or the NHA to carry out studies about whether low-wage earners can afford the down payment and housing finance payments, as well as other housing related expenses, how distance and commuting costs affect affordability, etc.

- **Carry out occupancy surveys**

Until recently government agencies have not seemed particularly concerned about occupancy-side studies. Without these kinds of studies, however, the HPS cannot know who occupies low-cost housing, or any other housing for that matter. Surveys, such as the one carried out by the Agency for Real Estate Affairs for the GHB should be carried out on who occupies develop-built
low-cost housing on a periodic basis (e.g. every two years) so that government agencies have a current sense of who is being serviced by private sector housing providers.

More than simply assessing the occupant's income, these studies should aim at understanding the socio-economic placing of the household at a level beyond income. They should ask questions about their occupation, their dependents (e.g. children), their education level, where they come from, what type of housing they lived in before they moved into the LCC unit, etc. to get at the household's socio-economic placing.

How can housing analysts better anticipate and monitor how speculation is affecting the LCC submarket?

Speculation seems to be a common practice with LCC units, resulting in many units lying vacant. Speculation, per se, is not so much a policy issue when speculators put their investments into productive use, which may enable some lower-income households to use them for rental accommodation. However this does not appear to be the case with LCCs in Bangkok. The HPS may want to consider asking the GHB to collect data on the vacancy rates of all the older LCC projects in the city to gauge the pervasiveness of holding onto units and why this might be the case. This finding is a clear warning signal for BOI subsidized low-cost housing: Steps should be take to encourage genuine owner-occupant buyers and monitor vacancy rates in the projects.

One government official stated that "It's not the governments' job to monitor who gets into this housing." Yet, given the limited resources the state has to address housing problems, can the state offer price supports for low-cost housing development and NOT make an effort to monitor who's benefiting?

The Government Housing Bank (GHB) is the primary source of mortgage loans for those who buy low-cost condominium units. At present, the only way the GHB attempts to discourage speculation is to charge a 2 percent penalty for a loan repaid in less than three years. So if the loan is B300,000 the amount charged for early repayment is only B 6,000. A feasible policy measure would be for the GHB to discourage speculation by increasing their penalties for early repayment of loans and screening applicants to encourage as many genuine low-income buyers as possible. Strategies could include getting cooperation from LCC developers on matters related to their sales and marketing policies, widely publicizing information on the LCC market to low-income public and establishing a loan policy which restricts the number of low-income buyers as well as speculators and non-owner occupants.

Where are the unserviced groups?

Slum households are clearly not able to afford LCC units -- being a small minority of LCC households. Moreover, that the population of the slums is growing, while slum housing growth as a percentage of total housing stock is declining, is cause for serious concern. In light of this evidence, the HPS may want to re-assess priorities, and review what action the state is taking to
help improve the environmental quality of Bangkok's slums, and help slum dwellers gain secure tenure. Moreover, there are a host of other groups with apparent housing needs in the city that are not accounted for in RTG data. Official slum counts, for do not include:

a. "Bridge" slums, a relatively new form of slums in Bangkok, which exist under and/or adjacent to bridges. In 1990, there were 76 bridge slums with 627 families, at least 2,032 people.

b. "Small" slums, which do not meet the Bangkok Metropolitan Administration's (BMA) criteria of 15 houses per rai (.16 hectares).

c. "New" slums, those slums that may be sufficiently large to deserve official recognition, but have not existed for three years, prior to the time the BMA or NHA takes a survey.  

These slums and families are not officially recognized, and very little is known about them. Not being officially recognized also means they are not aided through the NHA and BMA's upgrading efforts.

To better understand what the housing and other needs are of newly arrived settlers to the city as well as people who have lived slums for some time, the HPS may want to encourage more a sociological and anthropological research of how people are dealing with their housing problems and what their priority needs are. As one community activist I interviewed put it, "you can't know what kind of people live in a project unless you go there and stay there and live with them. Then you will learn about their methods of housing finance, the way they build their houses..." Research based on fieldwork, of living with the people one is trying to understand, is not with the aim of simply capturing people's experience, but rather trying to figure out how things work and where the most pressing needs are. This kind of research can provide information that puts policy-makers in a better position to assess what kinds of intervention are needed.

In addition, Charles Setchell's research on the slum sector in Bangkok illustrates the value of using local district-level officials, who are 'closer to the ground' than other bureaucrats, in coming to a more accurate assessment of the incidence and situation of slums. Micheal Lipskey first proposed using 'street level' bureaucrats as informants. It seems that in Bangkok, housing related institutions could benefit by consulting local level officials to enrich and inform the assessments often made by analysts stationed in central offices, far removed from the reality they attempt to describe.

120 Maier, J, Personal interview, 1994.
How can housing data be made more accessible to housing analysts, planners, and researchers?

*Increase coordination and cooperation in housing information systems.*

In Thailand, as other places, housing-related agencies and institutions need to do more to coordinate their work and research and share their findings with each other. As noted in Chapter 3, eight difference agencies collect and maintain housing data. There is also a considerable range of performance among different agencies in terms of maintaining accurate, up to date, sufficiently detailed, and complete data. Moreover, most of the information is collected and stored by agencies only for the benefit of their own work. Much of data-collection work done by these agencies is overlapping, with differences in detail, due, in some cases because of different collection methods. In some cases, the differences were small and not worthy of attention. In other cases, however, the differences were significant, and considerable work has to be done to ascertain the reasons for the differences. For example, there were significant discrepancies between agencies on income data, slum data, as well as housing stock information. These differences can lead to confusion, for planners, decision-makers (and researchers) -- which can reduce the quality of planning and investment decisions taken.

Fortunately, the HPS has proposed to undertake a Data-Base Development Program including the following purposes:

- to systems housing data for planning development, policy-making and measures of housing development, and
- to benefit dissemination of housing data in order to assist in planning by the government sector and investment by the private sector. 121

This program, which from the authors understanding, has not yet begun implementation is a joint effort between the National Economic and Social Development Board (NESDB), National Housing Authority (NHA), Government Housing Bank (GHB), Bank of Thailand (BOT), Department of Land and the Thailand Institute of Scientific and Technological Research (TISTR). Sharing a computer databases is stated as a long-term goal.

Such a database, from which each agency could draw on, could be extremely useful. If planned and implemented as a central database, with defined methods for data collection and analysis, and the goals of integration and increasing access in mind, creating such an information source could do much to encourage further integration and coordination between related agencies as well as more reliable and developed data to draw upon. Using this database through a network system could help housing professionals be able to access and use information in a more efficient way than at present. Issues such as training are, of course, critical to the success of such as system.

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A better information system is important to enhance the quality of housing-related decisions, whether at project or policy level. However, no matter how sophisticated and well-designed, a database and computer network will not aid decision-makers and professionals in making informed choices about low-income housing policy, if the data does not capture different lower-income groups' housing situation. Increased efficiency and accessibility of data may be of limited use if indicators that can deepen understanding of who's where and why are not included. This, as indicated above, requires regular and systematic surveying, supplemented by more in-depth anthropological and sociological research to deepen our understanding of how people find shelter and how to help them do so.
Appendices
Appendix 1: Definitions

A number of key terms are used throughout this thesis. Many of these terms are the subject of considerable disagreement in land and housing policy literature. For practical purposes, I have adopted operational definitions to discuss my topic. To be helpful to the reader, I attempt to articulate how I use these terms below:

Formal Private Sector

In the context of this study, the term used interchangeably with 'construction industry' and 'developer-built' housing' and 'private developer'. Refers to formally constituted, profit making firms or persons engaged in both land and housing development.

Household

This study uses the same definition given by the National Statistical Office (NSO), the agency responsible for population and housing census work in Thailand. The NSO definition is:

"a. a one-person household, that is, a person who makes provision for his own food or other essentials for living without combining with any other person to form part of a multi-person household. He may be the owner, renter, lodger, or caretaker of the house; b. a multi-person household, that is, a group of two or more persons, related or unrelated, living together in a whole or part of a house who make common provision for food or other essentials for living. "122

Informal Sector

Private sector activities generally not recognized or authorized by government. These activities are typically not subject to taxation or other forms of state regulatory action (e.g. planning, zoning, health and safety regulations, etc.).123

Low-cost Housing

Standard quality housing that is (using conventional standards of financial analysis) affordable for purchase for low and moderate income households. In this study, it refers to primarily to low-cost condominiums (exclusive of low-cost land and house), the low-cost housing form that has been predominant since 1989.

Slums

Known in Thailand as a ‘congested community’. Official definition usually mention poor physical and environmental conditions, low levels of service provision, and some measure of physical density. The National Housing Authority uses the following definition:

"an area in which unhygienic conditions prevail, which is crowded, damp, or dirty, and not supplied, or poorly supplied by water...Under this definition, there must be at least 30 buildings per one rai [.16 hectare] in the community, regardless of whether they occupy the land by single owner or not."

The Bangkok Metropolitan Administration uses a similar definition, except defines 15 buildings per rai.

Appendix 2: Policies for Housing Development (1985-91)

(3.1) General Policies

(3.1.1) Policy for the Development of the Quality of Life

(1) The state should hold as important policies to develop the quality of life through simultaneous development of the physical, social, and economic aspects of communities.

(2) In this, the state would encourage people to form people's organizations and to bring in public services to promote the economic and social development of the community, including finding ways to consolidate the economic bases of people.

(3.1.2) Construction Policy

(1) The state should accelerate construction of appropriate housing, improve the environment, and improve low-income or slum communities in order to alleviate problems of residential shortages as well as upgrading residential standard for the low-income population in the urban areas as a matter of principle.

(2) The state should increasingly disperse residential construction, consistent with urban and industrial development patterns in the regional areas.

(3) Encourage and support investors of the private sector in accelerating development of housing, both standard and quality for people of varying incomes so as to meet public demand.

(4) Encourage and support research and development of construction materials which from available raw materials in rural areas that would be needed to replace materials which are becoming scarce and to utilize appropriate technology and economy in housing and community development.

(3.1.3) Financial Policy

(1) The state should mobilize financing for housing development from existing savings pools in the nation through the various financial institutions and by development of capital markets so that they may more significantly contribute to housing development.
land utilization programmes of the National Economic and Social Development plans.

(3) There should be close coordination in the development of the various public utilities and public services systems and housing to achieve proper standard of urban development. This should be conducted through the cabinet appointed Public Utilities and Services Policy, Programming and Implementation Coordination Committee which in charged with the responsibilities implied in its name.

(3.1.5) Other Necessary Policies in Housing Development

(1) The government should accelerate the promulgation of Land Use Plans in the form of General Plans and Specific Plans especially in the Bangkok Metropolitan Area. There should implement things in accordance with the town planning which should be strict control to ensure conformance which should include the lands for public facilities in the urban areas.

(2) The government should upgrade, amend, and add to the various measures of the state to prevent withholding of land for speculative purposes.

(3) In the commercial and industrial areas where a great many people are employed, the government should promote the establishment of residential areas that are appropriate, both in terms of location, environment and housing types that would be suitable for people of different income levels.

(4) The state should encourage the procurement of areas for housing at the same time as it creates employment sites which need workers of various quantities and qualities, both in the private and state sector; for example, the provision of housing services for government officials, state enterprise workers and the setting up of industrial estates etc.

(5) The state should encourage people at all income levels, especially low-income people, to have permanent tenure of their own lands and shelters.
(2) The Government Housing Bank should be the Kingdom's primary organization in the provision of financial services for housing development for the National Housing Authority and the private sector.

(3) Encourage life insurance corporations, provident funds, as well as other financial institutions which have long-term capital resources available to invest in providing direct credit and credit via the Government Housing Bank or other financial institutions which serve to provide credits for housing.

(4) To provide opportunities for low-income people to get long-term loans to develop their own housing, including the expansion of credit services throughout the nation.

(5) The government should develop linkages between financial markets, capital markets and those institutions which mobilize savings, especially financial institutions which provide credits for housing so that financial and credit services may be increasingly well-distributed.

(6) To promote the development of housing cooperatives or the system of savings institutions for loans which would be used for housing development; making this a system to provide housing and a linkage mechanism between the financial institutions with the low-income earners who would borrow money for housing.

3.1.4) Organizational Policies and Coordination

(1) The Housing Policy Sub-committee of the National Economic and Social Development Board, which has been established in accordance with a Cabinet resolution would be the central body setting housing policy at the national level. It would also guide and monitor implementation in accordance with the policy as well as to set guidelines for solving on-going constraints such as housing finance, other resources, and whatever problems and issues that may arise.

(2) In order to promote more efficient housing development, the government should develop public utilities and public services in a systematic fashion according to established plans and targets so as to be consistent with
Appendix 3: AREA Low-cost Condominium Study and Project Details

I. The AREA Study.
From December to February 1994, a city-wide 'low-cost' condominium (LCC) study was undertaken by the Agency for Real Estate Affairs (AREA) for the Government Housing Bank (GHB). The AREA LCC study (hereafter referred to as the AREA or AREA LCC study) was undertaken to "...organize and systems related information (to analysis the housing market situation, forecast future trends, and administer loans) for appropriate housing provision...". (US$15,686) B 400,000 was considered the upper limit of the 'low-cost' segment of the condominium housing market in Greater Bangkok during the survey period. -- which would make the most expensive units "theoretically" affordable -- according to conventional affordability analysis --to households with a B12,083/mo income ($US 473/mo), which is below the estimated median for the BMR (B12,550/mo or $US 492/mo) in 1994. Although the ceiling price for the LCC Study is high, according to the principal researcher of the study and substantiated in the detailed notes on the 64 projects, the current market price of the vast majority of the units are between B200,000-300,000 -- making many of these units theoretically 'affordable' to households with incomes ranging as low as B7,800 to 12,157/mo ($305 to $476/mo) according to affordability criteria widely used by housing analysts. Such household incomes are in the well below average income range for prevailing Greater Bangkok incomes.

There were three major aspects to the study: 1) surveying low-cost condominium, recording their locations and assessing the present development situation. In total 264 condominium project throughout the Bangkok Metropolitan Region (BMR) were explored in the field, however only 64 projects/projects with a then current occupancy rate of 50 percent and units valued at Baht [US$15,686] 400,000 and below -- most of which are located in the BMA were chosen for further study 2) an occupancy survey of the selected 64 projects focusing on socio-economic characteristics, housing occupation and expense, and condominium management issues; 3) a telephone survey of researcher-recorded resale notices at the units or in the common spaces of the condominium projects. Researchers conducted a structured interview with contact persons concerning the owners reasons for selling, asking price, etc.

124 A private Thai property valuation and research firm in Bangkok.
127 This assumes that 25-30 percent of household income is available for housing expenses and calculates mortgage payments with prevailing lending conditions -- 20 per cent equity required, the average rate of interest for 1994 offered by the GHB 10.5 percent over a 25 year loan period.
128 Bangkok Metropolitan Region includes the BMA and the five surrounding provinces Nontha Buri, Samut Prakan, Pathum Thani, Samut Sakhorn, and Nakhon Pathorn.
In regards to the occupancy survey -- the most relevant part of the study for the purposes of this thesis -- the sample size of 1,117 households represented approximately 5% sample of the estimated total units of the 64 condominium projects (21,776 units). The individual household was the unit of analysis in most of the questions. The LCC occupancy survey was designed to elicit information a wide range of information about the occupants, including their general socio-economic background and characteristics (household structure, gender, age, marital status, education, employment), current income, workplace, travel mode, housing preferences, and housing expenditures.

The sample size selection criteria for the study was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>Total projects 1987-1992</td>
<td>264</td>
</tr>
<tr>
<td>Total Projects in 1992</td>
<td>72</td>
</tr>
<tr>
<td>Total Projects in 1987-1991</td>
<td>192</td>
</tr>
<tr>
<td>Price below 400,000 Baht estimated at 50% 192</td>
<td>76.8</td>
</tr>
<tr>
<td>Average 404 units in one project (1991)(404*77)</td>
<td>31,108.0</td>
</tr>
<tr>
<td>Total 70% of 31,108 units occupied by dwellers</td>
<td>21,775.6</td>
</tr>
<tr>
<td>Sampling 5% of units (5% of 21776)</td>
<td>1,088.75</td>
</tr>
</tbody>
</table>

At 95% confidence
Population 20,000 the sampling size:
2,222 at error + or - 2%
1,034 at error + or - 3%
606 at error + or - 4%

Total sampling size is 1,117 household from 64 projects. Total Units in 64 projects 28,459 units. The study excluded 1992 projects from consideration, took an average of units per project during 1991, and estimated 76.8 projects would be eligible representing 31,108 units and potential households. They then assumed a vacancy rate of 30% , to come up with an estimated 21,75.6 sampling frame and drew a 5% sample.

II. Project Details

What follows is selected data on the general characteristics of the surveyed LCC projects, including their locations, and project statistics.
Figure A-1  Location of LCC Projects.
Table A-1: General Characteristics of LCC Projects

<table>
<thead>
<tr>
<th>Selected Characteristic of Surveyed Low-cost Condominium Projects, Bangkok</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCC Projects</td>
</tr>
<tr>
<td>No. of Projects</td>
</tr>
<tr>
<td>Projects which receive information from the Government Housing B</td>
</tr>
<tr>
<td>Other projects</td>
</tr>
<tr>
<td>1. Phra Kanong</td>
</tr>
<tr>
<td>2. Samrong-Thepharak</td>
</tr>
<tr>
<td>3. Phra Padaeng</td>
</tr>
<tr>
<td>4. Pak nam-BangPu</td>
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<tr>
<td>5. Lat Krabang</td>
</tr>
<tr>
<td>6. Ramindra-Phraholyothin</td>
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<tr>
<td>7. Rangsit</td>
</tr>
<tr>
<td>8. Omnoi-Nongkhan (Suk Sawat)</td>
</tr>
<tr>
<td>9. Akkachai, Rama II (Bang Yai)</td>
</tr>
<tr>
<td>10. Tiawanond, Changwattana</td>
</tr>
<tr>
<td>11. Lat Phrao, Miniburi, Bang Kapi</td>
</tr>
<tr>
<td>Total No. of Condominium Buildings</td>
</tr>
<tr>
<td>Total No. of Units</td>
</tr>
<tr>
<td>Total No. of Condominiums that have been sold</td>
</tr>
<tr>
<td>No.of Condominiums Surveyed</td>
</tr>
<tr>
<td>No. of Condominium Units Surveyed in this Study</td>
</tr>
<tr>
<td>Average Size of Unit</td>
</tr>
<tr>
<td>Average Price Per Unit (Baht)</td>
</tr>
<tr>
<td>Average Price Per sq. Meter (Baht)</td>
</tr>
<tr>
<td>Total Value of Development (Million Baht)</td>
</tr>
<tr>
<td>Size of Land (Rai)</td>
</tr>
<tr>
<td>Total Construction Area (Sq. M)</td>
</tr>
<tr>
<td>Net sale Area (sq. M.)</td>
</tr>
<tr>
<td>Floor-area-ratio</td>
</tr>
<tr>
<td>Density (No. of units per 1 rai)</td>
</tr>
</tbody>
</table>

Source: Agency for Real Estate Affairs, Low-Cost Condominium Study, p.37
Appendix 4

The real estate taxation system in Thailand is comprised of an uncommon combination of a land and house and rental tax. The land tax, known as the Land Development Tax, is imposed under the provisions of the Local Development Tax Act of 1965 on parcels of land which commercial structures are not locate. The rental tax is a tax on land and improvements and is called the House and Rent Tax, authorized by the House and Land Act of 1932. It incorporates into its base all commercial buildings and the land attached to them.

There are many problematic elements to this real estate taxation system, in terms of efficiency and equity principles, and the interested reader could look at Vel Pillai’s article "Property Taxation in Thailand: An Uncommon Combination of a Land Tax and Rental Tax" for an apt and concise discussion. For our purposes here, what needs to be noted is the following:

Land Taxation in Bangkok

The Land Department Tax has since 1965 been administered by local authorities, including the BMA. It is levied on the 'medium value' of land, defined as the average of at least three land sales (excluding improvements) made in good faith in the same sub district within one year period to the date of appraisal. Values are reappraised every four years.

Tax exemption:

A part of the land which is less than the prescribed amount is exempted. The land areas exempted are:

All municipalities except BMA:

1. Land outside of municipality or Sukhapiban 5 rai (8,000 sq.m)
2. Land in tambon municipality 1 rai (1,000 sq. m)
3. Land in meuang municipality 200 sq. wah (800 sq. m)
4. Land in town municipality 100 sq. wah (400 sq. m)

BMA:

1. Land in 'central' area 100 sq. wah (400 sq. m)
2. Land in 'vicinity' area 400 sq. wah (1,600 sq. m)
3. Land in 'rural' area 5 rai (8,000 sq. m)
Tax rates:

In the 1965 Act, there are 43 tax rates for 43 different price ranges. The tax ranges from B. 0.50 per rai for land with value not exceeding B 200 per rai, to B 400 per rai for land with a value of B 400,000 to B 500,000 per rai. Thereafter, the tax rate is B 100 per rai for each B 100,000 per rai increase in land value. There tax rates are reduced by 60 percent if the land is used for cropping, and if the land is cultivated by the owner himself, the tax is limited to B 5 per rai. Idle land is subject to twice the stated rates.

2. House and Rent Tax

In addition, local authorities such as the BMA also levies a House and Rent Tax of 12.5 percent of the gross annual rental value. Owner-occupied residences are exempt and the assessments are made on the basis of the owner's rental returns submitted once every four years, with the local government having the power to reassess that valuation if the declared value appear inaccurate.

3. Taxes on Land Transactions

a. Income tax (central government)
   - juridical person 40 percent of the total profit.

b. Commercial tax
   - central government 3.5 per cent of the sales tax
   - local government .35 percent of the sales price.

c. Registration fees (central government)
   - registration fee 2 percent of the sales price.
   - stamp duty .5 percent of the sales price.

Section 106 of the Land Code permits competent official of the Department of Lands to assess the real value of the property if the declared sale price appears inaccurate.
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