Private sector housing in Thailand
By Sidhijai Tanphiphat and Pratak Simapichaicheth

The urban housing market in Thailand, relatively unfettered by public controls, has been able to respond to demands spurred by persistently high economic growth bringing gradual improvements to the urban housing situation over the last two decades. However, until recently, the formal housing market was out of reach of over three-quarters of the population, of which a large group had to resort to slum housing. The pace of improvements to the housing market has accelerated perceptibly over the past three years. Slum housing growth has virtually stopped, while the overall housing stock expanded at some 6% per annum. Formal sector housing now caters for 80% of the urban population.

Urbanisation
The level of urbanisation in Thailand is relatively low, with only 18% of its population living in urban areas in 1995. Over the two decades from 1965 to 1985 the urban population grew by only 33%, while overall population expanded by 64%. By way of comparison, during the same period urban population expanded by 46% with an urbanisation ratio of 38% in Malaysia, 56% in Indonesia with an urbanisation ratio of 25%, and 100% in Korea with an urbanisation ratio of 64%.

The explanation for this lag in the rate of urbanisation in Thailand is that up to the 1980s the rural sector had been expanding its production, mainly through bringing more land into cultivation, and was able to absorb the growing labour force.

It is somewhat of an anomaly that there had not been a more rapid transfer of the labour force into the urban production sectors when 79% of the country’s labour force in the agricultural sector was producing only 26% of GDP in 1971, which changed to 67% of the labour force producing 16% of GDP in 1986. This trend is expected to change more quickly now that new land capable of being brought into cultivation has been depleted and the country’s rapidly expanding manufacturing and service sectors, with higher value-added potentials, will attract those employed in agriculture more forcefully.

The pattern of urbanisation in Thailand is a lop-sided one. Although the country has 135 municipalities, the bulk of the urban population is concentrated in the greater Bangkok area. In 1947, 45% of the urban population resided in Bangkok; the proportion increased to 65% in 1960 and 69% in 1980. The urban population of the six provinces included in the greater Bangkok metropolitan area of some seven million in 1988 is 25 times larger than the second largest city of Korat with a population of 273,000.

As one might expect, Bangkok’s dominance is comprehensive. It is the economic power-house wherein only 15.5% of the population yielded outputs equivalent to 44.3% of the nation’s total. Indeed, Bangkok’s share of GDP is expected to widen to 50.4% by 2001. Today, Bangkok contains 75% of all the nation’s manufacturing industries and it is the business centre; it is also the seat of government, centre of cultural life, education and so on.

Traditionally, policy-makers have viewed Bangkok’s primacy as undesirable, not so much because too much wealth and opportunities are centred in Bangkok which should thus be distributed elsewhere, but because such concentration is causing a deterioration in the quality of life of those living in it—most-cited examples are traffic congestion, inadequate urban services and poor housing evidenced by slum areas. All national plans have called for limiting the growth of Bangkok and redirecting such growth to other urban centres. Attempts have been made through implementing projects such as the Regional Cities Development Project in order to provide the necessary prerequisites for expanding the economic bases of the five cities designated as cities with the highest growth potentials. Urban infrastructure developments and municipal finance improvements are the main areas of concern in the project. In addition, the Eastern Seaboard Regional
The shelter situation

In Thailand, shelter problems are associated with urban living, particularly housing of the urban poor. That is not to say, however, that rural areas are not without housing problems, but only that housing has not yet become a high priority issue for rural families. Such issues as land rights, crop prices, irrigation, provision of safe drinking water, electrification and the like still take precedence. The fact that relatively simple shelters made with available non-permanent materials afford sufficient protection from the mild year-round climate of Thailand also helps to push rural housing to the back-burner for the time being.

Urban housing, however, has been slated as “problematic” ever since slum areas became part of the urban scene. Urban housing, unlike its rural counterpart, has totally become a market commodity. Housing is bought and sold whether as completed dwelling units or as input resources such as land, building materials, contract or labour, financing, etc. In a free market situation where everyone competes for housing resources and where incomes are inequitably distributed, a wide gulf of standards attainable is to be expected. In all urban areas a wide range of housing types — mansions, modest single-family, semi-detached, row houses, rental apartments, condominiums, slum housing — exist cheek-by-jowl.

How efficient is the urban housing market in Thailand? Efficiency is hard to measure. However, one could gain an insight by seeing how the poorer households with the least disposable incomes for shelter fare in the marketplace. In a gross mismatch situation in which the poor’s effective demand could not penetrate or purchase anything in the market, symptoms such as homelessness or street-dwelling appear, or at a slightly better level excessive squatting or the illegal acquisition of lands and building ramshackle dwellings on them. Fortunately, pavement dwelling is not a part of the housing market, and squatter housing is rare in Thailand. However, slum housing or poor quality housing stocks which are legal and have legal tenure, usually on rented lands, are very much prevalent and remain an important segment of the housing market.

From the macro perspective, data from the two previous censuses (1970 and 1980) indicated that more urban households became home owners during the 10-year period, while renter households reduced from 39% to 26%. Similarly, even though most rural households have been owner-occupants, the ratio grew to 91% from 89% (see Table 1).

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Owner</td>
<td>46.66</td>
<td>90.90</td>
<td>60.01</td>
<td>90.96</td>
</tr>
<tr>
<td>Renter</td>
<td>39.26</td>
<td>3.41</td>
<td>25.92</td>
<td>1.69</td>
</tr>
<tr>
<td>As payment in kind</td>
<td>2.90</td>
<td>0.75</td>
<td>3.37</td>
<td>0.96</td>
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<tr>
<td>Rent free</td>
<td>11.03</td>
<td>4.54</td>
<td>8.45</td>
<td>4.22</td>
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<tr>
<td>Unknown</td>
<td>0.14</td>
<td>0.40</td>
<td>2.29</td>
<td>2.18</td>
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<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>No. households</td>
<td>(754,471)</td>
<td>(5,090,000)</td>
<td>(2,061,662)</td>
<td>(6,352,980)</td>
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</table>

Source: National Statistical Office.
Such consolidation of the owner-occupation status is indicative of the ownership market has been accessible to the majority of households.

From the construction materials viewpoint, rural households living in homes built with substantial materials (masonry and wood) expanded from 66.39% in 1970 to 79.49% in 1980. While the figures for urban households were largely unchanged, more homes were constructed of masonry materials in 1980 compared with those of 1970, indicating an overall improvement in housing construction standards.

For Bangkok, the biggest urban housing market in which more than two-thirds of the urban population live and where the housing problem is considered the most severe, key indicators also point to an improving situation. Over the decade from 1974 to 1984, the housing stock expanded at an annual rate of 7% while new household formations grew at 3% to 4%.

If slum housing is used as an indicator of the health of the housing market, the picture is also encouraging. From 1974 to 1984 the share of slum housing decreased from 23.8% to 16%; while the housing stock expanded by 70.6% over the period, slum housing increased by only 14.8%. This would indicate that more and more of the urban poor were able to find better housing solutions in the marketplace.

The ratio of housing price to household income is also a good indicator of the efficiency of the housing market. The higher the ratio the more difficult it is for households to own housing, i.e. they have to save longer in order to reach the point of being able to finance the balance with a mortgage loan.

According to Renaud, in well-balanced housing markets of developed countries, the price of a housing unit is about three times the annual income of the household; the ratios in most developing countries are much higher, as shown in Table 2. The ratio for Thailand, at 2.5, is conspicuously low for a developing country, reflecting the relatively favourable housing market condition.

The housing market in Bangkok has always been active with housing of varying types being produced. Table 3 shows the position.

a) Shop houses

These are usually two- to four-storey terrace units which are used for trading or small-scale industries on the ground floors and as residences on the upper floors. In many instances, shop houses have been built speculatively in locations which do not merit such high-density land uses and large numbers of unsold units have accumulated in the past. Shop houses are either leased on 30-year terms or are sold outright where mortgage loans can be obtained as for ordinary housing units.

b) Individually-built housing

This used to be the most common means of shelter supply when the housing market was at an early stage of development. From the early 1970s onwards many other suppliers of housing, e.g. houses built for sale by developers, public housing, rental dwellings built by landlords, employers’ housing for factory workers and so on, have reduced the prominence of individually-built housing. From 1974 to 1983 the individually-built housing’s share in the housing stock of Bangkok had reduced from 35.7% to 27.2%.

Increasingly, home seekers have opted for purchasing ready-built homes rather than going to the trouble of having designs made or acquiring drawings, seeking permits, contracting-out and overseeing the construction. Obviously, there are no economies of scale in this form of home building. Ironically, it is the very poor who could not find any affordable ready-built housing in the market who still have to resort to their own initiatives, and the very rich who want custom-made homes.

c) Land subdivisions

With the rapid expansion of Bangkok from the late 1960s there was tremendous demand for house building lots and enterprising private land developers stepped in. Early projects provided very little or very low standard infrastructure, usually on plots of 200 to 400 square metres. More recent projects tend to have greatly improved infrastructure because of supply competition and increasing buyer’s awareness. In fact, land in many early projects has been taken up by lower-income users because of their deficiencies in

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Table 2. Housing Price/Income Ratios of Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio</th>
<th>Year</th>
<th>Per Capita GNP US$ (1986)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6.2</td>
<td></td>
<td>270</td>
</tr>
<tr>
<td>Philippines</td>
<td>4.5</td>
<td></td>
<td>588</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.8</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>Malaysia</td>
<td>6.0</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>Korea</td>
<td>5.5</td>
<td>1986</td>
<td>2,150</td>
</tr>
<tr>
<td>Egypt</td>
<td>7.2</td>
<td></td>
<td>610</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.4</td>
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<td>8,460</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.4</td>
<td></td>
<td>9,290</td>
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<tr>
<td>France</td>
<td>2.8</td>
<td>1982</td>
<td>9,540</td>
</tr>
<tr>
<td>Japan</td>
<td>6.7</td>
<td>1983</td>
<td>11,300</td>
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<tr>
<td>Sweden</td>
<td>1.8</td>
<td></td>
<td>11,980</td>
</tr>
<tr>
<td>United States</td>
<td>2.8</td>
<td>1988</td>
<td>16,690</td>
</tr>
</tbody>
</table>

infrastructure and poor drainage, which have kept prices low. The share of land subdivision of the total housing stock increased from 5.4% to 7.1% between 1974 and 1984.

d) Developer-built housing

Developers who provided land and houses as cost-effective packages started during the late 1960s and the sector grew in fits and starts. Earlier projects were all single-family homes aimed at the high and upper middle income markets, and the contribution to the housing supply was modest. Several constraints existed:

(a) During the early days there were relatively few developers, and they tended to concentrate on the small higher-income market where the profit margin was comfortably large.

(b) The lack of sufficient buyers' financing and its unpredictable availability had effectively restricted entry for many potential home buyers into this market, thus suppressing its growth.

(c) There were many opportunists intent on making a one-off "killing". Hence, fraudulent and unfair practices were very common, putting off many wary potential customers.

(d) The subsequent enactment of Revolutionary Decree 296, the land subdivision control legislation in 1974, ostensibly to protect the consumers, created bureaucratic barriers and became a deterrent to the entry of more potential developers as well as an added cost for existing developers.

Nevertheless, from 1974 to 1984 the share of the developers' built housing in the total housing stock increased from 3.5% to 11.4%; that is, while the overall housing stock increased by 70.6%, developers' housing grew by 463%.

From a rocky start, housing built by developers has really taken off during the past three years. Fuelled by strong demand across the income ranges, and assisted by the freely accessible and competitive mortgage lending industry, developers have become the main supplier of new housing in Bangkok and other large cities. In 1987, developers were responsible for 57%, or 30,600 units, of the 53,000 units added to the greater Bangkok housing stock. For 1988 the share increased to 67%, or 45,100, of the total 67,000 new housing units built in the year. Current data suggests that 1989 will be another boom year, during which some 77,000 new housing units will be added to the Bangkok housing stock — about 72% of which would have been built by developers.

To be able to capture such a large share of the housing market during the past few years, developers have been offering a diverse product mix targeted at the middle as well as lower income sub markets, or what we might call the mass market. The Bangkok Land Management Study found in 1986 that there was a growing supply of down market housing, affordable down to the 45th percentile households. These are single-or two-storey terraced houses on plots of about 80 square metres in peripheral locations and selling at about US$5,700 or US$9,600 per unit.

Land prices, by virtue of plentiful supply in peripheral locations, had not risen dramatically for many years. However, from 1987 onwards

<table>
<thead>
<tr>
<th>Type of Housing</th>
<th>No.</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Individual building</td>
<td>271,000</td>
<td>27.2</td>
</tr>
<tr>
<td>Shop houses</td>
<td>248,000</td>
<td>24.8</td>
</tr>
<tr>
<td>Slum housing</td>
<td>160,000</td>
<td>16.0</td>
</tr>
<tr>
<td>Developer-built housing</td>
<td>114,000</td>
<td>11.4</td>
</tr>
<tr>
<td>Public housing</td>
<td>75,000</td>
<td>7.4</td>
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<tr>
<td>Land subdivision</td>
<td>61,000</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>998,000</td>
<td>100.0</td>
</tr>
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</table>

the investment boom has caused rapid land price increases, so much so that the terraced house solutions for the moderate income households have become less viable because of their lengthening distances from workplaces. Given such a situation, many developers saw opportunities for building cheaper housing units with higher-density land uses and at locations closer to the off-city-centre job markets. Starting only in 1989, more than 30 low-cost condominium projects with over 30,000 residential units have been started. These are four- to five-storey walk-up units with floor areas of 24 to 30 square metres and selling for between 140,000 baht and 200,000 baht (US$5,400 to US$7,700) per unit. These projects tend to be located near industrial areas aiming at the factory workers’ market and have proved to be very popular. Such market receptiveness has encouraged many more projects and may add as many as 400,000 units to the housing stock over a period of only 18 months.

Indeed, such innovativeness is indicative that the private housing development sector has consolidated into a very significant and able housing supplier in Thailand.

e) Public housing

Housing built by the state as a welfare service for the poor began in the 1960s, mostly constructed by the Public Welfare Department of the Ministry of the Interior. These included walk-up apartments and various types of low-rise housing for rent and for sale on hire purchase terms. Up to 1974 these accounted for 1.6%, or 9,400 units, of the housing stock in Bangkok. Due to the difficulties of ensuring a steady construction programme because of the budgetary constraints, the government decided to establish a national housing agency, the National Housing Authority (NHA), in 1973, modelling it on the very successful Housing Development Board of Singapore. It was expected that NHA would have the capacity to attract funds from government sources as well as various lenders and would be able steadily to enlarge its programme for the benefit of the urban poor of Bangkok and other cities. From its establishment in 1973 to 1988 the NHA has constructed 76,000 dwelling units, averaging about 6,000 units per year. Most of the housing built (95%) was in Bangkok.

The operation of the NHA since its inception has been anything but smooth. During the 1970s great things were expected and government promised all the financial support, including subsidies, that NHA could use. Construction peaked in 1988 at 12,000 units. However, such a level of subsidy could not be maintained and the NHA switched policy to building more self-financing types of housing in the form of sites and services projects. During the latter years NHA’s construction programme dwindled dramatically—in 1987 just 890 units were completed. The NHA has been beset by a number of major difficulties such as:

(a) Land acquisition is difficult under normal government regulations with which state enterprises such as the NHA must comply.
(b) Bureaucratic supervision by various government agencies causes much uncertainty and delays.
(c) Excessive political interference through the political parties appointing unqualified NHA chief executives.
(d) Increasing competition from private sector developers has eroded the NHA’s moderate income housing market which was previously a de facto monopolistic domain of the public housing agency.

The bright spot of the NHA is its successful slum upgrading programme which started in 1979. The programme involves various types of improvement, including land tenure consolidation, physical infra-

structure, and socio-economic provisions. Up to 1988, it had upgraded slum areas affecting 50,000 households or approximately 25% of the total households.

Another much heralded programme of the NHA is its land-sharing projects which involved assisting existing slum dwellers to remain in the same community through giving up some of the land, previously occupied by them to the land owners who would otherwise evict them. Both parties could then make use of the land. These are very difficult projects to implement and usually require long and protracted negotiations; to date, four projects with over 6,000 beneficiaries have been implemented.

It is clear that the housing market environment has changed with many more suppliers competing for the once NHA-dominated moderate price housing market, yet NHA still has a crucial role to perform by supplying housing to the lower income market segment that private sector developers do not reach, the 30th percentile households and below, and continuing to be the advocate and agent for the rehabilitation of slum housing.

f) Slum housing

This is housing for the urban poor. Such homes are mainly built on rented land — both owned by the government and privately owned. The houses tend to be of poorer quality, often constructed with reused or temporary materials and at very high densities. Access ways consist of raised wooden planks, without any drainage, and flooding is common. Most have access to tap-water and electricity, however. Squatter slums, with no legal tenure, tend to be of poorer quality but squatter slums probably account for less than 10% of total slum areas.

Over the years, slum communities have tended to become smaller in size. In 1984 there were 160,000 slum housing units in 1,000 slum communities, which averaged 160 houses per area; in 1988 there were
174,000 units in 1,501 communities, averaging 115 houses per area. Indeed, for the most recently built slums (between 1984 and 1988) the size averaged only 55 houses each.

One of the major problems slum communities have been facing is the incidence of eviction, which has become more and more frequent. With land values rising and slum lands which were once in peripheral locations becoming prime commercial or high-income housing lands, landlords would sell the lands to developers or evict tenants themselves. A survey conducted by NHA in 1988 found that out of the 1,501 slums, 121 or 8% were being evicted while 193 reported imminent eviction. Clearly, tenure has become increasingly insecure for most slum dwellers even though 44 of all slum areas have land-rent contracts varying from one to three years.

Although it is encouraging that the share of slum housing in the total housing stock of Bangkok is diminishing, slum housing remains a substantial and necessary segment of the housing market and every effort must be made to delay their destruction and even enable new ones to be built until such shelters are no longer required by society.

g) Other types of housing
Apart from the aforementioned housing types, there are others such as rented houses, flats and the traditional homes built along canal banks — so much liked by tourists. Of these, rented housing, mostly in the form of low-rise or walk-up flats which are aimed at the low to middle income markets, have been a very important housing solution for many individuals and households, e.g. students, unmarried persons, newly formed households not yet able to purchase a house, foot-loose persons and so on. There is a fairly competitive market supplying such cheap rental units, usually in small projects all over the city. Indeed, the Government Housing Bank has been actively supporting projects with long-term loans.

In conclusion, it may be said that urban housing in Thailand has been on the upswing for some years, both in terms of quality and quantity. However, during the past few years the take-off has been dramatic. Although Figure 1 shows data of housing built for Bangkok only, the house building boom is, in fact, countrywide, but so far no substantive data is available other than for Bangkok.

The lessons
Clearly, the housing development sector has been performing adequately for some time, and over the past few years the results have been quite dramatic. Not only has the supply of housing units increased sharply, but the range of products aiming at different sub markets has also widened; such “deepening” of the formal market meant that many households who had previously to resort to “informal” housing solutions could now enter the formal sector housing market for the first time. What causes all these to happen?

1. Housing finance
Long-term financing or mortgage loans for housing consumers is one of the most important inputs for a well functioning housing market. But up to the mid-1980s availability of home loans was unpredictable, and
terms were severe. The major lender, the Government Housing Bank (GHB), was constrained by its inability to mobilise sufficient funds to re-lend as well as be set by bad loans and other operational problems; the commercial banks, which monopolised more than 90% of all deposits, gave home loans very low priority, preferring commercial and industrial credits which were shorter term; the National Housing Authority was restricted to financing its own products on hire purchase terms. Others such as finance companies and crédit fonciers were very minor players. It should be noted here, however, that the mortgage fore-closure procedure, which is relatively straightforward, has not been a factor in discouraging financial institutions from home mortgage ventures.

The turn-around of the housing finance sector was led by the GHB after its new board of directors and chief executive officer successfully steered the bank back into a position to take on new challenges. A number of significant developments took place thereafter:

(a) From the former position of having to source funds mainly from overseas and local financial intermediaries, in 1984 the GHB began successfully to tap the savings market directly with a number of attractive deposit instruments. Because of GHB’s low overheads, through having fewer branches and advanced operational techniques, it could offer higher deposit rates than those of commercial banks. Today, all the funding needs of GHB could be met by adjusting its deposit rates in tandem with market situations.

(b) With adequate and stable funding assured, GHB embarked on an aggressive strategy of expanding and improving the terms of its mortgage lending activities by relentlessly developing its techniques, technologies and manpower capabilities which resulted in a cost-effective organisation that could consistently offer the lowest interest rate loans in the market (while offering higher deposit rates) and maintaining a healthy profit margin. Today, it is regarded as the market leader offering the best terms and is the largest single lender.

(c) From 1987, after GHB had been demonstrating that the home loan business is an attractive one, coupled with an extended period of high liquidity, commercial banks and finance companies went into mortgage lending seriously. Rates for new loans tumbled, terms of 20 years became common and loan-to-value figures of 80% were common. All types of financial institutions competed for business, providing fuel for the current housing boom. Throughout this time GHB led the market with the lowest interest rates and terms, while others followed suit (usually to within one to two percentage points) in order to be competitive and gain business share.

(d) During this period, GHB, having moved to its new head office with vastly expanded capacity to handle additional business, began to offer refinancing loans to existing mortgage holders who were saddled with high rate loans which commercial banks and finance companies were unwilling to reduce. However, when faced with the prospects of losing good assets, commercial banks moved to keep their customers by generally lowering those rates to slightly above GHB rates, thus giving sector-wide benefits for most home mortgage borrowers. During 1987 and 1988 mortgage interest rates offered by commercial banks were, for the first time ever, lower than the prime rate. The outstanding mortgage loan portfolios of all institutions (Table 4) grew at a compounded rate of 16.4% per year from 1982 to 1986; for 1987 and 1988 the growth exploded to 33.1% and 42.9% respectively. Over this period commercial banks registered the most impressive gains — from 1986 to 1988 the outstanding portfolio grew by 188% — and also retained the largest market share at 67.55%, while the GHB’s share at 16.71% was the largest for a single institution.

Indeed, the GHB intends to maintain the market share and its market leader role by aggressively expanding its branching network from four in 1989 to 26 in 1991 — of these, 19 will be in Bangkok and seven in the larger regional cities.

The development of the housing finance industry is a key success story in the continuing housing struggle in Thailand. Without it, the present housing boom would not have happened and down-market housing could not have made the encouraging inroads to the housing market. In summary, the lessons are:

- Government recognition that housing finance is an essential support system and accordingly that it should provide policy support to the GHB.
- The government has utilised its specific-purpose housing finance institution, GHB, as a key housing policy instrument to foster the "enabling" environment for the housing industry.
- The GHB responded by transforming itself into a market-driven organisation and developing techniques and instruments to tap the savings market without the need for government-directed funding or subsidies. It has also expanded its capacities in order to give weight to its market leading role.
- The government, through the Bank of Thailand, has provided various incentives, such as special capital adequacy allowances for home loan assets, to encourage commercial banks into making more home loans.
The vast commercial banks’ network (2,095 branches in 1989) throughout the country permits unrestricted access to borrowers nationwide.

- The government has allowed market forces to determine the mortgage loan conditions. There are no arbitrary interest rate directives (ostensibly to help low-income borrowers which usually yield opposite results) so common in developing countries.
- The housing finance system is an integral part of the whole financial system — there are no special channels or conduits that “force” resources into housing finance. This is the most fundamentally sound and desirable arrangement.
- Should the financial system become unfavourable to home mortgage lending, the GHBr will be there to absorb any spilt-over demand, preventing the on-off shocks that were so detrimental to the housing industry in the past.

2. Housing policies

Until the establishment of the NHA (1973) and until 1983 when the first set of comprehensive national housing policies were endorsed by the government, the implicit housing policy was that the housing ills could be solved by direct public housing construction. This was subsequently proven to be far from adequate for the complex situation that prevailed, and several years after the establishment of the public housing agency (NHA) it became apparent that the state would not be able to meet the myriad demands of a growing urban population and that the private sector — the individual home-seekers and housing developers or the market itself — would continue to supply much of the housing for the people; indeed, as it has always done.

Following the recommendations of a Ministry of Finance/World Bank study on housing finance, in 1983 the government agreed that there was a need for a body comprising specialists from various aspects of housing to articulate a comprehensive and co-ordinated housing policy; it should also monitor the housing situation and recommend problem-solving measures.

The government decided that such a body should exist as a standing committee under the executive committee of the National Economic and Social Development Board (NESDB). The Housing Policy Sub-Committee (HPS) was formally established in 1983.

From the outset, the HPS regarded housing as the product of the marketplace. The housing that a market produces — whether enough are built, whether they are cost-effective, or of the right type and at the right place — depends on three main factors:
- Effective demand of the various groups of housing consumers.
- Condition of the housing inputs markets, such as land for housing, financing, building materials, construction technology, labour and other human resources such as housing developers, engineers, architects and so on. In an economy where each of those inputs is available cost-effectively, a responsive and efficient housing supply would ensue.
- Regulatory environment created by such laws as the subdivision control legislation (1972), Building Control Act (1979) and Town and Country Planning Act (1975), which are designed for the benefit of the housing consumers, are often over-stated or obsolete and proven to be hurdles that must be overcome at some cost — to the detriment of housing delivery efficiency.

The first comprehensive set of housing policies was adopted by the government in 1983, and it is presently being revised taking into account the successes and failures of the policy directives and the changing situation.

The major policy goals and results may be summarised as follows:

a) To enhance the effective demand of housing consumers by improving the availability and conditions of long-term housing loans, the Government Housing Bank was selected to spearhead the effort while the central bank would prescribe measures to encourage all financial institutions into participating more actively in home financing.

The housing finance system, which was totally inadequate when the above was mooted, has been transformed into a fundamentally healthy and rapidly expanding finan-

<table>
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<tr>
<th>Type of Institution</th>
<th>No. of Borrowers</th>
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<th>Share (%)</th>
<th>Growth pa (%)</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td>1982-86</td>
<td>1987-88</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>205,859</td>
<td>48,821</td>
<td>67.55</td>
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<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>1.50</td>
<td>22.2</td>
</tr>
<tr>
<td>Crédit Fonciers</td>
<td>5,147</td>
<td>1,322</td>
<td>1.82</td>
<td>-10.9</td>
</tr>
<tr>
<td>Government Saving Bank</td>
<td>3,124</td>
<td>587</td>
<td>0.81</td>
<td>41.4</td>
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<tr>
<td>Total</td>
<td>335,905</td>
<td>72,421</td>
<td>100.0</td>
<td>16.4</td>
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</table>

Source: Bank of Thailand, GHB.

Note: The dollar equivalent of the total value figure is $2.997 billion.
cial sub-sector with GHB leading a very competitive field of players which includes all types of institutions. This has enabled consumers at all levels to enter the housing market, releasing tremendous latent demand that created an unprecedented housing boom from 1986 onwards. Moreover, in 1987, through the recommendation of HPS, the government permitted personal income tax allowances for a portion of mortgage interest paid by the mortgage borrowers — this is considered to be a positive signal to the housing sector rather than as providing significant financial benefits to mortgage borrowers.

b) To enhance the cost-effectiveness and increase supply of housing inputs such as land for housing. The HPS particularly recognises that the availability of sufficient trunk-infrastructure which would create developable land supplies is a crucial factor. A "bottle-necked" land market, and the resultant high prices, is the most common barrier preventing the moderate income earners from entering the land and thus the housing market. Although other housing inputs should also be enhanced, HPS has regarded land and financing as the two most urgent goals.

An authoritative study of the land market of Bangkok in 1987 concluded that it is basically sound — with adequate land supply and having relatively few state-imposed land-use restrictions. Land price increases had been generally in line with consumer prices for the most part. However, the investment and housing boom of the past few years has raised land prices, particularly in 1988. Similarly, supplies of certain building materials such as steel rods and cement have been increasingly pressured due to very heavy demand, but producers are responding by adding capacities and importing and this is not expected to be an impediment to future housing growth.

c) The National Housing Authority, as a major supplier of good standard housing for the low-income families, is encouraged to build as many housing units as possible. Also, since slum housing is still necessary, NHA should continue to be the advocate for slum housing and endeavour to preserve and upgrade it — until such time that society no longer needs it.

The most successful part of NHA’s activities recently has been its slum upgrading programme, which has rehabilitated communities for 50,000 households. Over the Sixth Plan it is expected to upgrade areas affecting 16,000 households by 1991 — 8,000 of which will be for those affected by evictions and will be relocated. However, the NHA’s target of building 50,000 new low-income housing units during 1987 to 1991 will fall far short.

d) Reduce developers’ costs caused by delay in obtaining approvals for land subdivision and building permits. Numerous dialogues between regulators (Lands Department and Bangkok Metropolitan Administration) and developers have been arranged both by HPS and by the developers’ associations with the result that each party understands the position of the others. This has enabled compromises to be made, resulting in reduced standards, revised procedures to be more practical for business operations, and reduced time delays. Housing developers are still calling for greater improvements, however, and it is clear that this must be an ongoing effort. Indeed, a recent World Bank study compared the operating environment for housing in Thailand with that of another ASEAN country and found it to be a relatively liberal one.

e) To provide a forum for exchanges and to generate and disseminate useful data for those involved in the housing sector. Presently, six agencies are participating in the ongoing Housing Information Project, which comprises 11 sub-projects such as: housing completion data, housing demand, housing supply, housing finance, urban poor, land market and so on. Such data are synthesised and published in the annual Housing Situation Report, which started in 1987. The HPS also started, in 1988, a quarterly bulletin to deliver information quickly as it becomes available. In addition, the HPS has been organising bi-annual national conferences as a forum for exchanges of information and discussion; these have been quite successful. The Office of Housing, USAID, has provided support for both the above activities of the HPS.

Clearly, the change of emphasis in the strategy of the country’s housing policy, from one of the direct public construction to one that fosters a conducive environment for housing development, has borne considerable success. The strength and tenacity of the current housing boom which has persisted for the past three years demonstrates this.

3. Housing developers

Housing developers have become the single most important supplier of housing in the marketplace, whose share of new housing outputs rose rapidly and accounted for almost 70% of the Bangkok housing completions in 1988. To have garnered such a large market share means that developers’ products must be targeted at a broadening band of housing consumers.

An NHA study found that in 1980, 85% of the households could not afford the cheapest developer-built housing unit, while in 1986 the Bangkok Land Management Study found that the situation had improved to 45% being left out of the developer-built market; and in 1989 the authors estimated that only 20% could not afford the cheapest unit (US$5,400) which now largely comprises walk-up condominiums as well as low-rise terraced houses.

Like most business sectors in Thailand, developers are a hardy,
persistent and opportunistic lot. Through the days with numerous adversities (lack of financing, poor image, punitive regulations, etc.) they survived, but when conditions became conducive they blossomed.

In summary, the main lessons are:

- A conducive environment for housing development mainly generated by government’s growing recognition of the housing industry’s importance, readily available market supports such as mortgage financing and ongoing open dialogues with regulators which have encouraged more entrepreneurs into the business; the increasing competition has resulted in more better quality and price competitive products and a broadening market.

- Like a rolling snowball, the more business experience and successes developers amass, the more their reputation and professionalism are enhanced, and with it the ability to attract high quality professional staffs which upgrade their capacity to produce more cost-effective and innovative products.

- Many players are better than one (or a few). Today, developers are producing down-market housing in volume approximately four times what the public housing agency could do in an average year; evidenced by the 20,000 low-cost condominium units in 25 locations in 1989 alone.

4. Land recording system

Thailand’s land record system and transfer procedures have long been recognised as simple and efficient systems which have contributed to the flexibility with which the private sector responds to the market.

The system adopted is the Torrens system. The key advantage over other systems is that all relevant information is recorded on the land title certificate, and it could be used to record any subsequent changes of ownership, rights or obligations (such as mortgages and liens) without the need to create a new title certificate. With this system all information relating to a particular land parcel is held at the lands offices of the Lands Department (Ministry of Interior), including the official copy of the land title certificate, any land sales or transfer contracts, alteration of rights or obligations, transfer fees and income tax payment receipts. There is, therefore, no need for title searches or title insurance which could be very costly and time consuming. Better still, because the Lands Department requires the use of standardised land sales contract and other documents, most transactions do not require lawyers, which helps to lower transaction costs.

Because of the use of standardised documents and relatively well-organised lands offices and competent personnel, ownership transfers and recording of changes of rights or obligations could be completed quickly and must be completed by the end of the day of the applications being made. Indeed, it is typical for one Government Housing Bank officer to effect the mortgage registrations (including the transfers of ownership from sellers to buyers) of 15 borrowers in one day.

5. Land-sharing projects

Land-sharing is a solution that helps prevent the breaking-up and displacement of existing low-income slum communities through eviction. Slums under eviction are usually located in highly central and advantageous locations whose landowners deemed the lands ripe for higher-yield development — thus terminating the rental arrangements with the tenants. Many slum communities are broken up (and spring up elsewhere) without much fuss; generally, they are offered compensation to cover costs of removal of...
their homes or any losses arising thereof. However, in some cases, tenants resist, either to dispute inadequate compensation or simply to go on living there for economic reasons such as to be near their workplaces. Even though the land-owners have the legal right to retake the land, they could not physically remove the people, their shelters and other belongings against their will. Less scrupulous landlords have resorted to arson in the past, but normally it would end up in protracted impasse which could be extremely damaging for both sides; loss of business opportunities for the land-owners and for the communities' physical deterioration due to neglect and lack of upkeep in anticipation of their disbandment.

Land-sharing basically involves the tenants giving up some of the land — usually the portions with commercial or high-yield use potential — and rebuilding their houses, usually more densely but in more regular arrangements, on the rest of the site. Some pre-conditions for successful land-sharing projects are:

- Land-owners who do not want to taint their public image or who genuinely want humanitarian solutions.
- Residents who could present united fronts for expressing their demands and for negotiations.
- Availability of agents who will act as the intermediaries and to contribute or locate resource inputs: manpower, subsidies, long-term loans, etc.

Land-sharing is still a relatively novel concept.

Land-sharing is, as far as we are aware, unique in Thailand. The following are some reasons for its success:

(a) There is a strong group of slum advocates in Thailand — academics, housing officials, professionals and community activists — that keep the plights of slum communities in the public's consciousness and help foster the view that slums do not house evil people.

(b) Government agencies that have to deal with slum communities — whether in law enforcement or local government — have been, by and large, benevolent and rarely resort to harsh measures.

(c) The government, through its housing policy, recognises the need for slum housing in the economy and has been actively supporting the slum upgrading programmes of the NHA and BMA since 1979.

(d) Slum dwellers, on the whole, behave responsibly. Squatting or taking of land illegally is usually restricted to government lands which are left unused such as right-of-way of public utilities and waterways and never on private land.

Conclusion

Prior to the shift in housing policy orientation in 1982, while the government was still intent on building houses for the people — but too little to create a systemic impact — the housing supply system was left to its own fate. Policy makers paid no attention to its ills and problems. The policy shift that began focusing on solving systemic problems, and "bottlenecks" of the housing sector and improving the "support" systems for housing — in short, creating an "enabling" environment for the housing sector — has engendered a dramatic improvement in the housing sector:

- Record numbers of urban housing units have been built over the past three years and still continuing.
- Formal (developer-built) sector housing has expanded to reach the 20th percentile householders — an unimaginable performance by the housing market compared with only a few years ago.
- The competitive and market led housing supply system has been offering all types of housing costing over US$1 million to less than US$6,000 and remains a buyer's market.

The most significant "enabling" factors are:

- A vastly improved housing finance system offering very favourable terms and conditions in tandem with the prevailing financial market situations. Its improved accessibility has enabled more and more households to attain home ownership status.
- Relatively regulation-free operating environment for housing developers has enabled production process to be less time consuming, which yields lower-cost products.
- According housing policy the attention it deserves by taking a sector-wide perspective as well as solving day-to-day problems facing the housing sector through the initiatives of the Housing Policy Sub-committee has facilitated a smoother operating housing market.
- Increasingly available housing intelligence disseminated by the Housing Policy Sub-committee and other agencies has enabled housing operators to plan ahead better and to avoid pitfalls.

To what extent could the above achievements be repeated in another country? To be sure, for any free market economies, the broad goals such as improving the availability and terms of housing finance, enhancing the efficiency of the housing supply system and housing market, and providing or improving other "enabling" or support systems are probably universally applicable. The modus operandi, however, is another matter. It would depend on the situations and conditions of a particular country.

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