



Business

Private-equity fund 9 Basil eyes first acquisition in Bangkok, as distress mounts in Thailand's property sector

- 9 Basil's acquisition underlines the tough conditions that property developers are facing in Thailand, particularly in Bangkok
- Projects on sale today were initiated in 2018, when things were still good, Kris Panijpan says



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Published: 8:30am, 24 Nov, 2020 ▾



Traffic in downtown Bangkok. The sales of residential units are expected to decline by 40 per cent year on year in 2020, according to Colliers Thailand. Photo: Getty Images

A private-equity fund backed by Thailand's Chiaravanont family, among others, is likely to acquire a residential development in Bangkok following the close of a maiden fund worth US\$120 million.

Founded by Schwin Chiaravanont and Kris Panijpan, 9 Basil is the Southeast Asia-focused investment arm of Bangkok-based Blueprint Forest, and is targeting the residential development, a distressed asset, in its initial foray into real estate.

The acquisition underlines the tough conditions that property developers are facing in Thailand, particularly in Bangkok, after an overreliance on foreign demand led to a boom in construction. The coronavirus has dented both foreign and local demand, and the inventory of flats and landed houses has increased, rising from more than 138,000 units in 2015 to about 176,000 at the end of 2019, according to Savills Thailand. At the end of the first half this year, it stood at about 147,000 units.

“Quite a few things happened in Thailand. For one, there was a lot of construction [of flats] because if we go back around two years, we had a bit of a mini boom, where a lot of it was led by foreign buyers,” Panijpan said. “Projects that are on sale today were actually initiated in 2018, when things were still good. And then foreign demand started to fade and then Covid-19 hit, and so we see a lot of these projects that were built and some that are still being built right now. There are some situations where we can step in and work with the developers and help them through this period.”

The sales of residential units are expected to decline by 40 per cent year on year in 2020, according to Colliers Thailand.

The glut has prompted Thai developers to offer huge discounts and throw in freebies such as Hondas and Porsches, hotel and restaurant vouchers, and even free transfer fees, to drum up sales.

The fund was also looking at potential acquisitions in Indonesia, Myanmar and the Philippines, but current travel restrictions had made it difficult to actively look for deals.

Moreover, the potential roll out of a safe and effective vaccine next year could mean that asset owners might wait out the current downturn instead of selling. This could spoil the strategy for funds such as 9 Basil, which are hoping to buy assets below their market values and turn them around to make profits.

“Holders of illiquid investments like property who have not already sold may decide to hold on longer, to see what sort of recovery might be in store for commercial real estate and what the future of work or retail might look like,” said Brian Nick, chief investment strategist at US-based fund manager Nuveen.

News about the vaccines, however, has been priced in, according to M&G Investments. “As such, we believe that a portion of this good news is already reflected in recent price moves, and there could be volatility ahead as the market turns its focus to logistics surrounding the production and roll out of the vaccine,” said Mike Dyer, investment director for multi-asset strategies at the asset manager.

9 Basil, meanwhile, will not rush any of its investment decisions. “We are very happy if there is an uplift and if everyone is able to successfully and seamlessly receive this vaccine and be protected. I think it’s a win for everyone,” said Chiaravanont. The fund aims to invest in businesses with resilience, he added.

The Chiaravanont family owns CP Group, Thailand’s largest private company, with interests that span food production, telecommunications and real estate, among others.