

# Business models par excellence

Wandee group advises investors: The more you put in the more you take out



Any small developer who comes to us with Bt5m to invest will be guaranteed a 40 per cent return in one year.

**H**enry Ford was once famously quoted as saying small cars meant small profits, big cars meant big profits. He could just as easily have been talking about the construction industry, particularly the construction industry here in Pattaya where the maxim seems to be the bigger the project the bigger the potential return.

The catch, of course, is that word 'potential'. For although there are undoubtedly rich pickings for the professional – and therefore street-wise – developer, the business is a minefield fraught with danger for the unwary investor.

The simple fact is that at the moment there are more residential properties for sale in Pattaya than there are available buyers. While the global recession is undoubtedly a factor in that, architect Mario Kleff believes the problem goes much deeper.

#### Confused market

"The property market here in Pattaya is confused," he told RE/M. "And the reason is there are too many people here trying to be developers who are simply not ready. They think all they need to do is buy a plot of land and build a few condos to get rich quick. Well, I'm sorry to tell them it doesn't work like that."

Mario believes size is everything when it comes to property development.

"I hear small developers talking about achieving a return on investment of 30 to 40 per cent," he added. "But that's simply not enough. We at the Wandee group look to achieve a return of around 200 per cent, and in that respect the larger the project the better chance you have."

"For instance, if you have 50 million baht to invest you will get a likely return of not more than 70 million after 18 months. But if you have 200

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#### Construction must be fast. Realising a profit is dependent on there being no delays

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million baht to invest, you should get a return of around 350 million in the same period. Quite simply, the more you put in the more you will get out."

Those kind of funds, of course, are the exclusive province of the professional investor and Mario readily concedes that most people don't have the wherewithal to be professional investors.

So they start in a small way, hoping to learn the business with a plot of land of between 3,000 and 5,000 square metres (approximately two-three rai) on which they build a few small houses or condos.

"The trouble is there are too many people doing this," said Mario, "and most haven't adhered to a few simple rules

to reduce the risk of getting their fingers burned. Without developing a proper business plan and design concept to meet it success is going to be elusive."

#### Rules for developers

So what are the rules?

"It is essential for the developer to keep control of the project and to maximise his chances of selling his properties within two years," said Mario Kleff. "To do this he needs minimum funding of Bt50-80m of which 30 per cent should be earmarked for a good plot of land and the remainder for construction and effective marketing, which is an area the developer overlooks at his peril."

"Speed is of the essence for the small developer. With this in mind he should have no more than three investors in his consortium plus at least 50 per cent of his budget available from the bank when the project starts and remainder within the following five months. Then he is in a good position to build and sell the project, but construction must be fast. Realising a profit is dependent on there being no delays."

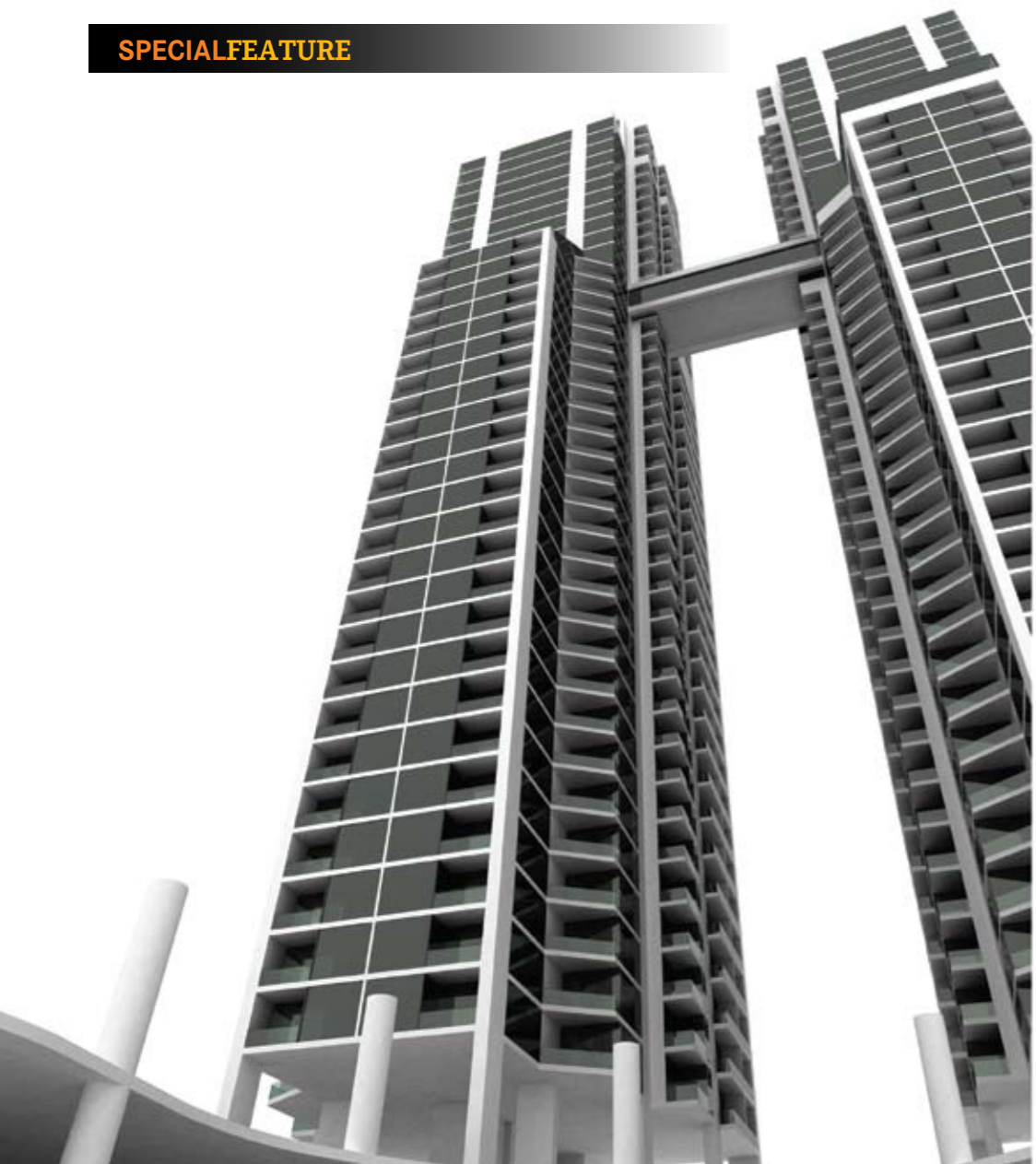
Nevertheless, property development is not for the faint hearted and there is no substitute for the help and guidance of people who know what they are doing – people like the Wandee group for instance.

As Nittaya Wongsin, the company's managing director

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With seven years' experience behind us, we advise serious and professional developers on every stage of the process including choosing the right plot of land, checking finance, producing engineering designs ....



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put it: “With the record number of condo permits we have obtained, no one knows the Pattaya property market quite like we do.”

“With seven years’ experience behind us, we advise serious and professional developers on every stage of the process, including choosing the right plot of land, checking finance, producing engineering designs and all the necessary presentation tools, obtaining the required permits, creating an achievable business plan, scheduling construction and marketing the finished project.”

**High profile client**

One high profile client who adopts this approach is the well-known and well-respected

developer Heights Holdings. Architect Mario Kleff and Heights Holdings CEO Haim Bar David created a business model for excellence and which allows for much larger projects to be incorporated in the near future.

“It all started with a small  

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**Our architects are able to produce smart plans for condo blocks that will realise a profit even if all units are not sold**

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condominium block in 2008, followed by several larger condo projects, including the latest high-rise development, the W-Tower, at Wong Amat,” said Nittaya Wongsin.

“With our help Heights Holdings became a leading developer in Pattaya with a

number of high quality projects to demonstrate the point.

“Construction is a hard business to be in. There are many pitfalls so it is important to talk to someone who knows the business before deciding on what kind of building to build. To ensure the smooth running of a project there are many seemingly small details you need to take care of first – like whether cement trucks can have access where and when you require it, whether you are likely to interfere with water pipes, electricity supplies, drainage systems and so on. And whether you are infringing Pattaya’s constantly changing and stringent building regulations in any way.

“Having the correct contacts is all important in this respect. These are issues we deal

with day in and day out and our expertise in the area can accelerate the construction process considerably.”

The thorniest problem frequently overlooked by armchair developers is the requirement for 51 per cent of any condo block to be sold to Thai purchasers.

“The question these developers must ask themselves is: ‘Will I still make a profit if I don’t sell this 51 per cent’,” added Nittaya Wongsin. “It is a problem that the Wandee group faces frequently and by matching their designs with the client’s profit requirements our architects are able to produce smart plans for condo blocks that will realise a profit even if all units are not sold.”

Nittaya Wongsin is invariably the first and principal

point of contact for any would-be developer who walks through the door of Wandee group’s Thappraya Road offices. Her first task is to match a client with an architect and within two weeks a design is produced which fits the available budget.

**In-house teams**

Assuming the Wandee group is appointed to undertake the entire project – it is, after all, the only professional design and construction business in Pattaya – Nittaya Wongsin supervises in-house teams of structural engineers, electrical engineers, system engineers and so on throughout the construction phase.

All the necessary construction permits are applied for at the same time the designs are being produced. Then a

business plan and construction schedule are agreed.

“Once we know the completion date we will talk to the client about presentation materials,” added Nittaya Wongsin. “It’s an area that is often overlooked and many good projects fail to sell because of inadequate marketing. We believe between five and 10 per cent of the construction budget should be set aside for such things as designs and permits plus 3D computer-generated graphics, laser-cut scale models and advertising campaigns including TV and radio spots, billboards and publications.

**Sales offering**

“We can take care of all these things on the developer’s behalf and, through our own agency, we can even sell the

units for them. So, once the construction schedule is agreed, they can sit back and leave everything to us if that’s what they want.”

The key to success is an achievable business plan for

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**Many good projects fail to sell because of inadequate marketing**

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construction and sales, an area in which the Wandee group has a proven track record.

So confident is Mario Kleff in the Wandee group’s ability to deliver in this area that he promises: “Any small developer who comes to us with Bt5m to invest will be guaranteed a 40 per cent return in one year. When it comes to larger investments of, say, Bt100m, a

return of up to Bt170m in only 15 months can be guaranteed!”

Star architect and marketing expert Mario Kleff foresaw many of today’s business models several years ago – one reason why his concept for the Wandee group continues to be successful, even in times of a global economic crisis. Mario has produced 50 condominium blocks and several high-rise developments in recent years and is currently in the throes of planning new concepts for investors from other parts in the world.

“Mario has had several meetings with Chinese and Korean groups keen to invest in Thai construction,” said Nittaya Wongsin. “These meetings happen because Government officials from Bangkok introduce the Wandee group to them.” □



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