

**Fama and French Model in Property Development Sector :
the Evidence from the Stock Exchange Market of Thailand**

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Abstract

The objective of this research is to test the size and value of the firm effect on the rate of return in the Stock Exchange of Thailand based on Fama and French Model. It will be useful for investors to plan and make decision on the prediction of expected rate of returns in stock market, especially in the Stock Exchange of Thailand. The populations of the research cover listed companies in property development sector of the Stock Exchange of Thailand which traded during January 2003 to December 2007. The important information such as monthly closing prices, market values, book values, and market to book values are drawn from SET-Smart. Treasury bill index is from Bank of Thailand. Multiple regression is used as analysis tool.

The result of the study indicated that size factor (SMB) and value factor (HML) do not follow the hypothesis of Fama and French model in 1992 which found additional factors affected the rate of asset return by three hypothesis. First factor is market risk. Second factor is size of the company (SMB). Fama and French found that small companies have higher returns than big companies. Third factor is book-to-market ratio (HML). They found that companies with high book-to-market ratio (value stocks) have higher returns than companies with low book-to-market ratio (growth stocks). After tested hypothesis, it was found that big companies have higher average returns than small companies and companies with low book-to-market ratio (growth stocks) have higher returns than companies with high book-to-market ratio (value stocks).

It is recommended for investors to realize the economic factor as the key factor before investing. The investors should have an understanding of the economic factors influencing return on securities. In terms of analysis tool, technical analysis is recommended to use in forecasting the rate of stock returns, especially for short-term trades. And the broker is important in the stock market. It is necessary to find the best stock broker in order to plan and make decision.

Keywords: *Fama and French, Rate of Return, Property Development Sector*