

Shared ownership gaining momentum in Phuket

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Shared ownership is speeding ahead in Phuket as developers repackage and reduce the prices of their products to cater to cost-conscious buyers even though the economy is improving, according to Bill Barnett, managing director of C9 Hotelworks.

The effect of the global financial shake-up could linger for years and even wealthy individuals are becoming more prudent. While they would still opt for luxury they would nevertheless carefully examine and compare prices.

"The excess of the boom here is kind of over, anybody who lived through these times is not going to be jumping back into that pond anytime soon," Mr Barnett said of the current conditions in Phuket.



Barnett: Villa sales need momentum.

While previously a millionaire might have bought a villa in Phuket if he liked vacationing on the island, today he would consider that he only needs it for six

weeks or so a year and it is this mindset that is spurring shared ownership.

Under the shared ownership umbrella come vacation and fractional ownership, with the former also encompassing luxury destination clubs. C9 Hotelworks' research shows that in the first half of this year vacation ownership sales in Phuket totalled 722 million baht while fractional properties generated 112 million. There were 554 units of shared ownership.

Property fractional ownership sales this year account for 13% of total sales while the market share of vacation ownership fell from 95% in 2008 to 87%.

Mr Barnett said property fractions only arose in Phuket this year, starting with a limited number of projects near Patong beach. Two large companies are reportedly due to announce more soon.

"Quite frankly the upper end of the villa market needs to generate more momentum and fractional is going to offer them the opportunity to create this," he said. "You have to get the velocity, you have to diversify risk, you have to get cash flow coming in."

Interestingly, both completed real estate and units being sold off-plan will now be available on fractional basis.

Mr Barnett said all property fractional sales so far have been to non-Thais with the majority from Australia, South Africa, the UK and Malaysia. Most purchases are on a leasehold and share basis rather

EXISTING PROJECTS

Company	Properties	Location	Units	Launch	Exchange
Vacation Ownership					
Royal Resorts	Royal Lighthouse Villas	Boat Lagoon	6	1997	RCI and DAE
Laguna Holiday Club	LHC Phuket Resort	Bangtao	79	1998	RCI
	LHC @ Best Western		33		
	Allamanda Laguna Phuket	Patong	5	Interval	
	LHC @ Sheraton Island Villas		4		
Quality Vacation Club	QVC Resort Patong Beach	Patong	18	2000	DAE
	QVC at The Andaman Beach Suite		6		
Marriott Vacation Club International	Marriott's Phuket Beach Club	Mai Khao	114	2001	Interval
	Marriott's Mai Khao Beach		133		
Absolute Vacation Club	Absolute Nakalay Beach Resort	Nakalay	3	2003	DAE
	Absolute Bangla Suites	Patong	4		
	yooPhuket	Kathu	30		
Premier Property & Leisure	Club Lersuang	Bangtao	7	2007	DAE
Fractional Ownership					
Royal Phuket Marina Cruising Club	Sunseeker Portofino	Royal Phuket Marina	1	2007	None
Phuket Premier Yachting	M/Y Olympia (Twinpalms)	Ao Po	1	2008	None
Absolute Group	Absolute Nakalay Beach Resort	Nakalay	5	2008	Registry Collection
	Absolute Bangla Suites	Patong	7		
	yooPhuket	Kathu	100		

Source: C9 Hotelworks Market Research

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RECENT SALES PERFORMANCE

(m bt)	2009 (Jan-Jun)	2008 (FY)
Vacation Ownership	722	1,954
Property Fractional Ownership	112	-
Yacht Fractional Ownership	38**	94
Total	872	2,048

Note: * Excluding resales ** August 2009

Source: C9 Hotelworks Market Research

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than deeded property because foreigners are not allowed to own land in Thailand.

Buyers can choose from a wide range of products and price levels from as low as a 1/26th fractional share or two weeks ownership per year, all the way up to a one-quarter share or 12 weeks a year. Unit types range from studios to four bedrooms with prices from 1-8 million baht. Most of the demand is for smaller units in keeping with the cautious mood.

Regardless of unit size, developers are sweetening these deals by offering rental pooling during periods the owners are not using their property. "A growing number of developers use branded hotel management for their inventory or partner with high-end vacation home ex-

change firms such as Registry Collection."

Mr Barnett said that vacation clubs, both those offering weeks and those using a points system, are also becoming more popular than traditional timeshare. The chief benefit is that members can use all club properties, and in some cases hotels, under the same branded groups based on availability.

The point system was first introduced to Phuket by Marriott's Phuket Beach Club at Mai Khao Beach and integrated with the J.W. Marriott Resort and Spa. Today these programmes account for one-third of the market.

"We have seen a real shift over the past four to five years and we see now that the market is dominated by point based system so the market is shifting to allow for more flexibility," he said. "You buy points and you don't necessarily use them at the resort. There are further offerings, people such as Marriott have networks throughout the world, you can take advantage of it."

Thai nationals account for only 20% of this market. Most Thais also opt for local/regional clubs that offer shorter membership durations and lower prices.

Mr Barnett said the shared ownership market had strong fundamentals because the buyers are real end-users rather than investors and speculators looking to flip units for profit.



Absolute Bangla Suites on Patong Beach in Phuket has some of its penthouse units sold on a fractional basis at 1.9 million baht.



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