

Turning The Corner

Phuket's luxury property market is hardly a black and white affair. Nuances and subtleties are emerging which perhaps could fall into the bookshelves as 'chic noir.'

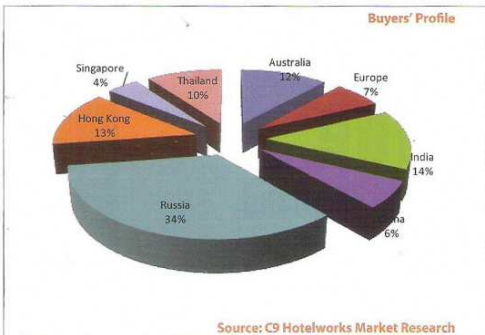
Taking a quick glance back at key market indicators, the luxury villa segment (US\$2 million and up) registered transaction volume of approximately US\$93 million for the year 2010. Of the trades, 68 per cent occurred in the secondary sector.

As the world sees a shakeout in the shifting sands or fortunes for high net worth individuals, Euro zone players are rapidly being taken over by buyers from the emerging markets of Russia, China and India.

Last year, mixed use residential or hotel managed properties continued to out-perform pure residential projects. An example of the take up rate difference is that unsold units in the former category stand at 23 per cent while for the latter 41 per cent.

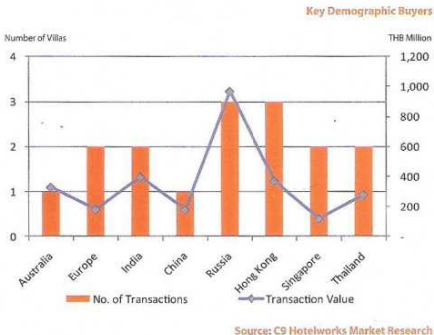
Viewing historical trends, 2007 was clearly the banner year with rock solid supply and demand fundamentals. After the global financial crises things took a decided turn for the worst, bottoming out in 2009 with sales hitting only US\$13 million. The swing to recovery and increased demand still looks to be a work in progress.

Behind the numbers always lays the foundation for the real storyline of what's driving dynamics. During the peak period of the last decade 2006-2007 the re-sale market was still in a veritable real estate cradle, sound asleep. Off plan sales dominated, like a stern leather-clad mistress who whips along the laggards.



Luxury Villa Transaction 2010

- Transaction value in 2010 recorded at THB 2.84 billion with booming resale accounting 68% of total.
- Hospitality led residential projects remained 23% unsold units comparing to 41% for pure residential projects.



The recent phenomenon of a re-sale dominated market is not much more than the hangover from completion of units sold during the boom years. It's also a healthy shift into a more developed and established property market. A failure to launch of new developments is also critical in that only 72 units, either off plan or under development, are currently for sale. Resale listings this past peak season by existing owners off on fishing expeditions to fabled Russian billionaires surged, and the secondary segment now has more than 100 villas on offer. Though for many sellers the truth remains they are only throwing out some

bait in hope of catching a big fish, and there is no mandate to transact.

Supercharging the resale sector is also what can be termed as the "Andara effect." In what, for project developers and buyers, has become a near legendary epic, Hong Kong entrepreneur Allan Zeman built and sold what is arguably one of the island's most successful projects ever. Sentiment has seen resale transactions from early buyers doubling up profits and in turn creating further momentum.

Clearly the missing ingredient on Phuket is the quest to now capture the upside and induce demand in new quality projects. Brands and the benefits of international project advertising, public relations and a buzz are currently out on a coffee break. As in fashion, no-one wants to wear last year's big thing. What's needed are hot topics, and some high voltage in the market current.

Fear not, there is hope out in the smoky dark-lit room of private commerce. The pipeline will see a series of new branded and impending projects come on-stream in 2011. Whether this will indeed induce demand is still uncertain, but the good news is that we are now into this year's model and a hard right corner is in the process of being turned. ■

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is managing director of C9 Hotelworks, an internationally recognised consulting firm and has 26 years experience in the Asia Pacific region. With a wide range of institutional and private developers, and a comprehensive portfolio of completed projects, C9's experience, skills and detailed evaluations assist their clients in achieving solid results.