

Even though the outlook for the Phuket property market has improved, with trading likely to be good next year, a lack of new supply in the luxury segment means the next upturn will not start before 2011, according to Bill Barnett, managing director of C9 Hotelworks.

The lack of volume in the high-end segment — units priced at 65 million baht and above — is not the only factor standing in the way of a much-needed boost for the resort island's property market. The staggered recovery of the global financial markets and local political uncertainty have also impeded progress.

"Right now we don't have enough projects in the marketplace," said Mr Barnett. "There are only 15 projects with 92 units. We need more inventory out there — that is what will drive new project launches."

C9 Hotelworks' latest research shows that the 92 luxury villas still for sale as of June this year were worth a total of 10 billion baht, and that 19 luxury villas worth a total of 3.5 billion baht were sold in the first half of this year.

Mr Barnett said the latter numbers were very encouraging.

The research also indicates that mixed use hotel-managed projects sold better than ordinary residential units. Mr Barnett said the only luxury launch this year would be the unveiling of the Banyan Tree Grande Residences in the fourth quarter. This project will have a total of 18 villas, priced at 119 million baht each.

He remarked that the recent introduction of Yoo Phuket located at the Phuket Country Club is making waves, with big-name designers such as Philippe Starck and Mick Jagger's daughter Jade involved. However, this property is not actually considered as being in the luxury segment, as prices for the approximately 286 units go for about 10.2 million baht.

The lower price point also reflects the project's location farther away from the beach, which means buyers will not be getting sea views.

The design-focused property development company Yoo is becoming internationally prominent, and has projects in London, New York, Melbourne, Moscow, Tel Aviv and Seoul, among other places.

"The Yoo brand is drawing attention, it's going to be a very high-profile launch.

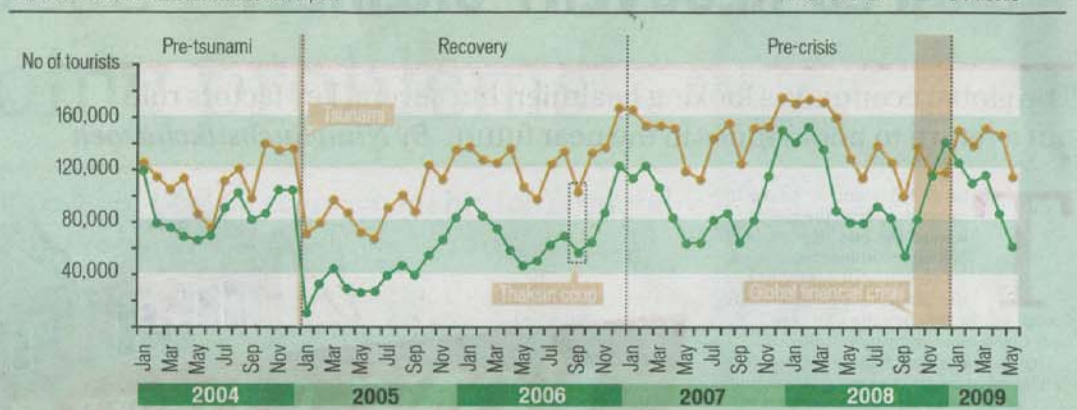
"We think it's going to attract a lot of buyers into the market, said Mr Barnett.

While the luxury segment is still keeping its head above water, the broader market has certainly been affected by global economic ills — more so even than the uncertain local political situation.

A key setback in the less-than-luxury market is an excess of supply, which Mr Barnett noted could be rectified by giving foreigners longer-term leases and more access to financing to buy into these properties.

TOURISM TREND ANALYSIS (2004-2009)

Tourist arrivals at Phuket International Airport



Source: C9 Hotelworks Market Research

POSTgraphics

LUXURY IS IN SHORT SUPPLY

The high-end property market in Phuket has only about 90 luxury villas to offer wealthy buyers *By Nina Suebsukcharoen*

"Again, the Phuket conundrum is that we do not have enough domestic demand, so there is nothing to offset the overseas decline. I don't think we are going to be able to attract domestic buyers in the short term."

Although the overall Phuket market is not as rosy as it could be, Mr Barnett thinks this resort island will recover faster than Koh Samui because its property market is more developed it also tends to attract more primary buyers, who are end users.

On the other hand, the smaller island on the eastern side of the isthmus tends to mainly draw investors.

Regarding the recent hype about Malaysia attracting a lot of foreign property buyers by offering freehold status, Mr Barnett remarked that his company had not seen many people coming in and comparing Malaysia with Phuket and deciding between the two. It is possible that Malaysia's offer is becoming popular among Asian buyers.

Even as word is spreading that property and the cost of living in Penang is a lot cheaper than both Phuket and Bangkok, Mr Barnett said that while one could buy ocean-front condos for US\$200,000 to \$300,000 (6.8



LOOKING TO THE FUTURE: Bill Barnett, managing director of C9 Hotelworks

to 10.2 million baht) in Penang, such a purchase might not be that suitable because there are not that many people who want to live on the Malaysian island. "It's not a large community, it isn't about having a critical mass already. I believe Malaysia is gaining market share but I don't think it's on a broad basis yet."

Mr Barnett sees a significant new trend emerging in Phuket and that is the emergence of fractionals with the Royal Phuket Yacht Club and Absolute Developments, which is affiliated with Yoo Phuket, selling shared ownership of properties in the market.

"I think people think that it's easier to sell lower pricing points than may be some of the luxury villas — it's easier to sell quarters or eighths of ownership because not everybody is going to use the villas 365 days, may be somebody wants to use it a month a year. So we think fractionals is going to be a big growth market in the next 12 to 24 months."

The shared ownership business has also spilled over to yachts with Twin Palms and Tawan Cruises now selling yacht fractions. "It's no different than NetJets — not here [in Thailand] but overseas — selling fractional jet ownership."

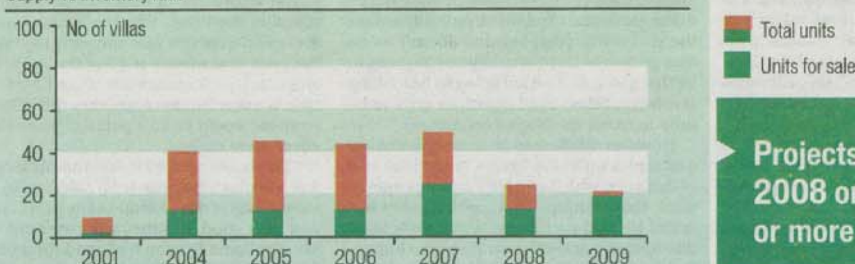
Mr Barnett added that Phuket would benefit as well from infrastructure improvements now underway, with Airports of Thailand (AoT) having approved plans to build a new international air terminal that will virtually double the airport's capacity from six million to 12 million passengers by 2013.

Aside from this the Highways Department also plans to replace the existing Sarasin Bridge that links this island to neighbouring Phangnga province with a four-lane span at a cost of about 350 to 400 million baht. Once completed it will double the capacity while also providing pedestrian access.

The government also plans to build a new convention centre in the Mai Khao beach area to the north of the island where the JW Marriott and Sala Phuket hotels are located. ■

PROJECT LAUNCH PERIOD

Supply vs inventory ratio



Source: C9 Hotelworks Market Research

POSTgraphics

Projects launched from 2008 onward have 50% or more unsold units