



asset management
& hospitality consulting

Phuket

Luxury Villa Market Update

Mid-Year Edition September 2010

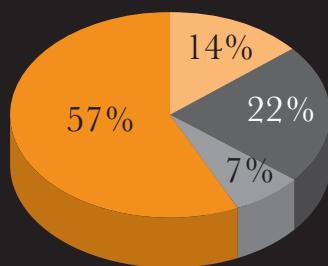
Phuket UltraVillas Push Sales To US\$76 Million

Resales highlight transactions as Asian wealth leads global storyboard

“As Asia continues to stage a sustained ricochet return of high net worth individual’s wealth, Phuket’s luxury real estate market has caught a US\$76 million tailwind in trading this year.

Transactions in the first eight months of the year of 14 UltraVilla properties have been spurred by a growing appetite of the rich and famous to ‘supersize me.’

Topping the board in the outer limits of the market has been a marquee sale of the Beyond Villa in Natai for a reported US\$24 million.



Villa Transactions

- West Coast (8 villas)
- East Coast (2 villas)
- South Coast (3 villas)
- North Coast & Phang Nga (1 villa)

Source: C9 Hotelworks Market Research

Viewing broader trends in supply and demand take up rates for off plan units remains muzzled with possible product fatigue setting in. A lack of new launches and fresh products which could boost induced demand are presently absent from the mix.

Resales via a ‘switch effect’ continue to capture buyers imaginations.”

Bill Barnett, Managing Director C9 Hotelworks

2010 Trends

- Total year to date primary and secondary luxury transactions of 14 villas were THB 2.34 billion.
- Resale segment accounted for 83% of total trading volume or THB1.94 billion.
- Current unsold inventory worth THB10.2 billion broken down into 77 properties.
- An average transaction value of THB167 million was registered, driven by the inflated impact of size of premium units.

Forward Outlook

- Resale segment looks to be market catalyst for foreseeable horizon as pipeline remains in flux. Market cycle shows indications of maturation.
- Geographic source of buyers pragmatically shifting with India and China showing early signs of sales activity.
- Growing investor confidence sets stage for suspended projects to be rehabilitated and re-enter supply stream.
- New zoning regulations to become significant factor for future development given rapid revision to existing legislation.

PROPERTY OVERVIEW

Environmental and Zoning Regulatory Changes

The Thai Government introduced amendments to the Environmental Act on July 20, 2010 for four key resort destinations – Phuket, Krabi, Hua Hin and Pattaya which is set to run for a period of five years.

For the Phuket Environment Regulation key points are more development restrictions on density, building height, increases in open spaces, and IEE approval. Most affected will be luxury villas on slopes, oceanfront and ocean view parcels of land.

For Phang Nga on July 2, 2010 the Thai Government under the Town Planning Act brought out “Ministerial Regulations to implement the Khok Kloy – Tai Muang Town Planning Regulation”. The area contains some of Greater Phuket’s most expensive residential properties and has been on the cusp of seeing significant hospitality development and overseas investment on the coveted west coast beaches of southern Phang Nga, just over the Sarasin Bridge up to Tai Muang.

Most significant is the classification of oceanfront areas into either “Green Zone” or “Rural and Agricultural Zone” or for Government use. Restrictions could impact residential, hotel and other deemed commercial developments including golf courses.

Source: Baker & McKenzie, Thailand

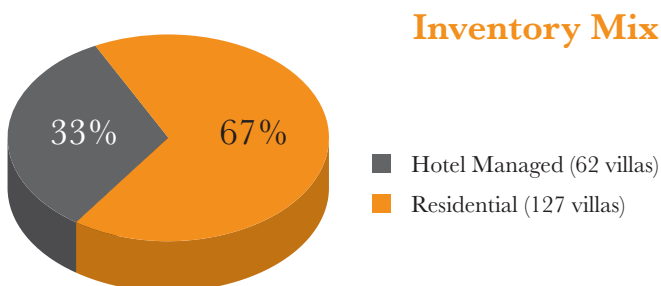
Luxury Villa Projects

| Project Name | Location | Total Units | Launch Period |
|--------------------------------------|------------|-------------|---------------|
| West Sands Phuket | Mai Khao | 2 | 2006 |
| Malaiwana (Phase 1) | Nai Thon | 19 | 2007 |
| Istana | Nai Thon | 19 | 2007 |
| Trisara (Phase 3) | Nai Thon | 19 | 2007 |
| Banyan Tree (Double Pool Villas) | Bangtao | 15 | 2005 |
| Saisawan | Bangtao | 13 | 2007 |
| Jomchang (Phase 1) | Kamala | 9 | 2001 |
| (Phase 2) | | 14 | 2004 |
| Djinnah Santi | Kalim | 11 | 2006 |
| The Hermitage | Kata | 12 | 2009 |
| Sri Panwa (Phase 1) | Cape Panwa | 19 | 2004 |
| (Phase 2) | | 7 | 2010 |
| Tamarind Phuket (Phase 1) | Cape Panwa | 7 | 2004 |
| Royal Phuket Marina | Koh Kaew | 6 | 2007 |
| Baan Yamu (Phase 3 Executive Villas) | Cape Yamu | 10 | 2007 |
| Sava Natai | Phang Nga | 7 | 2008 |

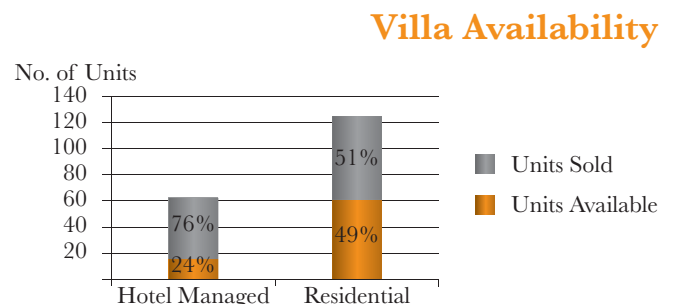
- Projects classified into the “Luxury Villa Projects” category are defined as those with prices of THB65 million and above. There are 14 developments falling into this segment.
- The list of developments and relevant analysis do not take into account projects which are sold out, currently in planning stages or units for resale.
- Two major east coast projects with a total value of approximately THB8.75 billion are currently on hold and not depicted on the list.

Source: C9 Hotelworks Market Research

Hotel Managed vs. Residential Villas



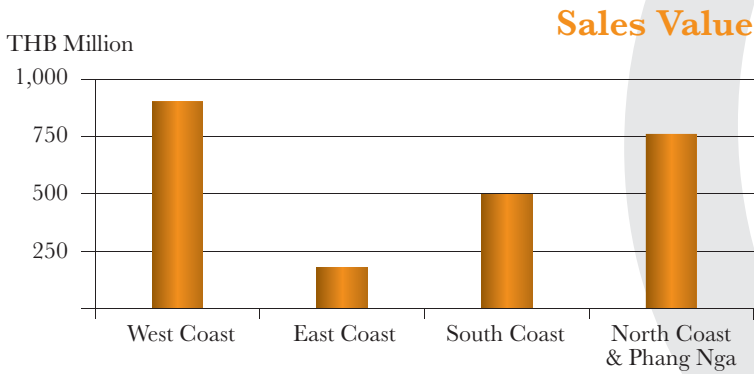
Source: C9 Hotelworks Market Research



Source: C9 Hotelworks Market Research

PROPERTY MARKET

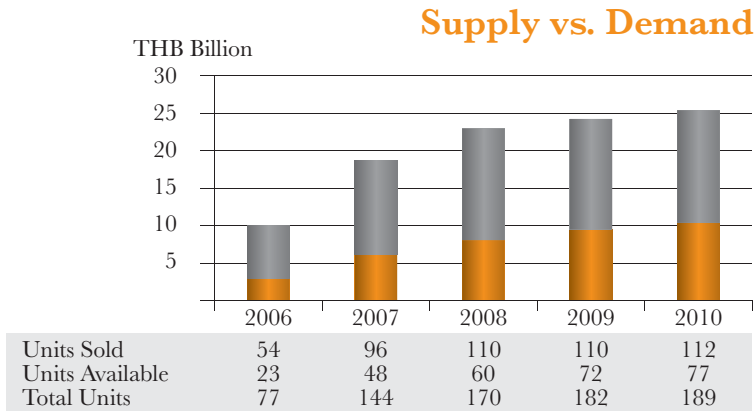
Transaction Highlights



West coast properties dominated the luxury market with 39% in value and 57% of total transactions

Source: C9 Hotelworks Market Research

Market Absorption



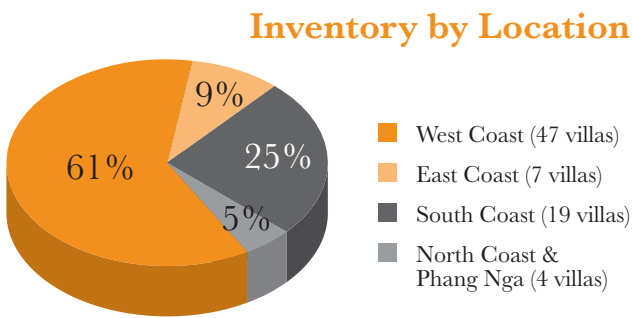
Market value growth declined 5% in 2010 vs. 2009 compared to 35% CAGR for 2006 - 2009

CAGR - Compound Annual Growth Rate

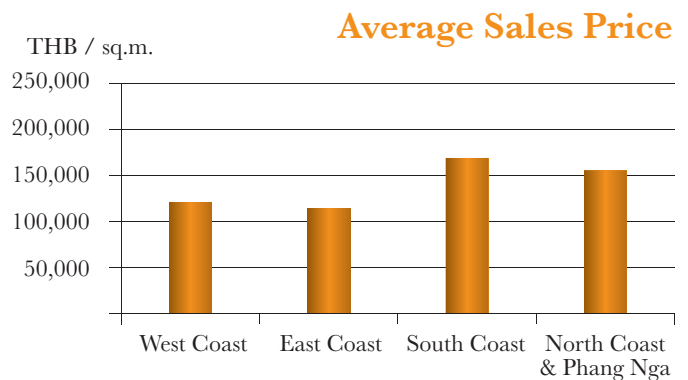
Source: C9 Hotelworks Market Research

■ Value of Units Sold ■ Value of Units Available

Pricing by Location



Source: C9 Hotelworks Market Research



Source: C9 Hotelworks Market Research

Two prominent luxury mixed use developments on east coast remain suspended

Pricing leaders are beach front or are part of hospitality led residential projects

About C9 Hotelworks



Bill Barnett
Managing Director

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Their core business focus includes:

- Ⓞ **Hotel and Resort Development**
- Ⓞ **Asset Management / Ownership Representation**
- Ⓞ **Project Feasibility and Analysis**

With key competencies including international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects, give C9 the skill set and background to focus on key issues, evaluate complex ones and assist their clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 25 years of experience in Asia Pacific, the firm is well situated to serve an increasingly demanding marketplace.



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