

New condo hotspot emerges

Foreigners flocking to Phra Khanong-On Nut

The Phra Khanong-On Nut area has become lucrative for the Bangkok condominium market, with 88% occupancy and 5-7% return on rentals, says consultancy Plus Property.

Increasing numbers of foreigners are moving into the area, raising the foreign-to-Thai resident ratio to 30:70 as the market continues to shift away from denser and more expensive zones in Phrom Phong and Thong Lo.

Businesses, particularly trade and hospitality operations, are also expanding in the same direction.

Prices in the area have risen to 100,000 baht a square metre, while rentals have risen to as much as 450-600 baht per sq m for 5-7% in returns on average.

Managing director Poomipak Julmanichoti said the mid-Sukhumvit Road area had enjoyed significant growth in recent years including Phra Khanong district and the lower part of Sukhumvit Soi 77 (Soi On Nut).

Data compiled from Plus Property's 2,600 units in this area shows an

exceptionally high occupancy rate of 88% in that area as of Aug 1, which compares very favourably with other zones in the capital.

Once inhabited almost solely by Thais, foreigners move into this area in greater numbers each year.

Unlike Phrom Phong and Thong Lo, foreigners residing in this area are not primarily Japanese — 47% of residents in Phra Khanong and lower On Nut are other Asians, followed by Europeans at 35% and Americans at 14%.

However, each project still has 30 units on average housing Japanese, signifying the outward expansion of the Japanese community in Bangkok.

"Regardless, the lower portions of Sukhumvit remain the most popular hotspot for condominium development in Bangkok. These areas have long been home to Bangkok's leading families, resulting in popularity and a high degree of development," Mr Poomipak said.

"Sukhumvit is one Thailand's top shopping districts — many have compared it with New York City's Fifth Avenue, London's Oxford Street and Singapore's Orchard Road."

Sukhumvit Road also boasts an extensive range of corporate offices, schools and hospitals frequented by foreigners.

The large Japanese community in the area contributes to its growth even further, pushing investors to buy condominium units here and lease them out to Japanese tenants.

Most Sukhumvit condominium residents are on a lease, and most of these tenants are Japanese.

"However, the area's increasing density is pushing buyers and potential tenants outwards as inner-city areas near Sukhumvit Road such as Chidlom and Phloenchit all the way up to the Wireless and Ratchadamri intersections have even higher prices," Mr Poomipak said.

The Aug 8-9 launch of The Line Sukhumvit 71, a joint-venture development by Sansiri and skytrain operator Bangkok Mass Transit System Plc, saw the entire project sold out immediately, an unprecedented phenomenon for projects in this area and an indicator of rising demand.

On the business front, more hotels and stores are moving into this area including W District as well as art galleries and boutique hotels such as the distinctively decorated Mustang Nero.

The private Bangkok International Preparatory and Secondary School is developing a new campus close to Sansiri's T77 on lower On Nut.

This same area will also be the location of Sansiri's first community mall, Habito, scheduled to open next year.

With a constant stream of new developments in recent years and high occupancy, the Phra Khanong-On Nut zone is likely to become even more popular in the near future.

In terms of return on investment, condominium prices in this area have risen by 50% over the past five years.

Popular, high-quality projects often go for about 100,000 baht per sq m, while rental rates average 450-600 baht per sq m for an average return of 5-7%.

This represents a better proposition than in many other zones in Bangkok where sales prices have risen above the 100,000-baht mark without pushing rentals beyond 400 baht per sq m.

"For those looking to buy new units for residential purposes, this area is quite attractive thanks to easy commuting via the skytrain and its relative proximity to central Bangkok," Mr Poomipak said.

"Notably, prices here have yet to rise to levels seen elsewhere. Investors must first consider the occupancy rate as a main factor in determining rental performance. With occupancy of 88%, this will not be a concern, and yields of 5-7% can be considered good."