

Phuket condo market bounces back from two years of decline



The Point Yamu by COMO project in Phuket offers prices starting at Bt20 million per villa, with the main focus being on foreign buyers.

GROWTH IN DEMAND FOR HIGH-END UNITS; GOVT POLICIES AND STIMULUS PACKAGE FOR PROPERTY SECTOR START TO HAVE POSITIVE EFFECT

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THE NATION

PHUKET'S RESIDENTIAL property market is showing signs of recovery following two years of decline, according to research by real-estate agencies.

The latest survey by Plus Property, an agency subsidiary of residential developer Sansiri, shows sales of high-end condominium units priced around Bt100,000 per square metre and above are continuing to grow.

Completed unit prices have risen 5 per cent to an average of Bt89,548 per square metre, thanks to positive factors such as government policies on transportation and tourism, as well as the recently announced stimulus package for the property market.

Meanwhile, demand to buy luxury villas priced above Bt35 million with hotel branding has continued to recover from the decline of the last two years, said CBRE Thailand, the local unit of international property agency CB Richard Ellis.

Phuket continues to attract its fair share of extremely wealthy foreigners and property investors, but the number of foreigners willing to spend B100 million or more for a luxury villa has been dwindling, according to research by Knight Frank Thailand.

Poomipak Julmanichoti, managing director of Plus Property, said the company's survey of the Phuket residential market found that while the overall market had experienced slow growth, high-end beachfront condominium units priced at Bt100,000 per square metre and above were still performing well, as they were attracting interest from buyers with high purchasing power who are largely unaffected by the economic downturn.

Top developers in terms of Phuket investment have a monthly absorption rate of 6.47 condominium units, compared to the market's 5.09-unit average – a fact that highlights the strong purchasing power held back only by a lack of confidence, he said.

Based on this data, the market slowdown can be seen as a temporary trend that will quickly be reversed once the economy improves, he added.

Phuket is an interesting destination for seaside vacations, with 16,241 condo units available in the market. This includes 10,452 completed units in 53 projects, or 64 per cent of the supply.

Demand for completed units has risen by 38 per cent from Plus Property's previous survey to 7,166 units, representing an average take-up rate of 69 per cent, according to the company's latest findings.

"This is a very good time for consumers to purchase a unit, thanks to this stimulus and various promotional campaigns from developers," Poomipak explained.

Meanwhile, the limited number of new luxury villas in Phuket has doubled the price of resale units, as demand is relatively strong in this niche market, said Aliwassa Pathnadabutr, managing director of CBRE Thailand.

"Top-end villas on the island were part of an exclusive market characterised by a limited number of high-value transactions," she said, adding that major players used to be small foreign developers with limited financial backing, but they have been replaced by large operators.

This is positive for the market in

terms of reduced risks for buyers and an improvement in the quality of villas and designs, she said.

Most villa sales are in the entry-level segment, with prices below Bt15 million.

Despite ongoing demand in the luxury segment, buyers face a limited supply, said the MD.

"In recent years, buyers' preferences in the luxury sector have shifted towards hotel-branded products that offer quality management, five-star services and facilities, as well as the ability to generate rental income," said Aliwassa.

However, the proportion of completed luxury villas priced above Bt35 million with hotel branding remains limited and accounts for less than 10 per cent of the villa market.

With the completion of Phuket airport's expansion next year, CBRE expects to see further growth in tourist arrivals having a positive effect on resort property sales.

In 2005, the first phase of Andara Resort & Villas was launched with units ranging in price from US\$3 million to \$4 million. Today, resales at Andara are range in price from \$6 million to \$8 million (Bt216 million-Bt288 million), with some transactions achieving a 100-per-cent capital gain.

Launch prices of some luxury projects have also hit the \$10-million mark.

"Investment in property in Thailand's popular resort areas continues to attract interest from local and foreign buyers," said Risinee Sarikaputra, research and consultancy director of Knight Frank Thailand.

The company's report has this to say of Phuket: "The Phuket condominium market has transformed itself to accommodate the change in buyers' preferences, as well as reflect the scarcity of land.

"Before 2008, the condominium supply in Phuket tended to include larger-sized units of over 100 square metres - 84 per cent of supply was units larger than 70 square metres and only 16 per cent of the supply was units smaller than that. From 2008 to 2014, 82 per cent of the supply included units smaller than 70 square metres, with 18 per cent of units being larger than 70 square metres."

This year, Phuket has been attracting more mass-market travellers, notably Asian and Chinese nationals whose numbers help offset the drop in jetsetters.

Villas are still selling, but the number has been more modest, though still priced beyond the means of most buyers, said Risinee.

Previously, demand on the island was for large lifestyle villas, with usable areas of at least 1,600 square metres and a price point of B100 million or more, she added.