

RESIDENTIAL RESEARCH



PHUKET CONDOMINIUM

MARKET OVERVIEW 2015

HIGHLIGHTS

- The cumulative condominium supply of Phuket by the end of 2015 was around 11,117 units, increasing by 15% from the end of 2014.
- The condominium sold rate fell slightly to 64.89% from 66.77% in the previous year, representing a slowing down in demand.
- 2015 saw a reduction in demand from Russian buyers, which was compensated by a growing interest from Chinese buyers.
- The average selling price of a condominium unit with a sea view was around THB 178,569 per square metre, a 9.6% increase from the previous year, while partial and non-sea view units showed very little growth in price.
- Lands with sea views are becoming rare; thus, the price of beachfront and sea view condominiums will continue to rise when there is a shortage of supply.



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"In 2015, the annual take up of Phuket condominium dropped, suggesting a slowdown in demand due to a reduction in the number of Russian buyers as their economic crisis."

Market Overview

The Phuket condominium market began to show a sign of slowdown in 2015 due to a reduction of demand from Russian buyers. The Chinese may be new potential buyers; however, given that the Chinese economy currently is going through a tough time, the market is still gloomy. Property developers should be cautious and conduct a market study prior to commencing any residential development projects. Despite the setbacks, Phuket remains one of the world's top tourist destinations, as the number of tourists visiting the island is still on the rise. Also, Patong is still the most popular beach for both tourists and property developers.

Supply

The Phuket Condominium Market supply as of the end of 2015 was approximately 11,177 units, representing an increase of 15% from the year before. There were approximately 1,654 units from 10 projects added to the supply. However, we have taken out 4 condominium projects, totalling 225 units. The Massaluna project (184 units) located at Naiyang beach was purchased and converted into a hotel. Another 3

projects, totalling 41 units, have been halted.

The majority of new supply in 2015 was located at Patong beach, accounting for 41%. This was followed by Kamala and Rawai, representing 27% equally. Bangtao had the least number of supply with only 5%.

Predominantly, the new supply in 2015 includes condominiums in mid-ranged and lower markets, with a selling price below THB 5 million per unit. However, there is only one project which targets buyers in the luxury market, namely The Residences at Mont Azure, with a selling price of THB 10 million up to THB 89 million and unit sizes from 74 to 400 square metres. All of the 2015 developments are with either partial or non-sea views, whereas sea view condominiums were more readily available in the previous year.

From 2012 onward, there was a change in size and unit price. Prior to 2012, the majority of condominium units had a size of over 100 square metres with a price of over THB 5 million, whereas after 2012, the unit size was reduced to less than 100 square metres at below THB 5 million per unit.

FIGURE 1
Supply of Phuket Condominiums between 2007-2015



SOURCE : KNIGHT FRANK THAILAND RESEARCH AND CONSULTANCY DEPARTMENT

Of all the supply data we have collected over the years, Patong has the highest supply of condominium units, accounting for 36%. This is because Patong is a popular area for a residential development, with an extensive range of facilities and amenities available in the area including restaurants, community malls, pubs, and nightlife venues. However, the land plots in Patong are quite expensive, thus the unit selling prices have been increasing constantly. Bangtao has the second highest supply of condominium units, which account for 14% of the total supply. Since the Bangtao area was first developed with the Laguna project, several high-end projects followed; more recently, the market saw the entrance of middle market developments, as well as low-end condominiums. The Laguna area remains a very sought after part of the island, due to the range of facilities in the area and close proximity to the airport.

Demand

In 2015, there were approximately 7,393 units sold out of 11,393 units, representing the sold rate of 64.89%, a slight decrease from the previous year of 66.77%. The annual take up in terms of units of Phuket condominium from 2008-2011, or during the financial crisis, was approximately below 700 units annually. The financial crisis affected the Phuket condominium market badly due to the fact that the market mainly aimed at European buyers. From 2012 until 2014, the Phuket market began to recover and saw the annual take up rise to over 1,000 units per year, with a growing demand from Russian and Asian buyers. However in 2015, the annual take up dropped to 890 units, suggesting a slowdown in demand.

The majority of property buyers in Phuket are expatriates based in Asia, particularly in Hong Kong, Singapore, Shanghai, etc. In addition, Phuket properties are popular among Chinese, Taiwanese,

and Indian buyers. In 2015, we saw a reduction in the number of Russian buyers due to their economic crisis but this is compensated by an increase in buyers from China, Australia, and New Zealand. These buyers would have lived and worked in the region for a number of years and tend to know Phuket well from having spent holidays here. Their decision to purchase a property tends to be investment-led rather than purely as a holiday home. They may be looking for good potential capital appreciation and possibly rental income generated from the property.

Phuket attracts property buyers from all over the world not only because it is one of the world's top tourist destinations, it has everything to offer visitors, including:

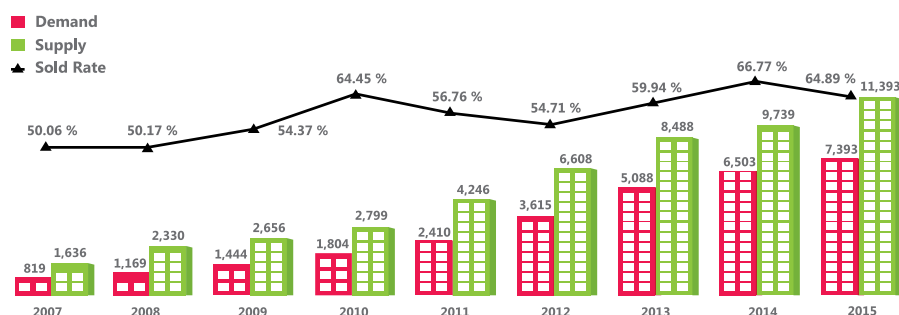
1. Shopping malls - this includes Central Festival Phuket and Jungceylon, as well as the future retail projects such as The Aboretum Central Phuket by CPN, Blu Pearl Phuket by The Mall Group, and IKEA
2. Access to International standard medical care such as Bangkok Hospital
3. Infrastructure to offer services and facilities for yachts at a very competitive price through five marinas: Ao Chalong Marina; Ao Por Grand Marina;

The Royal Phuket Marina; Yacht Haven Marina; and Phuket Boat Lagoon, which attract many wealthy individuals to visit Phuket and influence the residential development landscape

4. A number of international schools including British International School, Phuket International Academy, Q.S.I. Phuket International School, and Headstart International School Phuket
5. Good connectivity to various parts of the world, with a number of direct flights from many international cities in the Middle East, Hong Kong, China, Russia, Singapore, Russia, etc.
6. Future public infrastructure commitments, such as the expansion of the Phuket Airport, Phuket Light Rail, and the Patong-Kathu Tunnel, which will enable easier accessibility and transportation
7. An economy that is separated from the rest of Thailand -- during the political unrest in Bangkok from 2013 to 2014, Phuket's economy remained unaffected by the tension in the capital. According to statistics from the Department of Tourism, the number of international tourists arriving in the Phuket airport continued to increase while Bangkok showed a reduction.

FIGURE 2

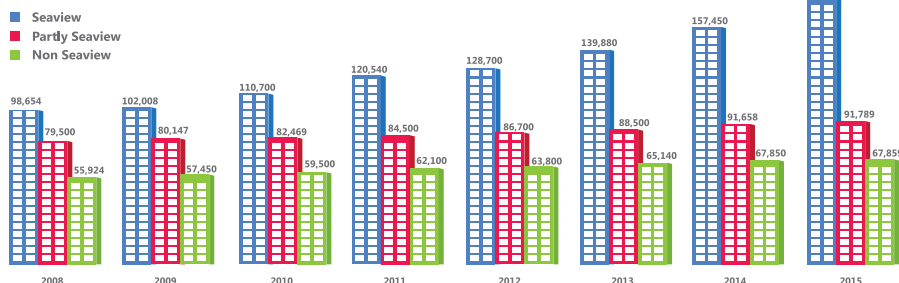
Phuket Condominium Supply, Demand & Sold Rate between 2007 - 2015



SOURCE : KNIGHT FRANK THAILAND RESEARCH AND CONSULTANCY DEPARTMENT



FIGURE 3

Average Selling Price of Phuket Condominium, 2007-2015 (Baht per square metre)**Average Selling Price of Phuket Condominium, 2008-2015**

SOURCE : KNIGHT FRANK THAILAND RESEARCH AND CONSULTANCY DEPARTMENT

Selling Price

The average unit selling price of a condominium with a sea view in Phuket in 2015 increased by 9.6% to THB 172,569 from just THB 157,450 per square metre in the year before. At the same time, prices for condominium units with partial and non-sea views showed very little change. Location and availability remain the key factor determining unit selling price. The graph presents that, over the years, only the price of sea view units go up, while partial and non sea view units are very sluggish. This highlighted that the availability of land plots to develop condominiums with a sea view are becoming scarce and expensive. The land plot for partial and non sea view condominium developments are still widely available, and the remaining supply of condominiums are also partial sea view and non sea view units, making it a highly competitive market. As such, developers are avoiding the increase of prices in order to attract buyers.

Outlook

There has been a slow increase in the new condominium supply this year.

Patong remained the most popular location for condominium developments, and it has the highest concentration of new condominium units. This year's supply is mainly in the mid-ranged and lower markets. Demand for condominiums began to slow down, as presented by a reduction of the sold rate and annual take up in 2015, due to the disappearance of demand from Russian buyers. In 2015, we saw an increase in Chinese tourists, which is opening a potential new market for property developers. However, given that China is also experiencing an economic slowdown early this year, the market remains gloomy. It is advisable for property developers to be cautious and conduct a market study prior to launching a condominium development project. The selling price for partial and non sea view units are stable, whereas prices of sea view condominiums are still increasing, reflecting the fact that land plots that afford full sea views are becoming rare. Therefore, the price of beachfront and sea view condominiums will continue to rise. Other market activities includes more condominium developments emerging in inland areas, with no clear natural attributes.

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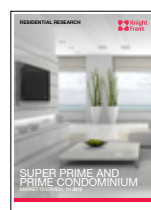
**Q2 2015 Bangkok
Office Market**



**Q1 2015 Bangkok
Condominium
Market**



**Q2 2015 Bangkok
condominium market**



**1H 2015 Bangkok
Super Prime and
Prime Condominium
Market**