

RESIDENTIAL RESEARCH



PHUKET CONDOMINIUM

MARKET REPORT 2016

HIGHLIGHTS

- There were 1,843 units from 10 new condominium projects being launched within this year. However, 4 projects are cancelled and being repurposed or permanently ceased the sales.
- Surin and Kamala saw the largest increase in supply at 587 units whilst seaview products significantly made up more of the new supply this year more than in 2015.
- Accumulated sold rate is the highest rate since 2007 at 68.1%.
- Russian buyers are back in business after being mostly absent in 2015 due to the Russian currency crisis.
- Average price rose by 3.5% but the strongest price growth recorded was in the non-seaview market.



RISINEE SARIKAPUTRA
Director, Research and Consultancy

"Phuket condominium saw a market transformation similarly to what have already been seen in Bangkok. Developers are choosing to reduce the unit sizings to lower the unit price making their projects more attractive to buyers from emerging markets"

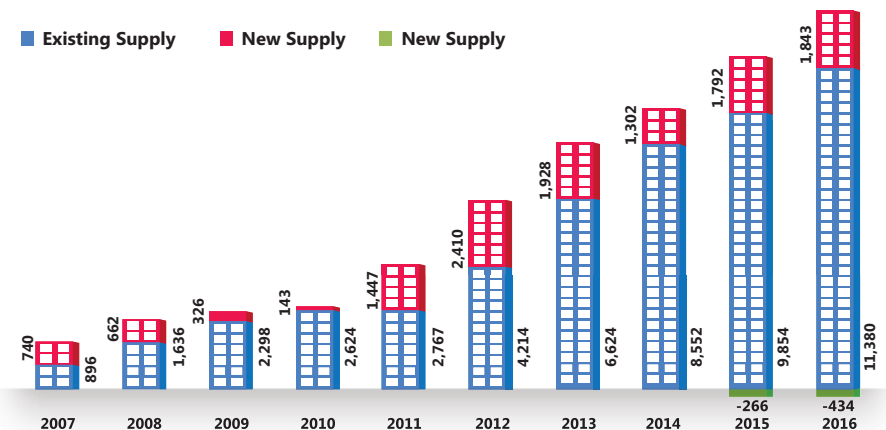
Supply

As of 2016, there were approximately 12,789 units, a net increase of 1,409 units from last year—representing an increase of 12.4% over last year's supply. There were 1,843 units from 10 projects being launched and 434 units from 4 projects that were launched in the previous year that have now ceased their sales. Dinso Residence and Emerald City Life Building A were the two developments that have since converted into hotels, and the latest phase of Twin Sands is now operating and selling as a time share product. Ace Condominium in Patong has currently been halted indefinitely.

A closer look at the 2016 supply shows that Surin and Kamala beaches have the largest number of new supply at 587 units (34% of the total 2016 supply) and 417 units (24% of the total 2016 supply), respectively. This shows that Northern Phuket beaches remain popular among developers.

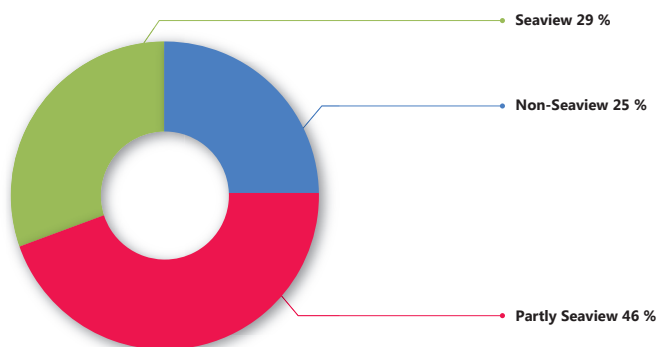
Meanwhile, unit prices of the new supply seem to have increased from the supply of 2015 where almost all, with an exception of one project—the Residences at Mont Azure in Kamala, were mid-range to lower market units with an average unit starting price of THB 3.2 million. This year, most of the supply came from mid-range projects and above, with an average unit starting price of THB 3.8 million. Almost half of this year's supply enjoyed partial seaviews. Interestingly, seaview projects constitute a significant proportion of this year's supply compared to 2015 due to a new project type that proved popular among developers: mostly one-bedroom full seaview projects which are constructed on sites previously deemed more suitable for villa development. Examples of these include the Aristo Patong and Himalai Oceanfront projects.

FIGURE 1
Phuket Condominium Supply, 2007 – 2016



Source : Knight Frank Thailand's Research

FIGURE 2
2016 Phuket Condominium Supply by View



Source : Knight Frank Thailand's Research

It is important to note that the Phuket condominium market has seen a product transformation since 2012. Prior to that, the majority of the units were much larger at over 100 square metres—whereas after that, unit sizes of newer supply are reduced to reflect buyers' changing demographics and preferences, and to also cater to the hotel rental programme where purchased units could be part of a 3-star and above hotel inventory, generating income for unit owners.

Demand

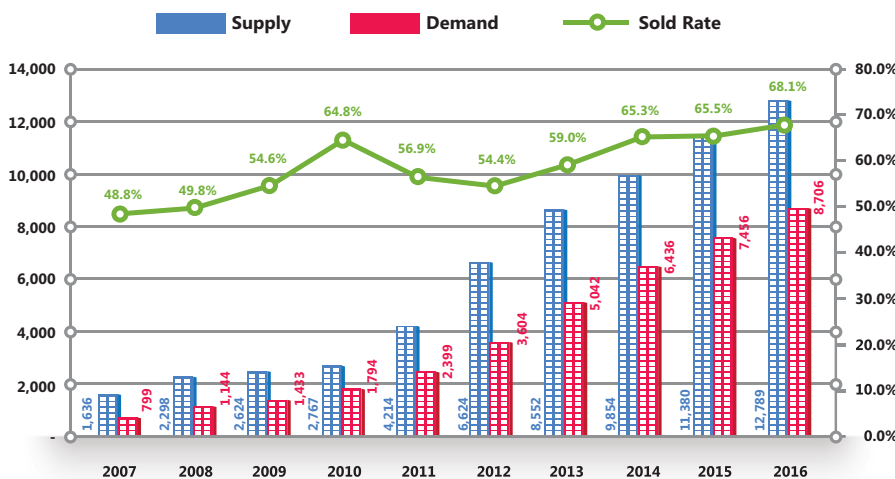
This year, out of 12,789 units, approximately 8,706 units have been sold—constituting an accumulated sold

rate of 68.1% -- the highest recorded rate since 2007. Approximately 1,250 units were sold in 2016, which is in line with recent years' market take-up rate of around 1,200 to 1,400 units per year. The Phuket condominium market relies heavily on foreign buyers and it has shown to be more sensitive to the global economic conditions than local political and economic conditions. Prior to 2012, the Phuket condominium market saw annual unit take-ups of lower than 700 units due to two major reasons: (1) the 2008 financial crisis which churned western buyers; and (2) unit sizes were larger and were not often sold as investment products. From 2012 onwards, annual take-ups rose to more than a thousand units, despite the Thai coup d'état in 2014.

Previously the majority of Phuket condominium buyers were either expatriates based in East and Southeast Asia; or Western Europeans who wished to have a second home for their own uses during the European winter. This year, similar to last year, there has still been an increase in Chinese, Taiwanese and Singaporean buyers. Russian buyers are also back in the market this year after having been mostly absent in 2015 due to the Russian currency crisis. This also explained the growing appetite for small one-bedroom units being supplied in recent years.

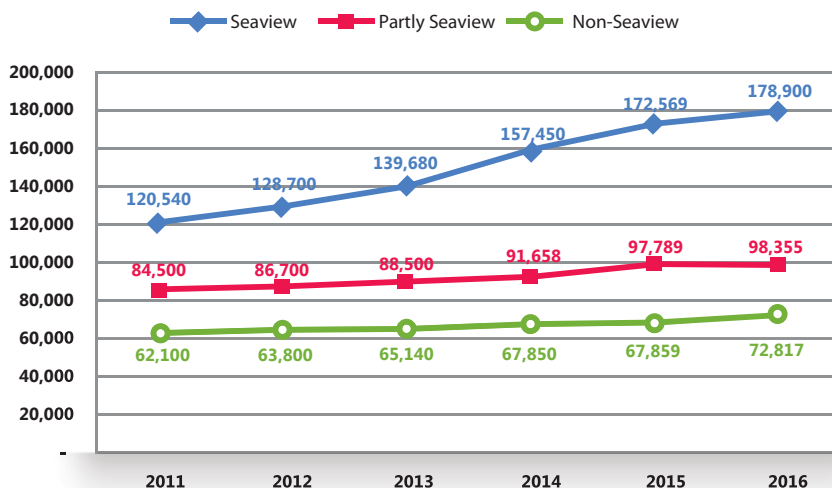
Our research has also shown that, apart from the Chinese buyers, many Phuket condominium buyers are familiar with Phuket and are not first time visitors. They carefully explore their options and take longer to make purchase decisions especially with off-plan projects. Unlike Bangkok condominium buyers, Phuket buyers' purchase decisions depend relatively heavily on the possibility of rental income generation; hence, there is growing demand for professionally managed properties in 2016.

FIGURE 3
Phuket Condominium Supply, Demand and Sold Rate, 2007-2016



Source : Knight Frank Thailand's Research

FIGURE 4
Average Selling Price of Phuket Condominium per Square Metre, 2011-2016



Source : Knight Frank Thailand's Research

Selling Price

The average selling price of Phuket condominiums in 2016 increased by 3.51% from last year, with the highest increase of 7.31% recorded in non-seaview products, currently averaging at THB 72,817 per square metre. The seaview condominium saw a slightly better than overall average per square metre price increase of 3.67% from last year, currently standing at approximately THB 178,900 per square metre. Meanwhile, the partial seaview products saw a modest positive change in price with only 0.58% increase in price from last year, standing at THB 98,355 per square metre.

Based on our findings, the non-seaview products saw the highest increase in price because of the surge in demand from buyers from emerging economies and the introduction of rental return guarantees being run by developers of these non-seaview projects. In contrast, the partial seaview products are currently facing a very high level of competition with 849 new units entering the market this year alone. There are currently 3,631 unsold units from partial seaview projects currently available out of the total partial seaview supply of 5,193 units.



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Market Outlook

In 2015 we have previously reported that the Phuket condominium market was showing signs of a slowdown. This year, the market condition improved with the annual unit take-up increasing by 22.6% mainly due to a significant group of buyers, the Russians, being back in business. We saw more upper market projects being introduced into the market this year in comparison to 2015. We also saw affordable projects starting to prioritise their sales strategies to cater to the Chinese market with printed materials at sales gallery available in Mandarin. In terms of sales, Patong and Kalama were the top selling beaches in terms of unit sales—in particular newer one-bedroom majority seaview projects enjoyed the fastest pace of sales. With the recent completion of the new International Terminal at the Phuket Airport, the currently under-construction Central Phuket expansion, and the upcoming planned transport infrastructure upgrades, Phuket would enjoy a better market outlook in the following year. Phuket has consistently remained isolated from the remainder of the country's economic slowdown and the on-going political turmoil. As land is becoming scarcer, the sales price of the condominiums would also gradually increase in times where there is still demand. It is advisable for developers to remain cautious in making development decisions as buyers' preferences are

now fragmented even further whilst new products may not be able to satisfy their needs. Beachfront condominium buyers this year would be left with a limited selection of new condominium projects as none entered the market this year.

Appendix

Phuket condominium classification

Seaview condominium

Is defined as a condominium project that has no beach frontage but with more than 50% of the units enjoying a direct view of the sea.

Partly seaview condominium

Is defined as a condominium project that has no beach frontage, and less than 50% of the units enjoy a direct view of the sea.

Non seaview condominium

Is defined as a condominium project that is located away from the beach and with most units having no sea view.

Oceanfront condominium

Is defined as a condominium project that has direct access to the beach and with many of the units enjoying a direct view of the sea.

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