

# Phuket Condominium Market Overview 2020



## HIGHLIGHTS

1

THE ACCUMULATED SUPPLY OF PHUKET CONDOMINIUM INCLUDED 26,096 UNITS AT THE END OF 2020; A GRAND TOTAL OF 1,862 NEW CONDOMINIUM UNITS FROM 7 PROJECTS WERE LAUNCHED DURING 2020, REFLECTING AN APPROXIMATELY 7.7 % INCREASE.

2

THE CUMULATIVE DEMAND OF PHUKET CONDOMINIUM AS OF THE END OF 2020 WAS 19,761 OF 26,096 UNITS (THE TOTAL AMOUNT OF THE SUPPLY), OR A 75.7% SALES RATE. THE NUMBER SALE OF NEW CONDOMINIUM UNITS SOLD IN 2020 WAS 1,966 UNITS. THERE ARE APPROXIMATELY 6,335 UNITS AVAILABLE FOR SALE.

3

MOST OF CONDOMINIUM BUYERS ARE FOREIGNERS (90%), THERE ARE MORE THAI BUYERS (10%) IN THE MARKET. ALSO, BUYERS INCLUDE FOREIGNERS DOING BUSINESS IN BANGKOK.

4

THE AVERAGE SELLING PRICE OF PHUKET CONDOMINIUMS WITH A SEA VIEW, AS OF THE END OF 2020, WAS 192,758 BAHT PER SQUARE METRE, DECREASING BY 0.4 PERCENT FROM THE END OF 2019. CONDOMINIUMS WITH A PARTIAL SEA VIEW HAD AN AVERAGE PRICE OF 99,745 BAHT PER SQUARE METRE, DECREASING BY 6.8 PERCENT FROM THE END OF 2019. WHILST THE CONDOMINIUM WITHOUT SEA VIEWS ACHIEVED AN AVERAGE SELLING PRICE OF 76,184 BAHT PER SQUARE METRE, DECREASING BY 3.9 PERCENT FROM THE END OF 2019.



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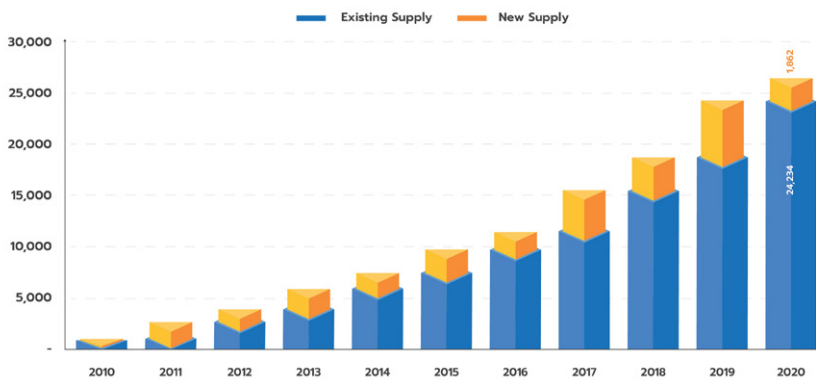


The condominium market in Phuket has slowed down, with some projects halting sales activities due to very low sales volume. The projects are not able to apply for loans from financial institutions, which are now quite strict about providing credit for condo developments in Phuket.



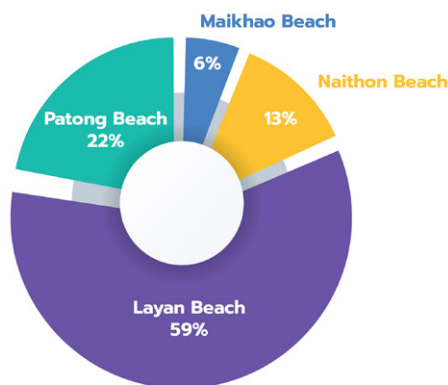
*Phuket is one of Asia’s best tourism destination. The island has the potential to support tourism as well as investment. As the tourist numbers increased each year, the property business was among the sectors that grew continuously. The large number of foreign tourists that visited each year included a large group that started to look at condominiums to buy, so they would have a place to stay when they travelled to Phuket. Some also sought additional rental income when they were not in residence. For these reasons, the real estate business in Phuket became of great interest to investors as they saw foreign tourists being a main source of purchasing power. Also, Thai investors turned their attention to the market. Condominium projects that launched in Phuket were the types that focused on rental returns, and such projects invited hotel brands to manage the properties, which boosted the reputations of the projects. From the rental yields received, Phuket became an attractive place to buy condominiums for investment. However, the Covid-19 pandemic drastically reduced the volume of tourists, as they could not travel. Heavily reliant on tourism, the economy of Phuket came to a halt and became sluggish. The real estate sector of Phuket was directly affected. Even though Thai tourists continued to come, they were not enough to revive the economy of the island. At the same time, however, there were new condominiums launched for sale; such operators believe that many tourists and investors would continue to fuel demand for condominiums should the situation return to normal.*

► **Phuket Condominium Supply, 2010 - 2020**



Source: Knight Frank Thailand Research

► **Supply of Newly Launched Condominiums in Phuket in 2020, by Location**



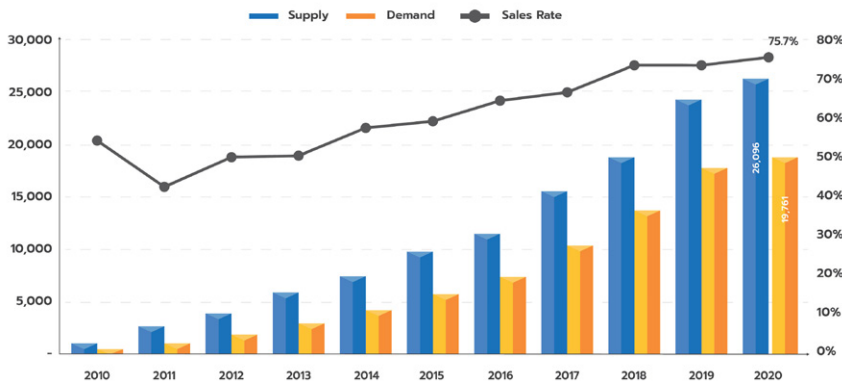
Source: Knight Frank Thailand Research

**Supply Trend**

It was found that, at the end of 2020, the total supply of condominiums in Phuket stood at 26,096 units. There were just 1,862 new units launched for sale in 2020, from 7 condominium projects. This figure is close to that of the years before 2016, where there was an average of around 1,700 to 2,000 units launched for sale per year. It can be seen that the number of condominiums launched this past year decreased from 2019 by up 65.97 percent. From a supply of 5,471 newly launched condominium units in 2019, this dropped to just 1,862 units in 2020. This significant drop in new supply is attributed to the Covid-19 outbreak, which has severely affected demand. Operators therefore delayed the launches of projects. Moreover, commercial banks became concerned about the uncertainty of the situation, and implemented tight controls of lending for project development. Therefore, developers suspended the launches of projects amidst this situation.

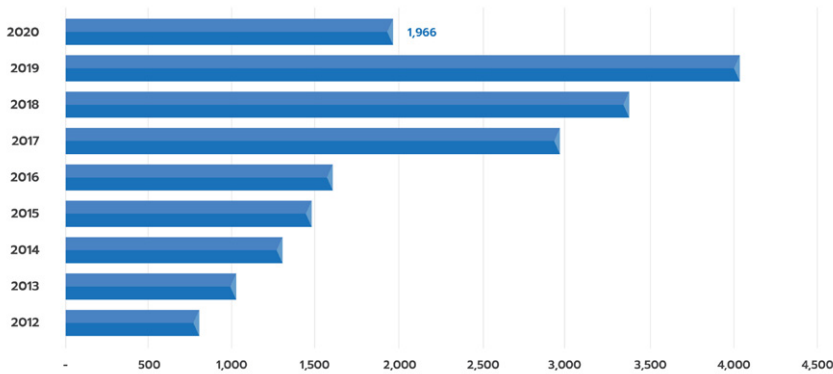
In 2020, the supply of new condominiums launched was mostly in Layan, at 59 percent, followed by the Patong and Naithon Beach areas, accounting for 22 percent and 13 percent, respectively. The Mai Khao Beach area contained the smallest number of new condominium launches, at only 6 percent of the total supply. Mai Khao, an area in the north of Phuket, is not yet very popular as it is far from amenities, compared to other beaches. In consequence, Mai Khao has quite a lot of land left.

► **Supply, Demand and Sales Rate of Condominiums in Phuket, 2010 – 2020**



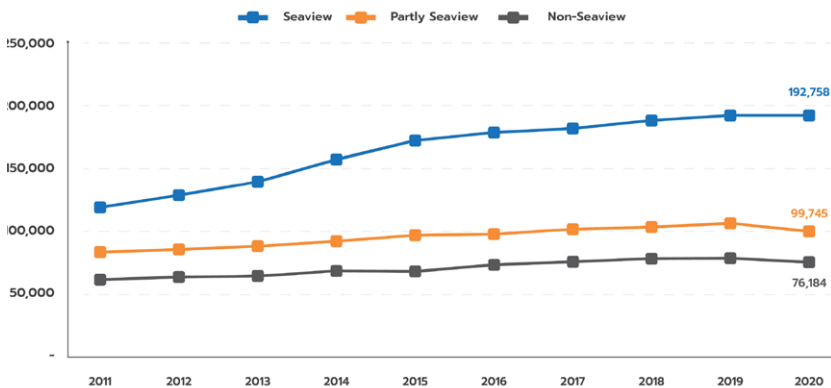
Source: Knight Frank Thailand Research

► **Number of New Condominiums in Phuket Sold, 2012 – 2020**



Source: Knight Frank Thailand Research

► **Number of New Condominiums in Phuket Sold, 2012 – 2020**



Source: Knight Frank Thailand Research

**Demand Trend**

In the past, nearly 100 percent of condominium buyers were foreign tourists and investors, reflecting Phuket’s status as a well-known tourist destination that attracts many foreign visitors. These tourists remain the main buyer group of condominiums, which they live in during their travels to or holidays in Phuket. These days, however, the group of buyers of Phuket condominiums is more diverse. About 90 percent of buyers are still foreigners, but around 10 percent are Thai investors who have seen channels for investing in real estate. Most of the foreigners who buy condominiums in Phuket include Russians, Chinese, Hong Kong residents and Singaporeans. Other nationalities include the British, French, Germans, Canadians, Australians, New Zealanders, Americans, Europeans and Middle Easterners.

In 2020, there was a total of 19,761 units sold, from a total supply of 26,096 units, which represents a sales rate of 75.7 percent. It increased from 2019, which was at 73.4 percent. There are around 6,335 units left for sale. The number of new condominiums sold in 2020 was only 1,966 units, which has decreased from 2019, which was 4,036 units. This decrease is due to the lack of foreign tourists, a major source of purchasing power, who were unable to enter the country because of the Covid-19 pandemic. Phuket was severely affected, whether it was tourism, employment, or even real estate. There were some condominium projects that had to stop sales or had low sales volume. Moreover, they have been unable to apply for loans from financial institutions who are now quite strict in lending for condominium developments. In addition, there are some projects that have stopped selling, opting to wait and see. Due to Covid-19, foreign tourists are unable to come to Phuket and they comprise the group of condominium buyers in Phuket.

Most of the condominium projects that have been able to continue selling are those that maintain living standards comparable to those of 4 to 5 star hotels. These projects also engaged a hotel chain to manage the projects, building trust among buyers. They provide return to buyers in a period of 3 to 5 years, which is an incentive for tourists and investors. Besides earning rental income, buyers can also stay 30 to 45 days a year.

## Selling Price Trend

The average selling price of Phuket condominiums with a sea view, as of the end of 2020, was 192,758 baht per square metre. The selling price decreased from 2019 at the rate of 0.4 percent. In 2019, the average selling price of condominiums with a sea view was 193,590 baht per square metre. As for the selling price of condominiums with partial sea views, the average selling price was 99,745 baht per square metre in 2020. This marked a 6.8 percent decrease from 2019, which had the average price of 107,000 baht per square metre. In 2020, condominiums that do not have sea views commanded an average price of 76,184 baht per square metre, which marks a 3.9 percent drop from 2019, where the average asking price for condominiums with no sea views was 79,300 baht per square metre. It can be seen that the selling price has declined from 2019 due to the Covid-19 situation, which made almost all foreign tourists unable to travel. As a result of their absence from the market, sales of condominiums have decreased greatly. Operators therefore agreed to lower prices to attract buyers or investors to return to investing. To further drive sales, they also used methods of selling through online channels or via an agency located in a foreign country to help promote their project. As a result, there were still some condominium sales from abroad, but not much. The buyers represented foreigners who have travelled to Phuket; when the prices were lowered, they then decided to make a purchase.

## Outlook

The Phuket condominium market in 2021 is expected to continue to slow and be hit hard due to the new Covid-19 wave. With foreign tourists still unable to travel, the economy has not improved. Phuket still has no income from tourists, which has been the island's main source of revenue. In the first half of 2021, operators will still delay project launches. They will wait and see the situation before going ahead with project launches during the second half of the year. The investment trend will be towards smaller projects and possibly joint ventures with local investors in Phuket. It is expected that the Phuket economy in 2021 will stay sluggish until the beginning of 2022, at which time the Phuket economy may need from 6 months to 1 year to recover

to only 50 percent of the volume of tourists, as not all foreigners would be able to travel at that time. The main buyers are expected to be the Chinese and Russians. Those from Europe may have to wait a while until the Covid-19 pandemic eases. The condominiums that foreigners buy would serve as residential property, a second home rather than an investment, as Thailand is seen as a safe and liveable city with good standards of medical care and epidemic controls. As for the Thai investors, they are still postponing their investments in real estate in Phuket; such investors are waiting for foreigners to resume travel before they start investing. Overall, real estate in Phuket will return growing after 2022, following the return of foreign tourists.

## Location Definition:

The survey area for this report covers the area starting from Mai Khao beach and lie down along the western coast of Phuket. The area covers the following beaches:

**Mai Khao** is located just north of the airport, which is an incredibly long and deserted stretch of sand. There are only a few tourist developments such as JW Marriott Resort & Spa, Anantara Mai and to name a few. Mai Khao is the longest beach on the island and also the most deserted.

**Nai Yang** is just a ve-minute drive south of the airport and is very popular with Thai locals. Here you will find what beach life is all about. Fringed with casuarina trees providing picnic areas for locals, it is a shady spot for souvenir and food vendors.

**Nai Thon** lies about 15km south of the airport. This pristine beach is a great place to get away from the crowds. Nai Thon is fairly undeveloped and is a nice quiet place to sit in the sun or take in a swim. Although its quiet, the beach is not completely deserted and there are a few sun beds available for hire. There are also a few small restaurants that serve fresh seafood and local dishes.

**Layan** is a small and relatively unknown beach, nestled in a shadow bay at the north end of Bang Tao. Layan is more like a bay than a beach, the beach is too shallow for swimming.

**Bangtao** is another location for luxurious residential area in Phuket. The area is

called "Laguna" since there are many hotel facilities serve the residential projects in the area.

**Surin** is another peaceful and tranquility area for foreigners and expatriates from Hong Kong and Singapore.

**Kamala** is considered as the millionaire range. There are many projects under construction but sold out already. The well-known project in this area is Andara Signature which is the most luxurious villa project

**Patong** is considered as dirty area, however there are some locations in this area is considered as a tranquility area which Amari Phuket is situated. Amari offers a stunning location and modern style.

**Karon** is the area which is considered the beachfront residential projects. It is also famous for its beautiful long beach, and a wide variety of restaurants.

**Kata** is another attractive area for foreigners. It is located south of Karon.

**Naiharn** is one of the island's most beautiful locations and most popular places with in-the-know locals. Naiharn is a quiet little spot at the southern end of Phuket. This quiet and tranquil place has only a few hotels including the Le Royal Phuket Yacht Club and is a favorite anchorage for boats during the high season.

**Rawai** holds the distinction of being very busy tourist beach on Phuket. Years ago, people from Phuket Town would drive the 17km to Rawai on weekends to while away the afternoon underneath the beach's casuarina trees rather than risk the dangerous drive over the hill to Phuket's west coast.

## Condominium Classification:

**Sea View Project** is defined as a condominium project that has more than 50% of the unit enjoy a direct view of the sea.

**Partly Sea View Project** is defined as a condominium project that has less than 50% which enjoy a direct view of the sea.

**Non Sea View Project** is defined as a condominium or villa project with most units have no sea view.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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