

Phuket leads new boom

Resort homes are winning increasing popularity among both Thais and foreigners

By Nina Suebsukcharoen

The property market at Thai resorts looks rosier than ever with Phuket now well into a boom with the help of a large number of foreign buyers.

Hua Hin is also doing well but it is Thais who mostly buoy the market there.



Stephen O'Brien, the director of Knight Frank Phuket, said the Phuket market started showing the characteristics of a boom about 18 months ago and it had accelerated since then.

"We put this down to accessibility to the island (i.e. the international airport), the boost in international flights, affordable domestic and international airfares, Dulwich International School's outstanding reputation, quality of health-care services and the diverse range of affordable product entering the market," he said.

Apisit Limlomwongse, managing director of Nexus Property Consultants, says condominiums are beginning to appear in Phuket, making it more affordable to acquire choice property on the beachfront there, with a 100-square-metre unit priced at 5-6 million baht. This changed earlier perceptions that the only option was to buy an expensive villa on the beach for \$1 million or more.

MAJOR BEACH DESTINATIONS	Phuket Island	Samui	Hua Hin	Pattaya
Airports	Yes	Yes	Yes	Yes
Direct international flights	Yes	Yes	No	No
Domestic Flights	Yes	Yes	Yes (selected)	No
Travel time by car from Bangkok	8 hrs	6 hrs by car, 2 hrs by boat	2.30 hrs	1.30 hrs
Travel time by plane from Bangkok	1.5 hrs	1.5 hrs	40 minutes	N/A
Outstanding characteristics	Natural resources Yacht destinations Entertainment Beach quality	Natural resources Getaway location Beach quality	Golf courses Tranquillity Beach quality	Entertainment Nightlife Near Bangkok and Eastern Seaboard Long established tourist destination
Common type of real estate	Villas on the hill	Villas on the hill	Condominiums	Condominiums
Average price range	US\$500,000 - \$1.5 million and up	US\$500,000 - \$1.5 million	3-10 million baht	2.5-8 million baht
Buyer profile	Mostly foreigners	Mostly foreigners	Mostly Thais	Mix of Thais and foreigners
Common property ownership	Leasehold 30 + 30 + 30 years	Leasehold 30 + 30 + 30 years	Freehold	Freehold

Source: Nexus Property Consultants

Resorts differ. Foreigners go to Phuket, with Samui being the next favourite, while some go to Krabi. But in these three destinations people mainly search for villas. But condominiums are beginning to appear in Phuket.

The Thai market focuses on Hua Hin, which is quite strong. This resort has a limited beach, with some development appearing in Pranburi farther south. But in Hua Hin, it is mostly condominiums with very few single-house developments, Mr Apisit said.



Source: Nexus Property Consultants *forecast

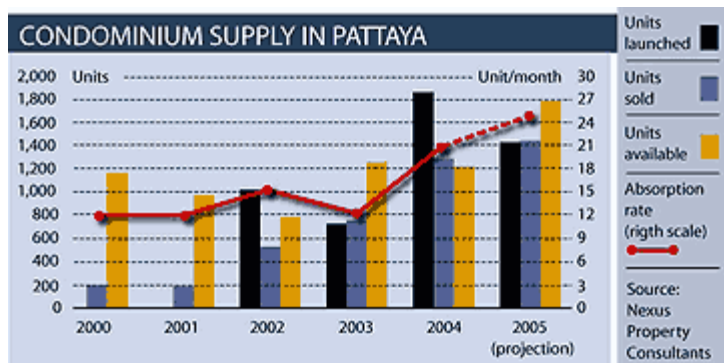
The geographical nature of Hua Hin and Cha-am and Pranburi which flank it on the north and south sides means that beaches do not run for long stretches which limits property development, especially in Hua Hin, he said.

While prices of condominiums have risen sharply in Bangkok and have exceeded the pre-crisis level in some locations, in Hua Hin they have only edged up a little, ranging around the 50,000 to 60,000 baht per sq m which is the pre-crisis level, Mr Apisit said.

The limited beachfront land in Hua Hin means what is available costs as much as 25 million baht a rai but further down in the Khao Tao area, the price drops to around 20 million baht a rai, he said, adding land prices were considerably cheaper in Cha-am, costing four million baht a rai for large plots of 50-60 rai.

Mr O'Brien said that compared to Phuket, other resort markets such as Samui, Krabi and Hua Hin were considered more of a short-term resort destination rather than a lifestyle and investment market.

Samui and Krabi are both still developing and lack the infrastructure that supports a settling mass population, he said. Besides a strong business and commerce base that attracts international investment and workforce, Phuket also has a thriving economy built around tourism, the marine industry and property development.



Occasionally, Knight Frank Phuket's buyers go to Samui after looking at property in Phuket but in nearly all the cases, buyers return to Phuket because it is considered a more established and progressive market.

"In essence, Phuket is much more sophisticated, modern and thriving metropolis than the laid-back, casual locations of Samui, Krabi and Hua Hin," he said.

Mr Apisit said that while Phuket had villas costing astronomical sums of \$1 million and more, houses priced at 2-3 million baht were also available on the island but they are for residential purposes as the island's booming tourism industry means local people have more income to buy real estate.

"I surveyed housing estates in Phuket. Some of them are beautiful. They are not next to the sea but they have good views of the hilly areas. The view isn't boring like Bangkok and there is greenery and lake," he said.

However, Thais with a tight budget of 2-3 million baht looking to invest in a resort property should consider developments in Pattaya and Hua Hin since it is easier to get a good location in the former resort as prices are lower.

"As Hua Hin is an upscale market, they build bigger units with the smallest being 50-60 square metres, not 30-40 sq m," Mr Apisit said.

Units in both these resorts could possibly bring in rental income, especially Hua Hin, as the number of hotels is limited and holidaymakers who fail to get a hotel room would look at renting one in a condominium.

"Hua Hin and Pattaya differ. Pattaya is more of a mass market and the rent might not be high but there is an economy of scale. If Pattaya is B+ then Hua Hin is A-," Mr Apisit said.

Phuket, on the other hand, is very much focused on attracting international clients, Mr O'Brien said.

"Hong Kong buyers are attracted to Phuket because of the sophisticated infrastructure, lifestyle activities such as sailing and golf and most projects offer good value for money. Projects such as Laguna, Sai Taan, Lakewood Hills and Surin Heights have all sold well in Hong Kong because of their proximity to the airport, what I call common-sense pricing, management and credibility of the developer, his architects, builders and simple and straight forward sale and purchase agreements," he said.

Mr O'Brien said a recent report in the South China Morning Post claimed two-tier pricing existed in Thailand whereby developers offer one price for the local market and another, generally much higher, for international markets.

Mr O'Brien categorically denies that the practice exists in Phuket. "I and many of my associates in the property industry have been across the world promoting Phuket property in markets such as Dubai, Moscow, Singapore and Hong Kong and I can say that I have never seen two-tier pricing come into effect. Such an allegation is unfounded and ludicrous."

Mr Apisit said the Phuket market was a high-end one and did not move quickly, with the outlook being steady.

"In Phuket, Samui and Krabi, they sell the land first and then build the houses. So the developer is not putting in a huge amount of investment," he said, adding this meant there was very little risk of a bubble developing.