

HIGH LIFE
Malaiwana villas
offer some of
the largest
luxury ocean-
view units in
Phuket

HOME SECURITY

IN CONTRAST TO THE OVERALL DAMAGE DONE BY THE
GLOBAL ECONOMIC DOWNTURN, PHUKET'S RAREFIED LUXURY
CONDOMINIUM AND VILLA MARKET NOT ONLY SURVIVES, BUT
THRIVES, REPORTS **BILL ANDERSON**



THE TURBULENT LUXURY PROPERTY MARKET IN PHUKET HAS WEATHERED recent upheavals and in 2011 seems to be emerging from the still volatile general real estate market with sustained improvement in buyer interest and transactions. Since 2008 the global economic crisis has certainly had an impact on potential buyers of luxury property in Phuket. Although the economic effects were not as severe among the wealthy, aftershocks of the crisis did reverberate through all sectors of society. As the world's economies slowly recover, however, sales of villas and condominiums in the world's pre-eminent luxury resort destinations have bounced back more quickly. From all accounts, Phuket's status as one of the leading lifestyle locations in Asia remains very much intact. John Russell, director of Kamala Bay Project notes, "Enquiries increased towards the end of 2010, although not to previous highs, and we expect that trend to continue as confidence returns. In 2011 there have been some notable sales and indications of renewed confidence."

High-end developments suffered less than the general property market during the height of the financial crisis although actual transactions did drop off considerably. "All markets, from low to high, were affected by the economic downturn – just as the wealthy, middle and low-income individuals around the world felt the impact," says Richard Shearer, developer of Istana Phuket. "For two years very few units were sold on Phuket in any buying sector. Yes, the affluent tend to be more resilient, however very little non-essential purchasing took place during the downturn." Confidence remains the key consideration for buyers of luxury property in Phuket. This year has seen a noticeable uptick in interest as the global financial situation stabilises. Developers who were understandably reluctant

to launch new projects as buying interest waned have now enthusiastically embraced plans for more high-end condominiums and villas.

The buyers of luxury property in Phuket have traditionally been expatriates from developed Asian markets such as Hong Kong and Singapore and developed markets of the West. Recently, however, buyers from Russia, China, India and the Middle East are joining the ranks of luxury real estate purchasers as Phuket's premium appeal spreads worldwide. Richard Cohen, director of sales at Istana Phuket, says, "We have seen interest from non-traditional areas, such as from Africa and some of the smaller republics in Europe. Interest has also increased from China and Russia." But the focus of most developers remains on wealthy Asian-based expatriates that

are already aware of Phuket's benefits. "For this new demographic of buyers there is a process of development whereby they first stay in a hotel, then perhaps a villa, then after a few years as they become more comfortable with Phuket they think about buying their own places. These newcomers are at an earlier stage in that process, therefore we expect continued growth from these areas along with demand from the established markets of Singapore and Hong Kong," adds Russell.

The strong economic growth in Asian economies and the relative strength of the region's currencies keep these markets key targets for developers. "There is no clear buyer demographic other than perhaps a trend towards Hong Kong-based expatriates. Nationalities of our buyers include British, German, Italian and Russian and there is a significant increase in interest from Chinese and Indian buyers," according to Stephen Paine, one of the developers of ultra-high-end Malaiwana. Clearly, although interest in high-end condominiums and villas is broadening these developers will continue to look to traditional expat and affluent Asian markets as the most likely buyers. "In our estimation little has changed; our focus remains on this group," notes Cohen.

Lifestyle and investment considerations motivate buyers of high-end properties in Phuket. "Naturally, the reasons for buying at Kata Rocks vary with each purchaser," says Richard Pope, managing director and developer of Kata Rocks. "The Phuket lifestyle is probably the primary reason to buy. It's also safe to say that rental returns and capital growth are set to increase over time, given the boom in the Asian economy. Phuket is ideally situated to benefit from this, being the

natural holiday island of the region. I have no doubt that in coming years Phuket will become the French Riviera of the East."

Investment considerations also play a role when prices are compared to already completed projects. Product offerings for newly built luxury villas were quite limited during the downturn, but there has been a rise in re-sale properties. "Malaiwana villas are certainly considered investment properties due to the current spread in price between re-sale properties in similar-quality completed developments and current pricing. That said, most buyers are also making a lifestyle investment whether they are looking to escape the cold European winters or planning a retirement home," says Paine. In addition, the last couple of years have seen an appreciation of the Thai baht against most major Western currencies. With the notable exception of investors using Australian dollars the actual prices of property in Phuket have risen. Although the vagaries of exchange rates are difficult to forecast it does seem likely that the baht will continue to appreciate over the longer term. The attraction of buying now and benefitting from a stronger Thai currency over time is increasingly becoming a selling point.

Traditional buyers of luxury property usually hear about new projects through established promotional tools and sales agents. These include print advertising and inserts in publications such as *Time*, *Robb Report*, *Property Report*, *South China Morning Post*, *International Homes* and *Luxury Property* magazine. However, companies are adding new methods to marketing plans to attract buyers. As the network of potential buyers spreads beyond traditional markets the need

FROM BELOW

Stephen Paine is a developer of Malaiwana; Kata Rocks' club penthouse was awarded Best Apartment in the World at the International Property Awards 2010

OPPOSITE Istana Phuket villas using the latest green technology are set in spacious grounds



In today's market developers must offer innovative products to capture the fickle attention of the super rich

to reach out globally through interactive websites and social media is a new reality property developers are incorporating into their sales strategies. "Social media does not change our marketing plan, but does assist our public relations activities," says Theeraphan Choprasertchok, president of The Privilege @ Baycliff in Patong.

Sales agents are, and will remain, one of the most important resources for attracting buyers. Most developers use the power of the internet and social media marketing in a secondary capacity. "Social internet marketing is a supporting part of our complete mix of marketing strategies. The ability to create urgency with these tools helps keep Istana on the top of mind with potential buyers. However, selling luxury property is more about substance (branding) than flash (clever Twitter posts) as our buyers are usually ultra aware and very brand savvy," says Shearer of Istana.

As Phuket's ultra high-end villa and condominium market evolves, cutting-edge design and quality have become increasingly important elements in the overall sales package. Wealthy investors demand ever-more unique features and design elements from properties they buy. Until recently Phuket's high-end villa market design paradigm was based on classic Lanna Thai-style architecture. Although there are some developments still following this well-established

look, increasingly, buyers want something out of the ordinary. In addition, projects must give more than a passing nod to sustainability and environmental protection. Affluent purchasers increasingly look for not only the most luxurious features, but also consider the project's impact on the environment. Green is now more than just a colour. As Cohen from Istana points out, "Sustainable luxury is finally here. Gone are the days when one must be at odds with the environment when designing and providing luxury. Our roofs all have either water or plants on them. This is a great design feature, but it also cools the inside of the house, which lowers the carbon footprint of the villa." Russell of Kamala Bay Project concurs, saying, "Our units are eco-friendly with water capture, solar water heating, extensive shading and a high degree of insulation. Materials have been sourced locally wherever possible."

The uniqueness of the product is sometimes the main selling feature. Take for example the aquaminium concept at Royal Phuket Marina on Phuket's east coast. The developers have built luxury condominium units that incorporate their own private yacht berths in the residence. In addition, buyers of royal and grand villas have their own private berths that can accommodate 70-metre yachts. In today's market developers must offer innovative products to capture the fickle attention of the super rich. Investors and lifestyle purchasers alike demand panache and uniqueness in their luxury property portfolios. Award-winning architects, cutting-edge design, environmental awareness and the wow factor comprise the must-have items on the checklist for a successful luxury development these days.

Phuket's high-end villa and condominium market is alive and well. Despite the recent financial crisis the very top end of the market continues to be largely immune from the problems facing

lower-end developments. "The luxury market was affected by the same fears during the credit crisis, but there is a limited availability of high-quality property and therefore the luxury market was less affected and has recovered better as confidence and asset values have risen. Phuket's high-end developments have weathered the storm," notes Russell.

Rising asset prices and limited supply will continue to force prices higher in Phuket, especially in the very high-end segment of the market. As Paine of Malaiwana explains, "There is still significant upside for buyers of luxury properties in Phuket due to a number of factors. In particular, the Asian region is generating a significant amount of wealth some of which will inevitably be invested in real estate."

Now that many high-end investors' balance sheets have been restored to their pre-2008 state, some are looking again at vacation real estate investments. And as a vacation (or even weekend) destination, there are few places that rival Phuket for its beaches, sporting, leisure and recreational facilities. Phuket's position as the blue-chip Asian lifestyle destination together with its exposure to regional economic growth makes a compelling case for investment. ■

CLOCKWISE FROM BELOW
Kamala Bay Project is a mixed-use condominium and villa development; each unit at The Privilege@ Baycliff has a panoramic view over Patong bay; the aquaminium units and villas at Royal Phuket Marina have private yacht berths; John Russell of Kamala Bay Project

PHUKET'S HIGH-END HABITATS

KATA ROCKS (WWW.KATAROCKS.COM)

Kata Rocks development of 34 condominium units is well underway with an expected completion date in mid-2012. The project is conceived as the ultimate in modern tropical living. The oversized sky villas feature uninterrupted views of the Andaman Sea towards Ko Phu and boast their own private swimming pools. Even before completion the project's 460-square-metre, four-bedroom club penthouse was awarded Best Apartment in the World 2010 at the International Property Awards. Prices start from 32 million baht for a one-bedroom unit to 69.5 million baht for a four-bedroom apartment.

THE PRIVILEGE @ BAYCLIFF (WWW.THEPRIVILEGEATBAYCLIFF.COM)

This development consists of 57 luxury condominium units in four low-rise buildings at the northern end of Patong beach. All the units have a panoramic view over Patong bay. Prices start from 4.4 million baht with the four-bedroom penthouse available for 52.3 million baht.

KAMALA BAY PROJECT (WWW.KAMALABAYPROJECT.COM)

Kamala Bay Project is a mixed-use condominium and villa development situated along Millionaire's Mile Road near Kamala beach. Now at the pre-release stage it is expected to launch in mid-2011. The strikingly contemporary design is by award-winning architect Fender Katsalidis Mirams. The 23 units, ranging from three-bedroom condominiums starting at 38 million baht up to 730-square-metre, four-bedroom villas with views over Kamala beach start at 120 million baht.

MALAIWANA (WWW.MALAIWANA.COM)

Malaiwana is a mixed-use development on Naithon beach comprising 19 four to five-bedroom ocean-view villas and 12 three to four-bedroom apartments known as Malaiwana Residences. Construction of nine villas is already complete and the project is expected to be sold out by the end of 2011. The apartments offer some of the largest luxury ocean-view units in Phuket. Amenities for Malaiwana include the Malaiwana Beach Club that comprises a restaurant, wine bar, sunset bar, private dining room and a member's roof deck. Malaiwana Residences, which will go on sale shortly, are expected to be priced between 80 to 95 million baht. The villas are priced from 100 to 145 million baht.

ROYAL PHUKET MARINA (WWW.ROYALPHUKETMARINA.COM)

The Royal Phuket Marina project was launched several years ago. In addition to residential units the complex has retail outlets, restaurants and bars, an exhibition centre, gym and tennis courts. Currently the developer has three units of the aquaminium condominiums still available with the smallest unit priced at 20 million baht. A 832-square-metre triplex penthouse unit is priced at 98 million baht. In addition, there are two royal villas available at 130 million baht and one grand villa for 299 million baht. The aquaminium units and the villas all have private yacht berths.

ISTANA PHUKET (WWW.ISTANAPHUKET.COM)

This Naithon beach project comprises 19 villas designed by world-renowned architect Gary Fell. Currently, nine villas remain available. The villas are set in spacious grounds, which provide privacy as well as abiding by the principle of environmental harmony. Each villa offers modern cutting-edge design and top-quality construction. Use of the latest green technology such as harvesting rainwater and ultra-efficient air conditioning is expected to reduce energy bills by at least 25 percent. Four-bedroom villas set on plots of 1,324 square metres are priced at US\$4.25 million. An exceptional seven bedroom, 1,960-square-metre rock star villa set on a plot of 3,527 square metres is available for US\$8.45 million.

