



## News



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High-end and luxury condos in Phuket selling well

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Demand base of overseas buyers expanding

**PHUKET, 20 May 2008** - The high-end and luxury condominium market in Phuket reported strong sales over the high tourism season in 2008. Whilst buyers from UK, US and the Scandinavian nations continue to generate the majority of demand, the demand base has been expanded by the increased interest of buyers from Russian, the Middle Eastern and Asian countries, according to the latest study by Jones Lang LaSalle, a professional services firm specialising in real estate.

Jones Lang LaSalle has recently conducted a study of the high-end and luxury condominium market in Phuket offering prices ranging between THB 92,000 and THB 128,000 per sqm. The study focused on the sales activity over the high tourism season between November 2007 and March 2008.

Findings from the study show that the supply of high-end and luxury condominiums increased by 13% in terms of the number of units being marketed to just over 700 for the high season. Projects being marketed within the high-end and luxury segment are typically small in scale relative to the broader market, with an average of 38 units per development or phase. Individual projects offer as few as 12 and as many as 100 units under master plans.

Out of the marketed units, approximately 56% had been sold by the end of the season, with overseas buyers generating the majority of purchases.

Dan Tantisunthorn, Head of Research at Jones Lang LaSalle in Thailand, said 'Unlike the urban centre of Bangkok where Thais represent a substantial portion of demand in most condominium projects, the resort market of Phuket attracts primarily foreign buyers, who avail condominium units on both freehold and leasehold terms. While traditionally the bulk of these foreigners would be British, American or Scandinavian nationals, affluent individuals from China, Russia, India, Korea and the Middle Eastern countries are representing a growing source of demand. This trend is reflective of the growth in the number of tourists from these markets.'

About 73% of the units sold were located in Phuket's West, well above the proportion that the area accounted for in terms of supply (approximately 63%). During the same time, prices per square metre in this area rose by 5.8% on average from prior to the high season.

The East further showed longer-term potential as a high-end and luxury location for the island and average price rose the most across the island, by over 20% since prior to the onset of Phuket's high season.

Beyond location and price, Jones Lang LaSalle's study also provides an analysis on a number of key factors that attract demand across Phuket's high-end and luxury condominium market. The analysis reveals different levels of influence that these factors have on demand:

- Although virtually every condominium in Phuket's marketed high-end and luxury segment offers sea views, given the lack of developable sites, only 51% of the units are in projects located on beachfronts. The average sales rate for beachfront units is roughly 58%, slightly above the average of 56% for all units.
- Whilst some projects will provide estimated yield, only 11% of the units in this segment are sold with a guaranteed yield. Furthermore, a guaranteed yield has not necessarily translated into strong sales, as less than 18% of the units guaranteeing a yield had been sold.
- More than 63% of the units offered by developers committed to engaging international property management firms had been sold. These units also commanded a 4.4% premium on price per square metre over the market average. 'Whilst many buyers want to ensure that their condominiums will be managed to international standards, a number of overseas buyers feel more comfortable to have property management brands that they are familiar with in their countries of origin manage their property asset in Thailand,' Mr. Dan explains.

"Outlook for the Phuket high-end and luxury condominium market remains promising. The growing reputation of Phuket as one of the world's top resort destinations will continue to attract buyers from around the world looking for a holiday or retirement home overseas. In addition, the new government has expressed its strong will to attract more overseas capital flows into Thailand. The cancellation of the 30% reserve on foreign capital investments is a positive sign. In addition, the Thai Finance Minister, Dr Surapong Suebwonglee, was recently quoted as saying the Thai government was considering to extend land leasehold periods. This is good news for the Phuket market. Should the initiative materialise, we can expect the market to be more robust,' Mr. Dan concluded.

**Contact:** Dan Tantisunthorn

**Tel:** 0 ...

**Email:** dan.tantisunthorn@ap.jll