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PHUKET SURVEY

Tourism drives boom time

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Rising numbers of top-end buyers are contributing to higher resale prices and developers are paying attention

Strong demand for luxury residential properties in Phuket has driven the resale price up 100 per cent between 2004 and now, Surin Hill Development's deputy managing director Wanwipa Horbut said.

She said the company's Baan Thai Surin Hill project, which was sold in 2004 at Bt90 million, now has a resale price of Bt160 million.

The demand has gone up with the rising number of foreigners planning to buy a second home in Phuket.

Given the strong demand, a number of property developers from Bangkok and other provinces have scaled up their investment in residential projects in Phuket.

For example, Pattaya-based property developer, the Bay Cliff Company, has set aside an investment budget of Bt2 billion to build residential projects in Phuket from now till 2012.

City & Country has introduced the West Sands project in northern Phuket. Sansiri and Supalai have also launched their new residential projects in the resort destination.

The Bay Cliff Company's general manager Bhumiwat Dhammasaroj said the company will focus on Phuket because it believes that demand for residential projects in Phuket holds strong growth potential, especially given the demand from foreign investors.

"Prime locations for building villas are limited. Thus, we will focus on low-rise condominium projects that suit our budget and customer demand," he said.

The company's first project in the resort is BayCliff Patong, a low-rise condominium project with 54 units across three buildings - one with four storeys and the other two with five storeys. Prices start at Bt100,000 per square metre, or Bt7 million per unit, which is spread across 70.58 sq m. Prices go up to Bt35 million for largest-sized unit with a utilisation space of 178 sq m.

According to research conducted by Colliers International Thailand, 28 luxury hotels will be opened in Phuket from now till 2011. Estimates put the investment budget between Bt30 billion and Bt50 billion.

The research indicates Phuket is increasingly attracting investors from the top end of the market. This area is fast developing into the pinnacle of luxury travel in Southeast Asia. The hills stretching from Surin beach have long been known as "Millionaire's Row".

Of late, the area south of Naithon beach has been competing for the status of the island's most exclusive neighbourhood. Despite this development boom, the island lacks infrastructure, particularly on the west coast where most of the high-end projects are located.

The area has an absence of high-quality retail amenities, fine dining and entertainment options required to serve the high-end clientele.

The trend for high-end property development in this area began with Trisara located at Bang Tao Beach. However, the hills at the southern end are also seeing super-luxury property development.

Phuket's top-tier hotel market has a strong representation of guests from Asia and Europe. Asian guests come mainly from Japan, Korea, Hong Kong and Taiwan while Europeans come mainly from the UK and Germany.

Over the medium to long term, the continued development and growth of Phuket's tourism industry will support the growth of Phuket's hotel market.

Thailand, and the key destinations of Bangkok and Phuket, will continue to be one of Asia's most active hospitality-investment markets.

Centara Karon Resort's general manager Andre Bruhart said hotels here record an average occupancy of more than 70 per cent a year.

At the peak of the tourism season - between October and mid-April - occupancy of up to 90 per cent is recorded, and even the off-season records between 60 per cent and 70 per cent occupancy.

Tourist numbers in Phuket recovered within a year of the tsunami disaster in 2004 and drove a number of property developers to expand their investment in the resort's hospitality sector, Bruhart said.

However, he warns that given the number of hotel and resorts expanding their investment since last year, there could be an oversupply situation, especially during off season, as more come online by the end of this year and early next year.

"I think peak season will see a number of tourists from Europe, Scandinavia and the United States visiting Phuket. However, in off season, when we have tourists only from Australia and Asia, we may face oversupply of rooms unless we strategise to increase the customer base," he said.

According to a report by Tourism Authority of Thailand, the number of tourists visiting Phuket stood at 5.47 million last year, up 22.61 per cent from 2006.

The report also said these numbers are expected to rise an average of 20 per cent this year. This is largely due to the number of flights landing in Phuket rising to 120 per day.

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