hotelworks

HOSPITALITY CONSULTING

Phuket

Luxury Villa Market Update

September 2016

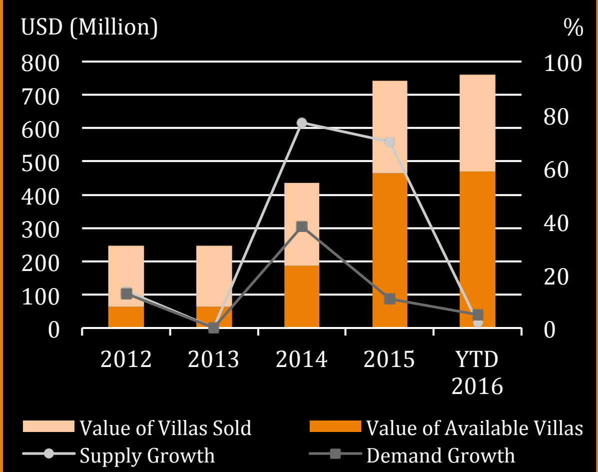
Villa supply surge in secondary market is creating impact on demand in primary sales

Resales and product fatigue cited as transactions flatten

"The island's luxury villa market has been heavily influenced by a rising secondary sector, with some sellers offering flexible pricing due to the impact from global economic conditions. During the past two years, there has been a growing number of secondary transactions, whereas new developments offering luxury products have seen a slowdown in the average absorption rate.

Part of the current trend is attributed to owners who bought properties early in the growth cycle and are now seeking to exit on profit, hence offering flexible pricing. Additionally, buyers are becoming more adverse to project phasing due to the problems arising from long-term construction. Thus, projects with a shorter development period have reported an accelerated sales pace. Lastly, currency appreciation and depreciation also weigh into the equation, particularly for investors from Europe.

Primary Market Supply vs. Demand Trend



Source: C9 Hotelworks Market Research

In view of the current market dynamic, we forecast that the sheer critical mass of demonstrated luxury properties and incoming international hotel brands will see demand return in the medium term."

Bill Barnett, Managing Director, C9 Hotelworks

Trends

- European nationals from the U.K., France and Germany remain the legacy markets, while Asian clients from Hong Kong, Mainland China, and Taiwan are rising in influence.
- Rental management programs are becoming more important as prospective buyers are now seeking an active investment platform with sustainable income.
- Urban luxury projects in Bangkok and Asian CBD areas have become direct competitors to the resort luxury villa market.

Forward Outlook

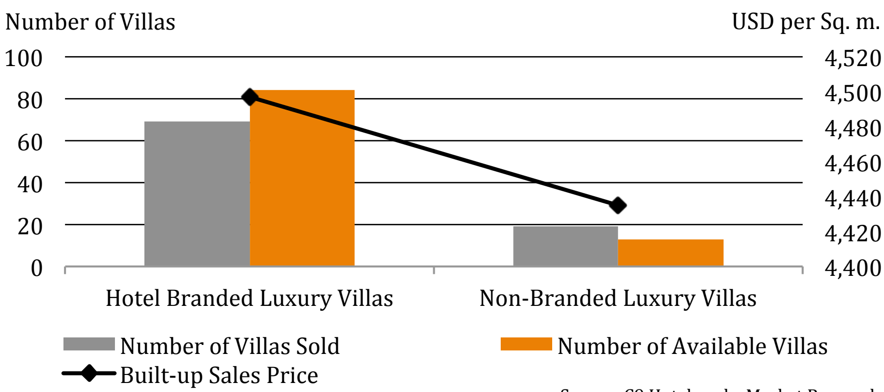
- Over the next 12 to 14 months, the majority of pipeline projects for luxury villas will include a hotel element, with more global hospitality brands to be represented in the market.
- Design preferences are shifting away from traditional Thai influence to a more contemporary style, which is being driven by changes in the demand demographics.
- An analysis of the current absorption rate indicates potential growth for 'right priced' hospitality-led residential properties.

MARKET OVERVIEW

- Luxury residential villas are segregated into branded and non-branded properties. Presently, there are 13 projects in the primary market, with 2 estate offerings launched last year.

- Key factors such as strategic location, established branding and hospitality affiliation are touch points for pushing higher demand, which can mitigate risks of having unsold villas during the developer's holding period.

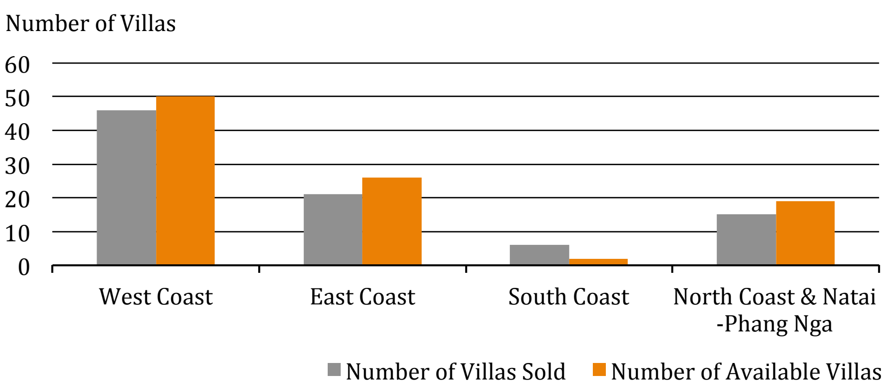
Hotel Affiliated vs. Non-Affiliated Villas – H1 2016



Source: C9 Hotelworks Market Research

Branded properties are most popular amongst developers, making up 83% of new villas product

Villa Inventory by Location – H1 2016



Source: C9 Hotelworks Market Research

Absorption rate averaged 0.20 villa/s per month, with hotel affiliated developments having faster sales pace

Average Sales Price and Sales Pace by Location – H1 2016

Source: C9 Hotelworks Market Research

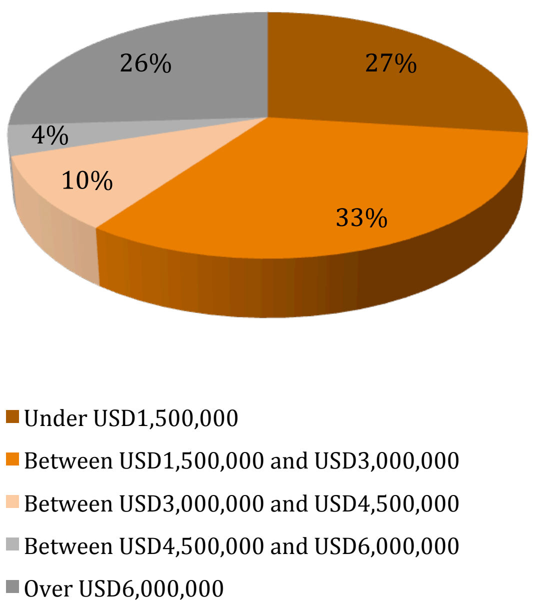
Built-up sales price per square meter average is USD 4,845

MARKET CHARACTERISTICS

- Hotel branded projects typically offer two-bedroom units while configurations for non-affiliated residential villas commonly offer five-bedroom units.

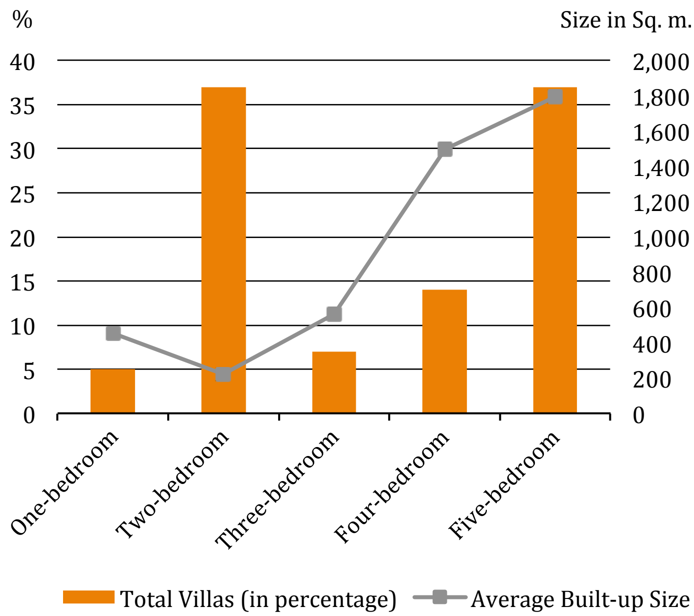
- Price range of USD1,500,000 to USD3,000,000 is the most popular band for luxury villas with premium product specifications.

Villa Pricing Strata – H1 2016



Source: C9 Hotelworks Market Research

Unit Mix and Configurations – H1 2016

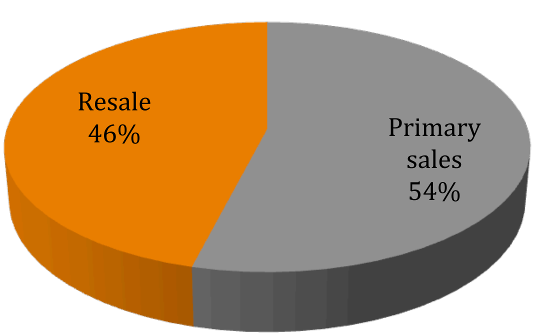


Source: C9 Hotelworks Market Research

- Supply in secondary market is rising steadily, with the resale segment effectively broadening the competition in the primary market.

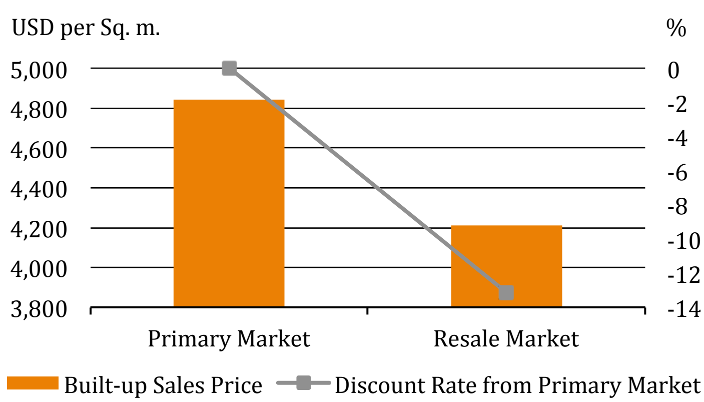
- Average built-up sales price per square meter in the resale sector is 13% lower than those of new properties, with discounting now occurring amongst primary market offerings.

Sales Market Mix – H1 2016



Source: C9 Hotelworks Market Research

Resale vs. Primary Sales – H1 2016



Source: C9 Hotelworks Market Research

About C9 Hotelworks

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- **Hotel and Resort Development**
- **Asset Management / Ownership Representation**
- **Project Feasibility and Analysis**

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.

hotelworks
HOSPITALITY CONSULTING

C9 Hotelworks Company Limited
9 Lagoon Road, Cherngtalay, Thalang, Phuket, 83110, Thailand

(Office located at the entrance of Laguna Phuket)
T: +66 (0)76 271 535
F: +66 (0)76 271 536

www.c9hotelworks.com
info@c9hotelworks.com