



PATTAYA CONDOMINIUM MARKET REPORT

PATTAYA CITY CONDOMINIUM MARKET | 1ST HALF | 2010



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COLLIERS INTERNATIONAL | THAILAND

The Knowledge Report

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Executive Summary

Significant new supply is being added to Pattaya city over the course of 2010, representing a 20% increase in total supply.

Market absorption will be challenging over the next two years exacerbated by political uncertainty and the strong baht deterring foreign buyers.

Extensive development is taking place over 500 metres from the coast as developers tap into the lower income buyers bracket, both foreign and domestic.

Wongamat is carving out a niche as the new luxury market catering to wealthy Bangkokians seeking a vacation home.



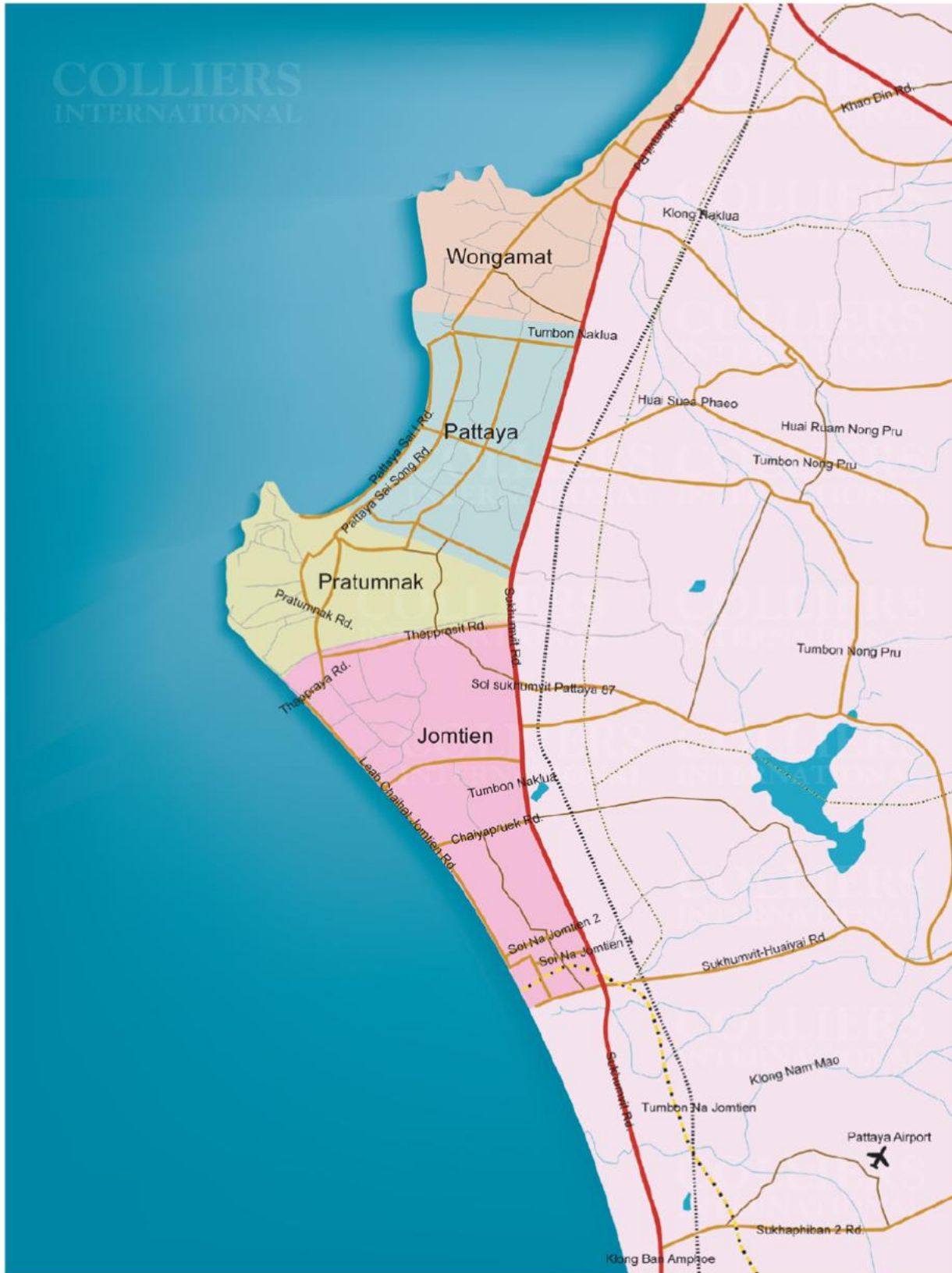
Description

Pattaya is located on the east coast of the Gulf of Thailand about 165 km southeast of Bangkok. It is within, but not under the jurisdiction of, Amphoe Banglamung in the province of Chonburi. The city of Pattaya is a self-governing municipality that covers the whole Tambon of Nong Prue, Naklua, parts of Huai Yai and Nong Pla Lai. It is located within the heavily industrialized Eastern Seaboard zone, along with Sri Racha, Laem Chabang and Chon Buri. It has a population of 556,916 and covers an area of 49.37 sq km.

Pattaya city occupies most of the coastline of Banglamung (one of the 11 districts that comprise Chonburi Province). It is divided into a larger northern section that spans the areas to the east of Naklua beach (the most northern beach) and Pattaya beach (the main beach), plus the Buddha Hill headland (immediately south of Pattaya beach), and a smaller southern section covering the area to the east of Jomtien beach, which lies directly south of Buddha Hill.

The report covers the Pattaya city area and a distinction is made between Pattaya city and Pattaya beach which constitutes part of the overall area under consideration.

ZONING



Pattaya city can be divided into four zones for the purposes of this report. Below is a summary of each zone.

1. Wong Amat

This is the area to the north of Pattaya Nua. It is considered a peaceful, more up-market location and is a relatively new area for condominium development.

2. Pattaya

This area is considered as the city centre. The section of beach from Central Road south to the harbour runs adjacent the core of Pattaya's abundant nightlife area. Many sections of the beach are covered by rented deckchairs run by local beverage vendors during daylight hours. Pattaya Nua and Klang are the areas favoured by Asian visitors, especially Chinese and Korean, while the area of South Pattaya is popular among Middle Eastern, South Asian and Russian visitors.

3. Pratumnak

This area covers the main thoroughfare connecting Pattaya and Jomtien Beach. Many upscale restaurants have recently sprung up along Thappraya Road. This area is very popular with Scan-

dinavian and Russian visitors. Part of Pratumnak contains hills where more exclusive style accommodation can be found.

4. Jomtien

Jomtien beach is about 1 km south of Pratumnak Hill. The locale is home to many high-rise condominiums, beach front hotels, shops and restaurants. The area at the beginning of Jomtien is considered busy, while the area located at the end of this beach is considered peaceful and tranquil with less traffic passing through.

For the purposes of this report Jomtien as well as Pattaya city ends as the Chom Thian Sai Road turns to the right and carries on eastwards. This is also marks the dividing line between Bang Lamung district, which contains Pattaya city; and Sattahip district which consists of Na Jomtien, Bang Saray and Sattahip town. This district remains far less developed and is therefore considered in many ways to represent a different market and will be covered in a separate report.

Note: The report covers residential areas located on or west of Sukhumvit road.



SUPPLY

HISTORICAL SUPPLY



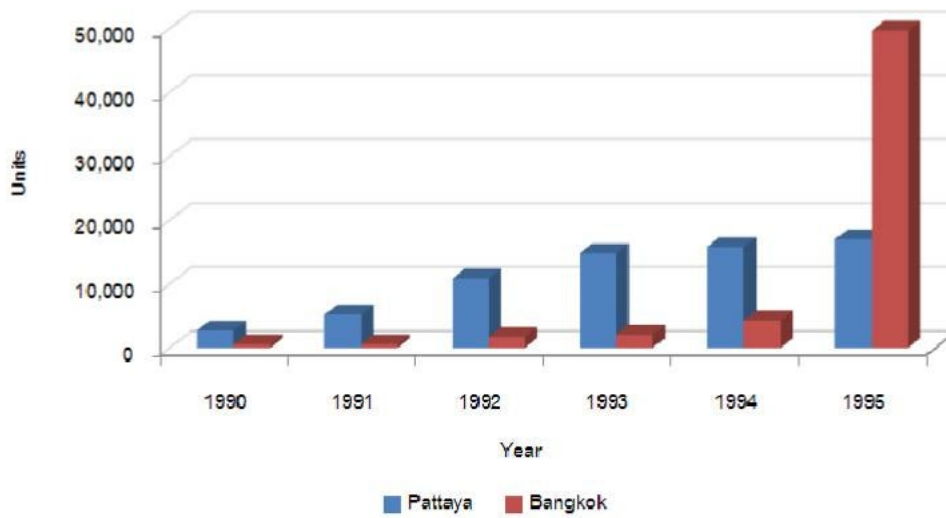
Source: Colliers International Thailand

Growth of the condominium market dates from 1992 with the development of large scale condotel style developments such as Metro Jomtien. This was the result of amendments to the Condominium Act in 1991 that allowed 40% foreign ownership which opened the door for the development of high rise residences. Initial demand came from foreign buyers as Thais did not provide the significant engine for demand as they do now, although many were beginning to benefit from the economic boom and conse-

quently purchasing property. The next surge in growth was the result of the economic boom that peaked in 1997 before the fall. A more steady, sustained level of supply came onto the market in the first decade of the new century. At the end of H1 2010, the total supply is approximately 38,550 units. For H1 2010, over 815 units were added to supply.



BANGKOK / PATTAYA HISTORICAL COMPARISON OF TOTAL SUPPLY 1990-1995

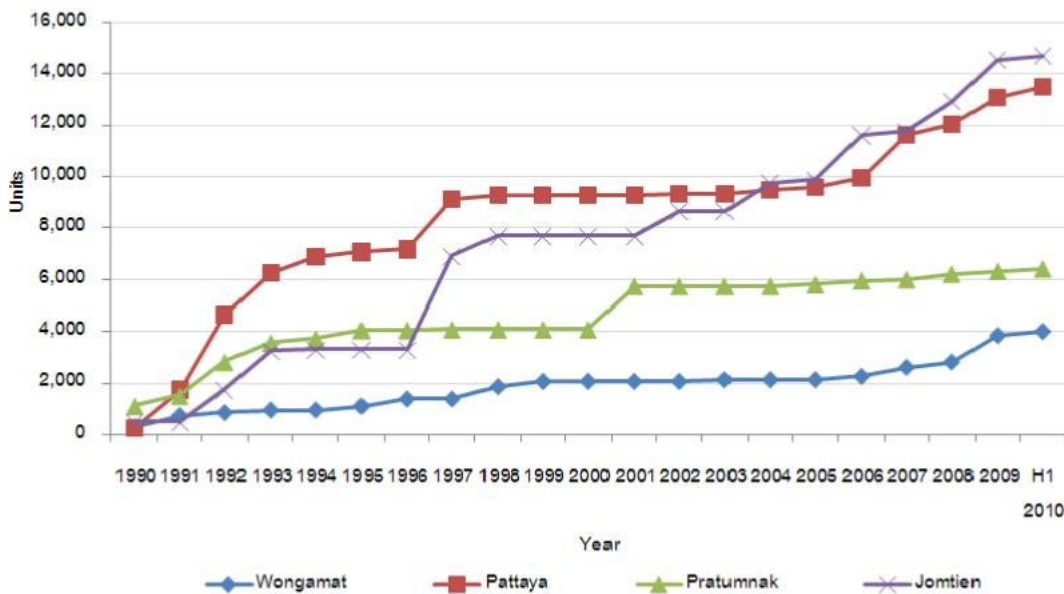


Source : Colliers International Thailand

Foreign buyers in Thailand are more attracted to resort areas than Bangkok and this accounted for the fact that new condominium units in Pattaya outstripped Bangkok after the Condominium Act amendment took effect in 1991. However, this changed

dramatically in 1995 with a surge in developments in the capital city and high rise residential buildings became part of the Bangkok landscape from then on.

SUPPLY BY ZONE

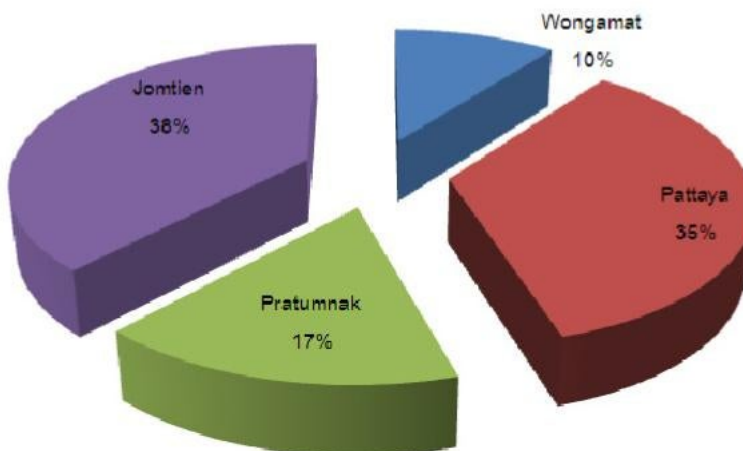


Source : Colliers International Thailand

The initial surge in supply in the city was dominated by Pattaya. However, in 1997 a significant addition was made to Jomtien supply by the Jomtien Beach Condominiums (known as Rimhat). The two areas continued to be the main target for developments

up to the present day. Jomtien has since overtaken Pattaya due to the greater availability of land, especially close to the sea. The Pratumnak and Wongamat areas have developed on a lower trajectory of growth over this period.

CONDOMINIUM SUPPLY BY ZONE, H1 2010



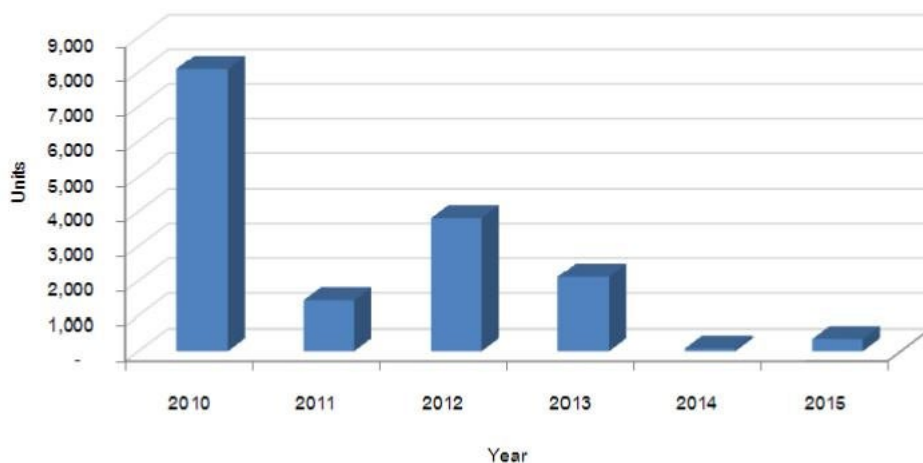
Source: Colliers International Thailand

Jomtien takes up the biggest share, representing about 38% of the total, followed by Pattaya area, at about 35%.

Condominium projects in Pattaya area are predominantly low rise in nature and the average number of units per project is approximately 150, which is similar to projects in the Wongamat and Pratumnak areas. The figure for Jomtien area is around 340 units as most of the projects are high rise buildings. The

pattern of overall real estate development is different for Pattaya and Jomtien. Pattaya contains the lion's share of both hotel and retail projects leaving limited sized land space available for larger scale condominiums. Jomtien was largely spared this process in the 1980's and 90's and as a result greater tracts of lands were available for larger scale projects.

FUTURE SUPPLY

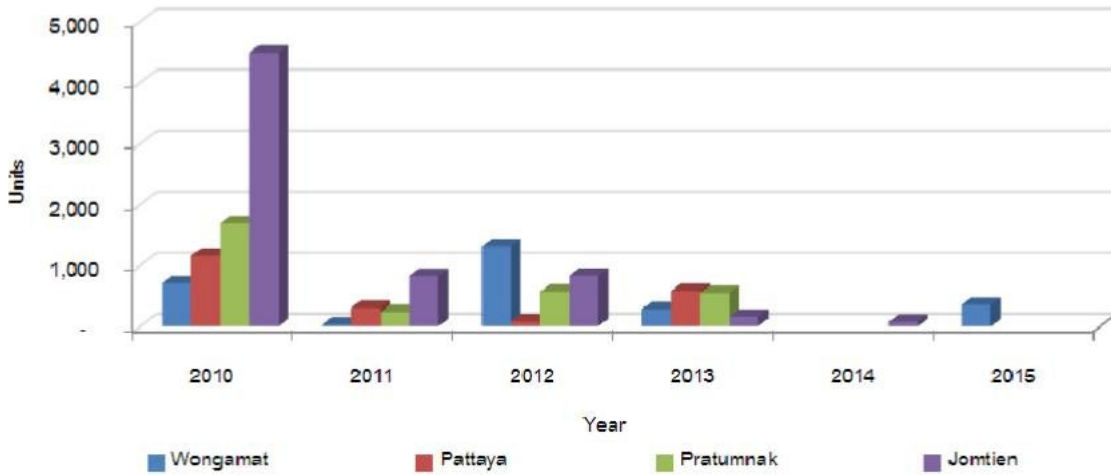


Source : Department of Land, Colliers International Thailand Research

More than 8,000 units are scheduled to be completed in 2010 which represents an increase of 20% in total supply. The fol-

lowing year will witness a sharp reduction in new supply whilst Wongamat will fuel growth for 2012.

FUTURE SUPPLY BY ZONE

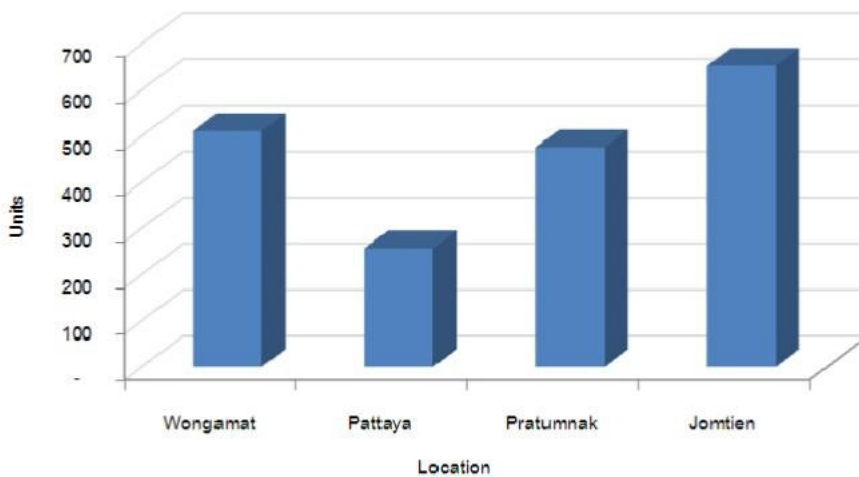


Source : Colliers International Thailand Research

A sizable number of units will open their doors in Jomtien for 2010 and will consolidate the area's status as the main condominium market in the city. However in 2012 Wongamat will

usher in over 1,000 new units and begin to carve out a niche as a luxury end area, distancing itself as a market from Pattaya.

NEWLY LAUNCHED IN HI 2010



Source : Colliers International Thailand Research

Jomtien still the most popular location for new condominium projects, more than 600 units were launched in first half of 2010, while Wongamat and Pratumnak ranged at around 500 units. Many of the newly launched projects in Jomtien and Pattaya are

located far from the beach with low asking prices. However in Wongamat a range of projects are springing up, both by the sea and further away.

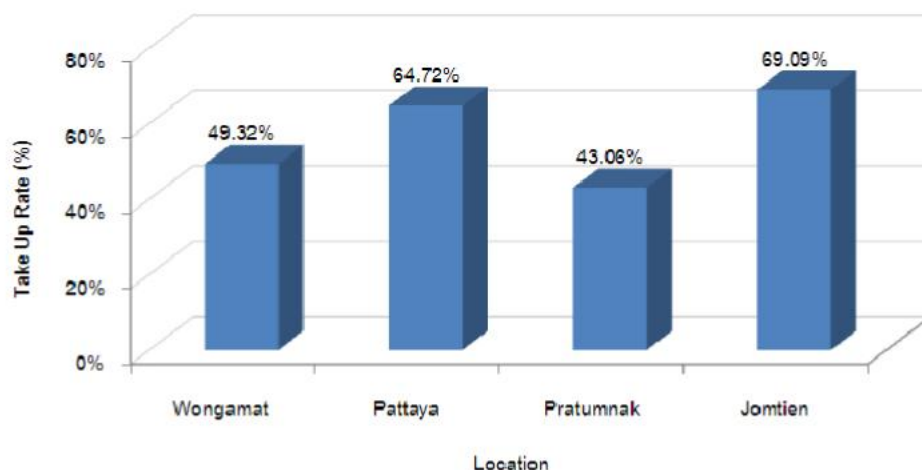
DEVELOPERS

A number of Pattaya based developers have become dominant players in the local market. Companies such as Iguana, Heights Holdings, Nova Group and Rattanakorn Asset have a large stock of existing developments and as such the market is maturing in similar fashion to Bangkok after 1997. At present no local devel-

oper is listed on the stock exchange but this may change in order to finance further expansion. However a few Bangkok based listed developers continue making their mark, including Raimon Land and Major Development.

DEMAND

TAKE UP RATE OF LAUNCHED PROJECTS SINCE 2009



Source: Colliers International Thailand

The take up rates for both Jomtien and Pattaya are far higher than that of the other two areas. Many of the projects in Jomtien and Pattaya cater for the lower end of the market with a number being marketed as one million baht condos. As in Bangkok, these developments are geared to affordability to buyers normally excluded from the market. These projects cater for foreigners looking to buy a cheap retirement home or a weekend

pad and locals buying their first property or Bangkokians looking for a vacation home. Often these projects are sold quickly while the more expensive condominiums located in Wongamat take longer to sell due to the decision making process of buyers in this market segment.



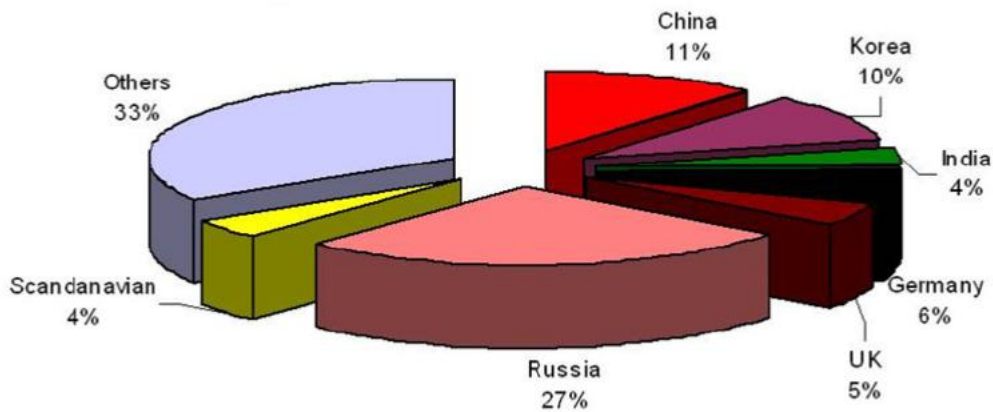


FOREIGN OWNERSHIP/DOMESTIC DEMAND

In contrast to the Bangkok market, foreigners take up the lion's share of lower end condominiums in Pattaya and Jomtien as many are retirees with limited financial resources and foreign Bangkok residents looking for a cheap holiday home. This has meant that for units below 2 million Baht there is often a dual pricing structure resulting from the 49% foreigner owner limitations. In the newly emerging upmarket residential markets of Wongamat and Pratumnak, local buyers are the main driver and

there are far fewer dual pricing policies. Residual negative connotations regarding Pattaya remain in the domestic market and local buyers are attracted to the more family orientated upmarket areas. In fact locals distinguish these areas as being different locations from Pattaya itself. The process of the segmentation of Pattaya city is taking shape.

BREAKDOWN OF FOREIGN VISITORS TO PATTAYA 2009

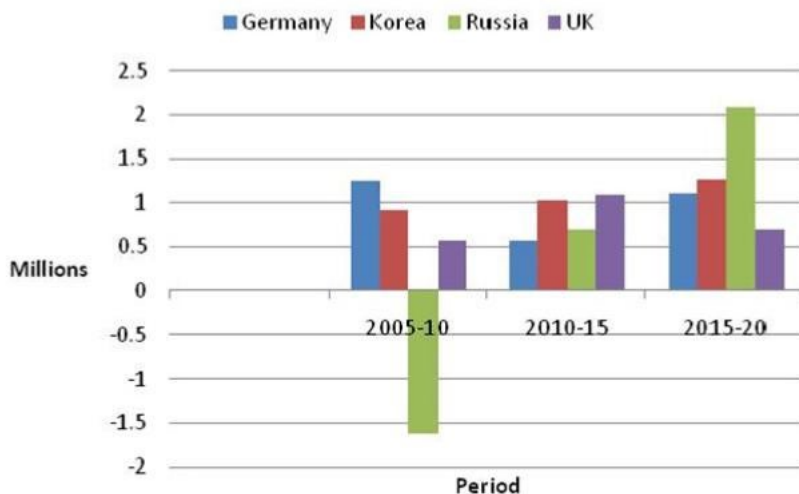


Colliers International Thailand Source: Office of Tourism development

The Russians account for over a quarter of foreign visitors to Pattaya and the increasing number of signs and advertising in Russian is a testament to this. They also represent a large market for condominium developers and a number even have Russian sales staff to promote their projects. The Chinese are a growing force in the tourist industry in the city but they represent more of the mass tourist segment of the market and as such are less

likely to be buyers of property at present. However with costs of vacation property in China itself spiraling, especially in Hainan Island, Chinese may be looking further afield and what begins as a tourist destination could develop into a residential one in the future. The growth of this particular segment will be an interesting one to observe in the future.

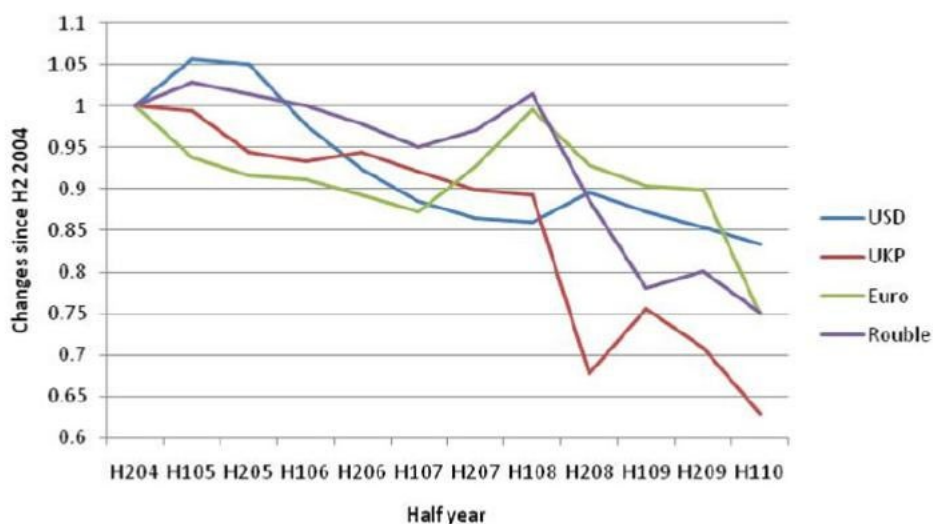
ADDITION OF POPULATION OVER 65 IN SELECTED COUNTRIES



Significant numbers of retirees will come about from countries that are large markets for the Pattaya tourist industry and consequently potential residents in the future. With lower government pension provisions expected in the era of the greying

babyboomers, many in the west may choose to live their remaining days in a country offering them a better quality of life. Koreans do not represent important buyers at present but this may change in the future.

CHANGE IN CURRENCY TO THAI BAHT

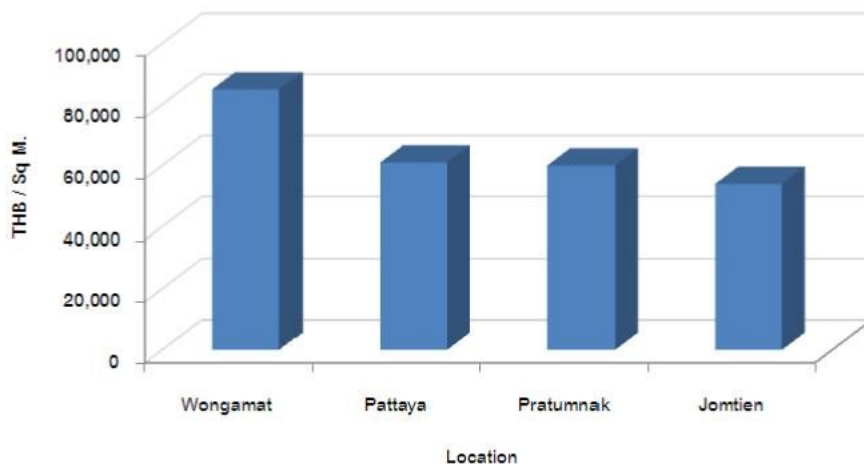


The table shows how Pattaya as well as other resort towns in Thailand are hampered by the strength of the Thai Baht against currencies of the vast majority of foreign demand. It can be argued that this factor, rather than political uncertainty is what is deterring foreign buyers. Conversely a person who purchased a property six years ago and then sold recently would stand to make a significant gain in his own currency.

The current crisis for the Euro will continue to thwart Pattaya's efforts to capture a significant share of foreign buyers for more upmarket products. However the Chinese could be future players in the market as the Yuan is expected to appreciate against the dollar in the future as the government is under pressure to relax its currency controls.

PRICE

AVERAGE SELLING PRICE OF UNITS HI 2010



Source: Colliers International Thailand

Location, launch time period, project design, unit design, facilities, building specification and decoration, developer, quality of the product, target group and beachfront are the main factors affecting the selling price.

Wongamat has an average selling price of around 85,000 baht per sq m, with a number of luxury developments going for much

higher. In one development some unit prices were as high as 160,000 baht per sq m, comparable with a high end unit in Bangkok. The lower prices recorded in the other areas were on account of many projects being located over 500 metres from the coast.

AVERAGE SELLING PRICE BY LOCATION HI 2010

LOCATION	AVERAGE SELLING PRICE (THB / SQ M.)	AVERAGE SELLING PRICE (THB / SQ M.)			
		BEACHFRONT	OTHER AREA	HIGH RISE (> 8 STOREY)	LOW RISE (< 8 STOREY)
Wongamat	84,980	110,000	54,000		
Pattaya	61,000				
Pratumnak	60,000			72,500	58,000
Jomtien	54,000	93,000	50,000	93,000	50,000

Source: Colliers International Thailand

Beach frontage is the key driver for luxury condominiums. Prices can rise by over 100% when located by the beach. There is also a premium for high rise condominiums as the view from the unit is especially important for buyers of a resort property. In relation

to Bangkok most Pattaya developments use greater quantities of glass in their construction in order to make the most of the surroundings.

OUTLOOK

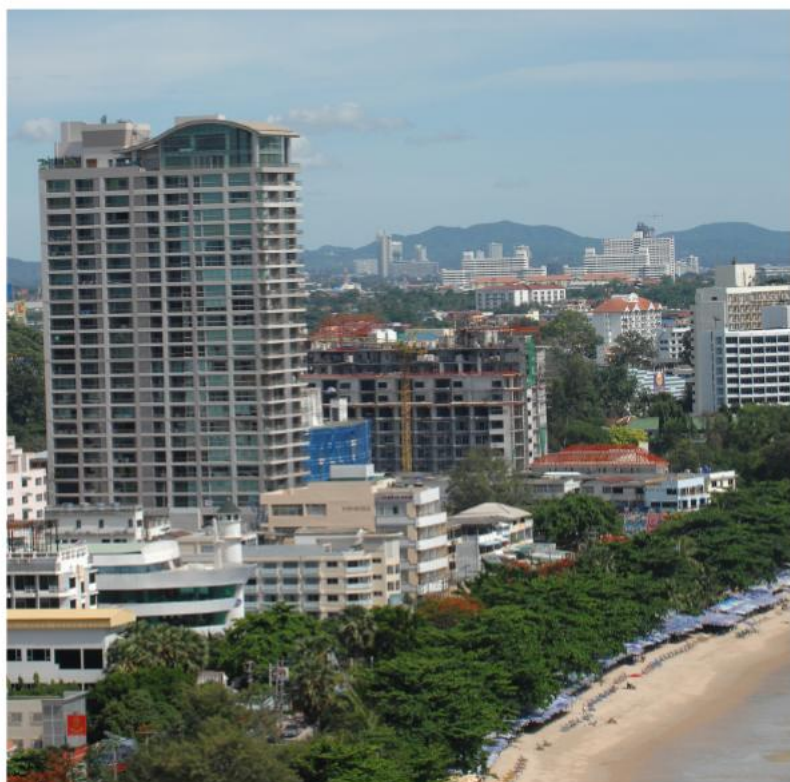
Pattaya city is continuing its period of diversification away from being an entertainment area to a larger, more family orientated resort city. The pattern of development in Pattaya beach itself looks set to be the emergence of higher end condominiums and hotels in Beach road and Second road with the entertainment scene being driven to Third road and beyond. The process of bifurcation looks set to continue albeit slowly.

Pattaya city also looks to be in a process of segmentation as each area takes on its own unique characteristics. Wong Amat and Pratumnak and the beach roads of Pattaya and Jomtien beaches are likely to remain the key luxury sectors for condominium development while lower end products are springing up further away in Pattaya and Jomtien.

The strains on the lower end market in respect of foreigners look set to continue. As the baby boomers retire expect a surge in demand for cheaper units and barring a change in the Condominium Act or leasehold renewals, developers may start focusing on some supply being used as apartments for lease or even hotel style accommodation. This will allow more units to be free for foreign buyers and also supply demand for cheap rental accommodation.

The real estate industry in Pattaya is showing signs of maturing. Many locally based developers are now able to display a portfolio of completed projects that ensure trust from buyers in the market. If Pattaya continues to expand then expect a number to consider listing on the stock market to further enhance growth and consolidation. Existing Bangkok based developers have limited exposure in only the high end segment.

The influx of new supply on the market in the next couple of years means pricing pressures in the mid term. Investors will be looking for attractive offers in the future and if sentiment is bullish in the longer term then such investment could provide opportunities for decent yields and capital gains.



**COLLIERS INTERNATIONAL THAILAND
MANAGEMENT TEAM**

ASSET MANAGEMENT

Wasan Rattanakijjanukul | Manager
Nukarn Suwatikul | Manager

CONSULTANCY

Napart Tienchutima | Manager

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Bandid Chayintu | Associate Director

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Jean Marc Garret | Director

INVESTMENT

Nukarn Suwatikul | Senior Manager

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Patima Jeerapaet | Managing Director

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Antony Picon | Senior Manager
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VALUATION

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PATTAYA OFFICE

Mark Bowling | Sales Manager
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CONTACT INFORMATION

THAILAND:

Patima Jeerapaet
Managing Director
patima.jeerapaet@colliers.com

Antony Picon
Senior Manager | Research
antony.picon@colliers.com

Surachet Kongcheep
Manager | Research
surachet.kongcheep@colliers.com

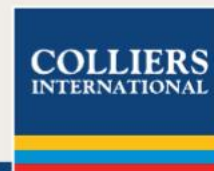
Mark Bowling
Sales Manager | Pattaya
mark.bowling@colliers.com

Colliers International Thailand

Bangkok Office : 17/F Ploenchit Center, Klongtoey
Bangkok 10110 Tel: 662 656 7000 Fax: 662 656 7111
Email : info.th@colliers.com

Pattaya Office : 492/2 Thappraya Road, Nongprue,
Banglamung Chonburi 20150 Tel: 6638 364 411-2
Fax: 6638 364 414 Email : info.pattaya@colliers.com

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