

# (Strategies) 02.08



The future site of Song Saa Island Resort, Cambodia.

## A Slice of Paradise

Over-the-top villa developments are popping up along Southeast Asia's coastlines, but which ones are the best bets? DANIEL TEN KATE scopes out the splashiest projects being built. PLUS: How to buy your own private island

**W**HEN HONG KONG RESIDENT Ian Pollack was looking to buy a holiday villa last year, he found Phuket, Thailand, had some serious advantages: a track record in tourism, good restaurants and infrastructure that was superior to other beach destinations in the region. But, at the end of the day, the British banker was drawn to Vietnam—so much so that he ended up buying two villas in one of Asia's fastest-growing economies.

Pollack is just one of an increasing number of investors from the West and Asia who are buying into luxury villa complexes being built on oceanfront property across Southeast Asia. In Phuket and Ko Samui, the two largest villa markets in the region, land prices have jumped at least four-fold since the late 1990's, according to real estate agency Colliers. And the boom in construction—which is happening despite concerns about land ownership laws in the region—isn't just confined to established markets. »

As Pollack discovered, buyers now enjoy a choice. They can stick to Phuket, or they can park their money in emerging but less-developed locations that offer a more rustic feel and the potential for far greater returns, like Vietnam, Indonesia, Malaysia and even Cambodia.

#### VIETNAM

Vietnam has been attracting a great deal of interest from those seeking second homes, partly because of the untouched beauty of its beaches and mountains, but also because of the excitement surrounding the Vietnamese economy. Pollack believes his decision to buy there was a financially savvy one. "The upside of Phuket is less than Vietnam," he says. "From an investor's point of view, Vietnam's growth story has been well written." He reckons his new villa on China Beach in Hoi An, a UNESCO World Heritage site in central Vietnam, could bring in rental returns of 5 to 7 percent per year, plus capital appreciation that is two to five times that of villas in Phuket.

Pollack's bullishness has some basis. For starters, his new villa is part of **The Nam Hai** resort, which also contains Vietnam's first luxury private villa complex. The development has an impressive pedigree: it was designed by French architect Reda Amalou and Indonesian interior designer Jaya Ibrahim (who also designed The Chedi Milan), and is managed by Amanresorts founder Adrian Zecha. The government is also actively courting the international market for holiday homes; it recently loosened foreign investment laws on property, though foreigners still can't directly own land. Officials also have big plans for Vietnam's coastline, particularly in Danang province, which neighbors Hoi An. With government blessing, five major international hotel chains—Raffles, Four Seasons, InterContinental, Sofitel and Hyatt—all have projects under construction in the province. Both the **Raffles** and **Hyatt** resorts will include private holiday villas. Elsewhere in Vietnam, other luxury villa developments are planned for Nha Trang, Ho Tram and Phu Quoc Island, most of which will be completed in late



A bedroom in one of the villas at Cape Yamu.



A private view of the sea at a villa in Cape Yamu.

2008 or 2009. "There is probably US\$500 million worth of resort housing under construction," says Rick Mayo-Smith, managing director of Indochina Capital, a Saigon-based property development firm that was behind The Nam Hai. "It's a whole brand-new market."

#### PHUKET

While Danang is certainly the fastest-growing luxury housing market in the region, it still has a long way to go to catch up with Phuket. "Phuket is the pinnacle of the [beach villa] market in Southeast Asia," says David Simister, chairman of property consultant CB Richard Ellis Thailand. "That position is pretty much unassailable."

There's plenty of evidence to back Simister's view: more and more high-end projects are being built in Phuket, and developers are expanding to nearby areas like Phang Nga province to the north and Krabi to the south. Among the high-profile villa projects in Phuket to be completed in the next few years are the super-luxury **Raffles Resort Phang Nga**, **Taj Exotica** by the Indian luxury hotel chain, **Jumeirah Private Island** from the Dubai-based hotel and resort group, and, finally, **Cape Yamu**, Zecha's latest project that has Philippe Starck on board as the interior designer.

Thailand's premier resort destination did lose some of its luster after the army staged a coup in September 2006 and installed a provisional government that quickly tried to tighten the country's foreign ownership laws. Legally, foreigners aren't allowed to own land in Thailand, but many have gotten around that rule by buying land through a



nominally Thai-owned company. The political uncertainty has all but ended freehold villa sales to foreigners; now nearly all sales are leasehold.

## BALI

Many countries in Southeast Asia forbid outright foreign ownership of land—restrictions that real estate developers soften with long-term leases. In Thailand, villa buyers can secure 30-year renewable leases, while Vietnam offers renewable 50-year leases. And though it's long played host to foreigners, Bali for years was notorious for its shaky property

ownership rules; lease agreements between landowners and foreigners are not officially recognized, which often leads to tangled disputes. Still, recognizing the potential windfall from the mushrooming holiday villa market, the Indonesian government is trying to make it easier for foreigners to own property. Villas at two projects under construction, **Wabi Umalas** and **LIV Bali** on Jimbaran Bay, can be bought using a government-sanctioned title that effectively gives foreigners 100-year leases. So far, the approach seems to be working. Australian Russell McDonald, who just bought a four-bedroom villa at Wabi Umalas, says the legal process »

# Asia's Best Villas

PROPERTY	PEDIGREE	SPECS	PRICE TAG
<b>Cape Yamu</b> , Phuket, <a href="http://www.capeyamu.com">www.capeyamu.com</a>	Designed by Philippe Starck and Jean-Michel Gathy	32 villas on the island's east coast; expected to be finished by early 2009	US\$2-US\$2.5 million
<b>Raffles Phang Nga</b> , Phuket, <a href="http://www.phuket.affles.com">www.phuket.affles.com</a>	Built by Kingdom Hotel Investments, controlled by Prince Al-Walid of the Saudi royal family	24 residential villas on the Andaman Sea along with a 120-room resort that features an 80,000-square-meter freshwater lake; expected to open in 2009	US\$3 million and up
<b>Jumeirah Private Island</b> , Phuket, <a href="http://www.tgr-asia.com">www.tgr-asia.com</a>	Global hotel and resort firm Jumeirah	105 deluxe pool villas, 19 residential estates, 30 private residences and a 101-berth marina on a small island in Phang Nga Bay; to be completed in 2009	US\$3 million and up
<b>Six Senses Hideaway Con Dao</b> , Con Son Island, Vietnam, <a href="http://www.sixsenses.com">www.sixsenses.com</a>	Managed by Six Senses, which operates resorts and spas in Thailand, Maldives and Vietnam	16 luxury villas set in a national park, 180 kilometers off the coast of southeast Vietnam on the largest island of the Con Dao archipelago; expected to be completed in December 2008	US\$1.5-US\$2.5 million
<b>Sanctuary</b> , Ho Tram, Vietnam <a href="http://www.sanctuary.com.vn">www.sanctuary.com.vn</a>	Built by Refico, a Vietnamese boutique property developer	Located between Vung Tao and Phan Tiet on the South China Sea, about 135 kilometers from Ho Chi Minh City, this development features a boutique resort and 67 luxury villas with waterfront views; 20 more villas will be completed in 2010	US\$500,000-US\$1.6 million
<b>Wabi Umalas</b> , Bali, <a href="http://www.thewabi.com">www.thewabi.com</a>	Designed by Bali-based Gfab Architects, which designed the Foreign Correspondents Club in Siem Reap	9 luxury villas set in the rice fields of Bali's Umalas district with sweeping views of nearby volcanoes, 15-meter pools and full resort services; to be completed in early 2009	US\$425,000-US\$575,000
<b>The 8</b> , Sabah, Malaysia, <a href="http://www.clairebrownrealty.com">www.clairebrownrealty.com</a>	Funded by Malaysian developer Alan Wong	11 one-story beachfront villas, 8 two-story beach-view villas and 4 ocean-view penthouses accompanying a high-end boutique hotel; to be completed in early 2010	US\$200,000 and up; 70 percent financing for foreigners
<b>Song Saa Island Resort</b> , Sihanoukville, Cambodia, <a href="http://www.brocongroupp.com">www.brocongroupp.com</a>	Developed by an Australian-run company; negotiations with a major resort brand to manage the property are under way	5 private villas in the Gulf of Thailand, next to a luxury hotel; to be completed in 2009	US\$2.5-US\$3 million



was relatively straightforward. "Actually, I didn't find it too much more complicated than Australia," he adds.

#### MALAYSIA

Malaysia is one of the few countries in the region that does allow foreign land ownership. It also sweetens deals by offering foreign buyers local financing and 10-year visas after a fixed deposit of up to RM300,000. While buyers have so far only trickled into Malaysia, several new projects in Borneo could spark a surge of interest. The **Kudat Riviera**, **The 8** and **Nexus Residence** offer high-end villas in Sabah State, all located about 30 minutes from Kota Kinabalu airport. Since local authorities tightly control development, the area will remain pristine, says Claire Brown, founder of Claire Brown Realty, which is marketing the Kudat Riviera and The 8. "If you want to build an ugly, low-class, nasty development, you won't be able to," she says.

#### CAMBODIA

If you're looking for something really different, consider Cambodia. Last year, the government began offering concessions for developers to build on islands off the port of Sihanoukville. Brocon Group, a developer, plans to build **Song Saa Island Resort**, spanning two small islands, which will feature five three-bedroom villas for about US\$3 million each. Brocon has a 99-year concession from the government, and investors can then sublease the villas from the company, making the investment as secure as anywhere.

"A villa in Phuket won't be much different from where a buyer just left from," says Rory Hunter, Brocon's CEO. "Cambodia is more adventurous, more remote, but with the same luxury."



## Solitude for Sale

Richard Branson and Mel Gibson are just a few of the rich and famous who own private islands. But these days, you don't have to be a maverick entrepreneur or even a big spender to rule your own little realm. *By* CARMEN ROBERTS



Temptation Island, off Phuket.

**S**O YOU'VE GOT THE LUXURY YACHT, fleet of convertible sports cars and holiday villa in the Caribbean. But before blowing your money on the latest big-ticket gadget or "It" bag, have you ever thought about buying your own private tropical island?

Once viewed as the privilege of eccentric, wealthy recluses (think Marlon Brando cavorting on his island in French Polynesia), the solitude and tranquility of island life is something that's appealing to an increasing number of Asian investors—in spite of often tricky legal terrains. "The market in the Philippines, Indonesia and Thailand has experienced massive growth in the last 10 years," says Southeast Asian island broker, Cheyenne Morrison from Goldwell Banker Private Islands.

Indeed, these days, you don't have to be a multimillionaire to lay claim to your own island paradise. Despite listing Middle East crown princes, Hollywood actors and Fortune 500 CEO's among his clientele, Morrison notes that the majority of buyers are simply shrewd investors. "I once sold three islands in the Philippines for less than US\$200,000 to an American restaurant critic," he recalls.

Morrison, however, urges prospective buyers to do their homework first. Most Asian countries have strict regulations on foreign ownership and development. As a general rule, foreigners can only invest in islands through a long-term lease or by forming a corporation. Many brokers will also recommend renting an island first. That way, potential buyers can get a real feel for the environment. +