

THAILAND

PATTAYA CITY CONDOMINIUM MARKET REPORT



Pattaya City Condominium Market

EXECUTIVE SUMMARY

Just over 4,700 units were supplied in Pattaya for 2010 representing a nearly 12 % increase from 2009. This was the greatest addition to supply since 1997.

New launches for 2010 amounted to just over 3,420 units. With take up and prices remaining stable it would appear that future growth in condominium developments is running in tandem with the growing popularity of the city as a residential resort area.

Pratumnak will be the new darling of the city as developers focus on the natural attraction of Pratumnak hill with its position overlooking the city and access to Cosy Beach. Over 650 units were launched in this area in the second half of 2010.

Many local developers are now firmly established in the city along with involvement from a number of listed developers. Pattaya city is appearing on the radar screen for other Bangkok based developers as the city turns into a world class destination and future commercial centre.

MARKET INDICATORS

H1-H2 2010

SUPPLY	↑
LAUNCHES	↑
PRICES	↑
TAKE-UP	↑

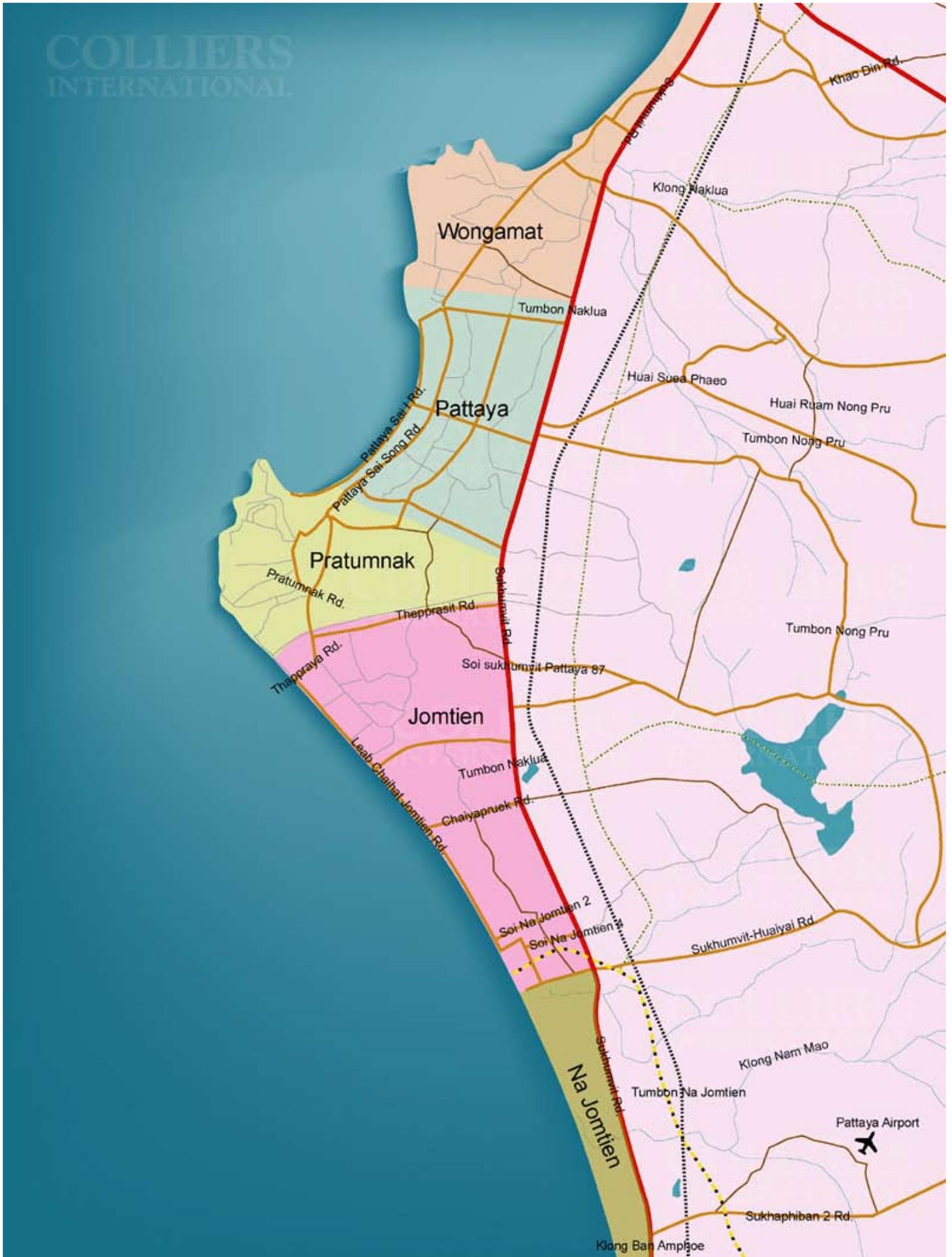
DESCRIPTION

Pattaya is a city 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 Bang Lamung in the province of Chonburi. The city of Pattaya is a self-governing municipality that covers the whole Tambon of Nong Prue, Na Klua, 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 as well as Na Jomtien 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 Scandinavian 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.

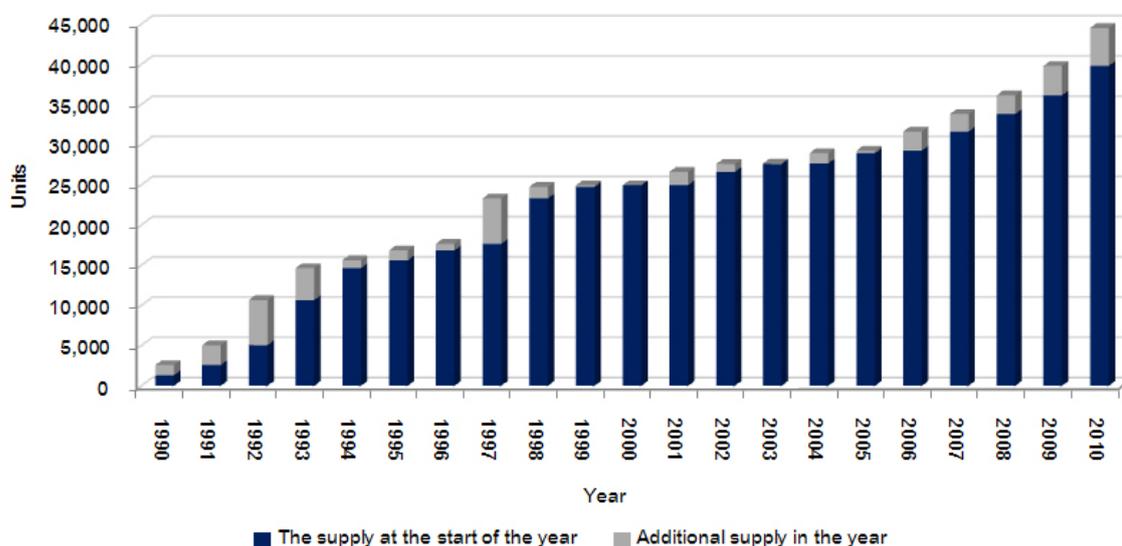
5. NA JOMTIEN

Na Jomtien beach is south of Jomtien and does not have a beachfront road and is less developed as a result. The main road connection is Sukhumvit road, which is located between 500-1,000 meters from the beach, this area extends to Bang Saray beach in Sattahip district.

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

SUPPLY

HISTORICAL SUPPLY



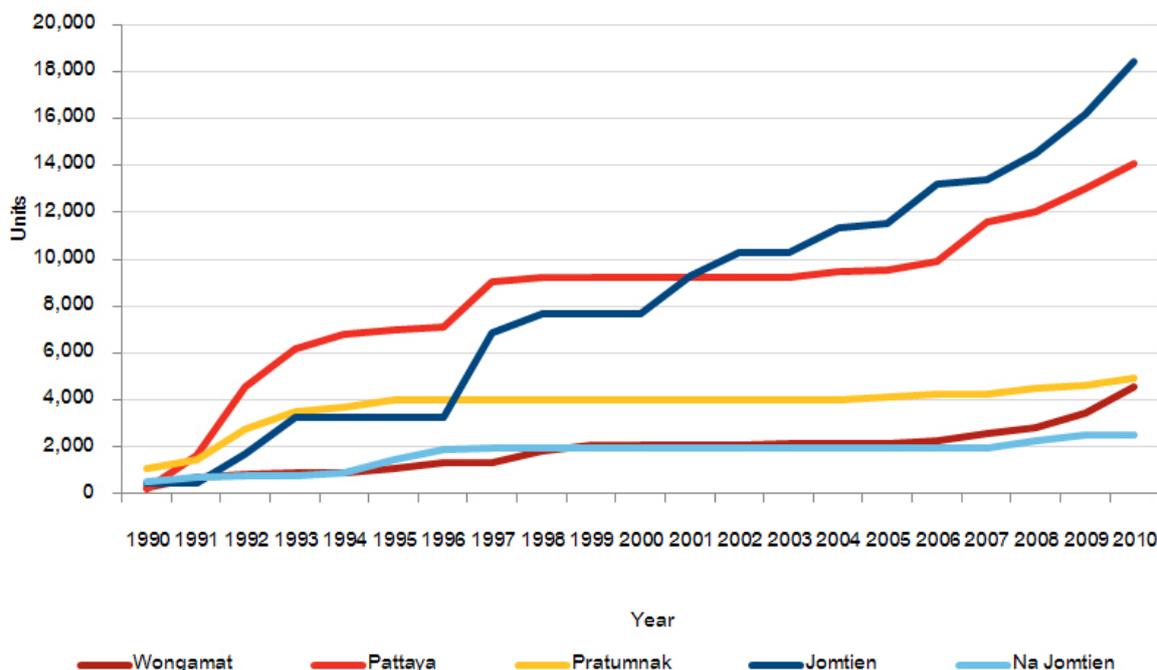
Source : Department of Land and Colliers International Thailand

Note: Figures now include Na Jomtien area

The foundation for the condominium market occurred in 1992 with the development of large scale condotel style properties such as Metro Jomtien. This was the result of the Condominium Act in 1989 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 consequently purchasing property. The next surge in growth was the result of the economic boom that

peaked in 1997 before the fall. A more limited but sustained level of supply came onto the market in the first few years of the new century but picked up in the latter half of the last decade. At the end of H2 2010, the total supply is approximately 44,500 units. For H2 2010, nearly 3,000 units were added to supply. Overall just over 4,700 units were added in 2010 which represents the largest increase in supply in Pattaya since 1997.

SUPPLY BY ZONE



Source : Colliers International Thailand Research

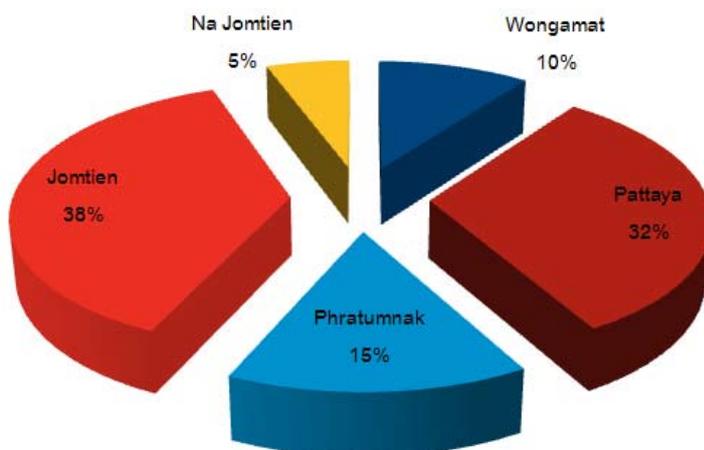
The initial surge in supply in the city was dominated by Pattaya. However in 1997 a significant addition was made to Jomtien supply by the Jomtien Beach Condominiums (known as Rimhat). The two areas continued to be the main target for developments up to the present day. Jomtien has

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 LOCATION, YEAR END 2010

The largest condominium supply is in the Jomtien area, representing about 38% of the total, followed by Pattaya area, at about 32%.

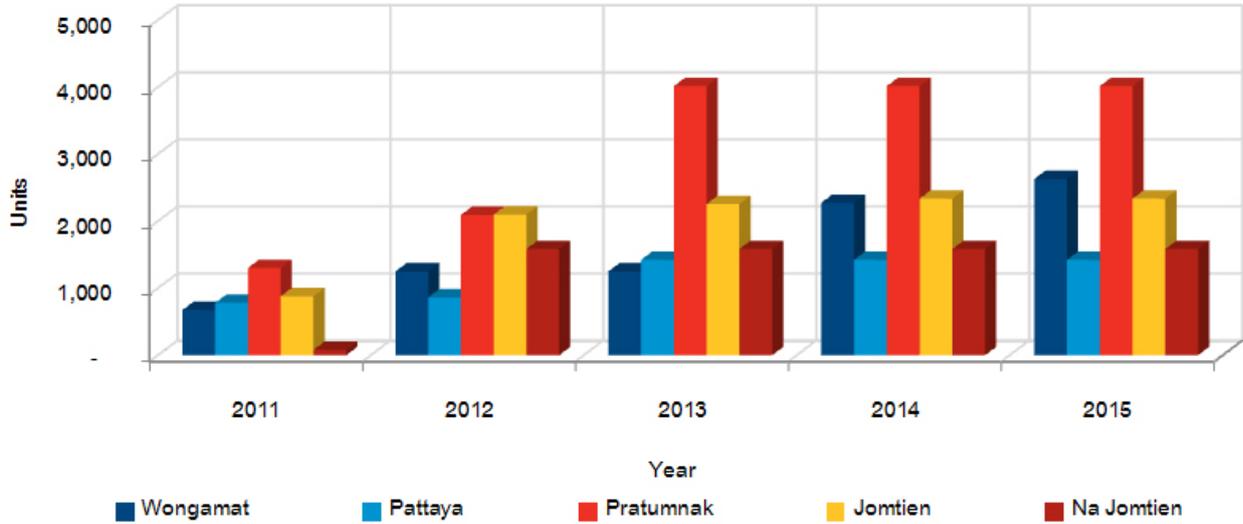
Condominium projects in the Pattaya area are predominantly low rise in nature and the average number of units per project is approximately 140, which is similar to projects in the Wongamat and Pratumnak areas. The figure for Jomtien area is around 360 units as most of the projects are high rise buildings. 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 and still remain available for larger scale projects.



Source : Colliers International Thailand Research

FUTURE SUPPLY

CUMULATIVE FUTURE SUPPLY BY LOCATION



Source : Colliers International Thailand Research

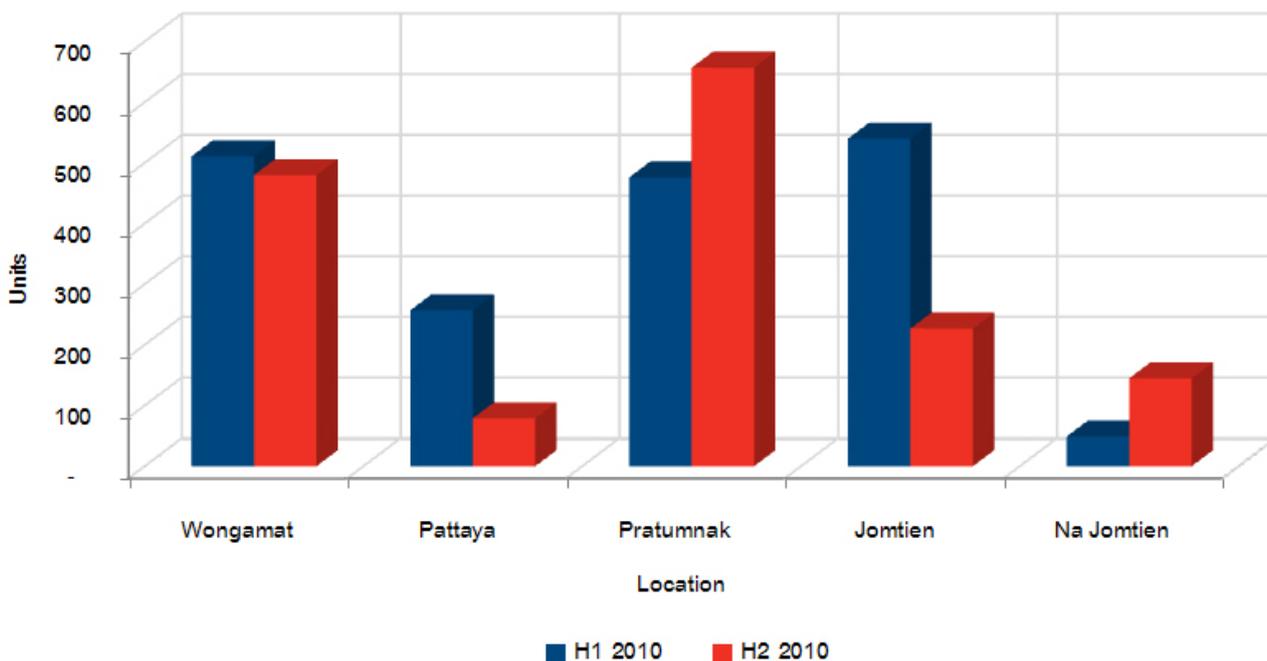
More than 3,700 units are scheduled to be completed and transferred in 2011 which represents an increase of 8.3% in total supply and more than 4,100 units are scheduled to be completed and transferred in 2012. Pratumnak is the main growth story over the next few years as over 4,000 units are scheduled to come online by the end of 2013. During the second half of 2010 the hottest location for several local developers was the somewhat untouched Cosy Beach area of Pratumnak Hill, where several high rise condominiums are either currently under construction or in the relatively early stages of sales and marketing. The Cliff by Nova

Group was the first to enter the race late 2009 and has successfully sold approximately 70% of its 427 units in little over 12 months.

Following on from the success of The Cliff, Nova Group recently introduced the similarly priced Legend on Cosy Beach, along with five other proposed high rises from various developers in the same area. Wongamat will also fuel future supply over the course of the next few years with the introduction of three large scale high end projects The Palm, Zire and W Tower.



NEWLY LAUNCHED IN 2010



Source : Colliers International Thailand Research

Pratumnak has become the most popular area for condominium projects due to its hilltop location with sea views, easy access to Cosy Beach & Haad U Thong, plus the easy access to Pattaya city itself. More than 650 units were launched in the second half of 2010, while approximately 450 units were launched in Wongamat. Although all of condominium project in Pratumnak area are located not directly on the beach, this area is peaceful with good views atop a hill. For 2010 around 3,420 units were launched onto the market.

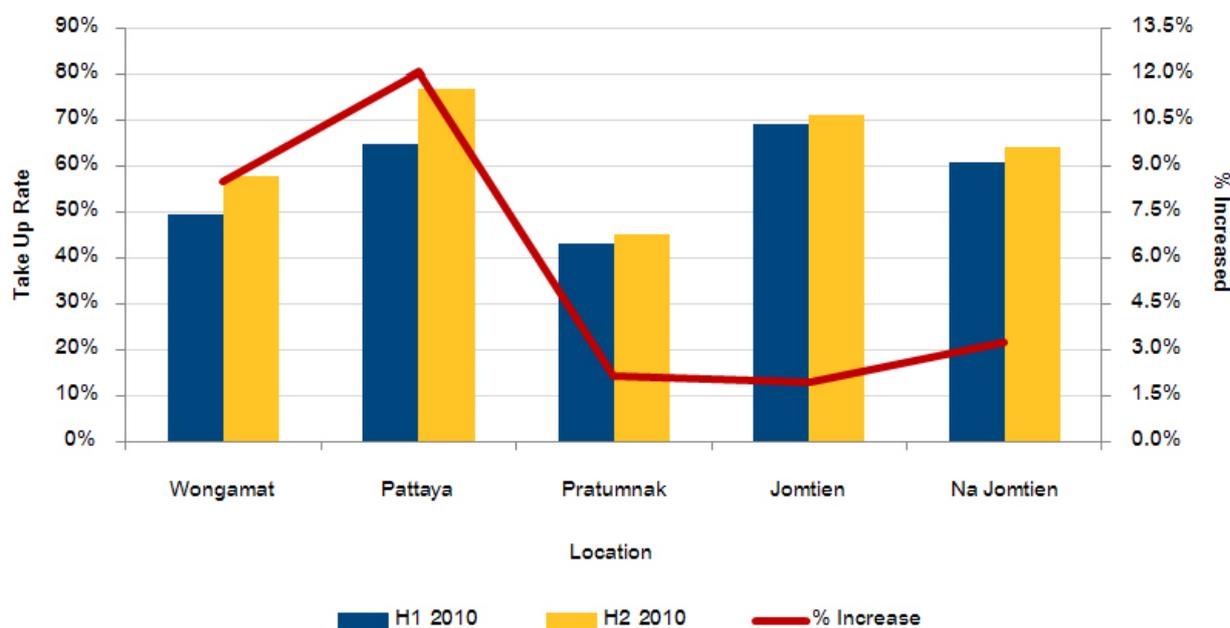
DEVELOPERS

A number of Pattaya based developers have become dominant players in the local market. Companies such as Nova Group, Raimon Land, Iguana, Heights Holdings, Rattanakorn Asset & View Talay have a large number of completed units under their belts and as such the market is maturing in similar fashion to Bangkok after 1997. At present no local developer 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 Research

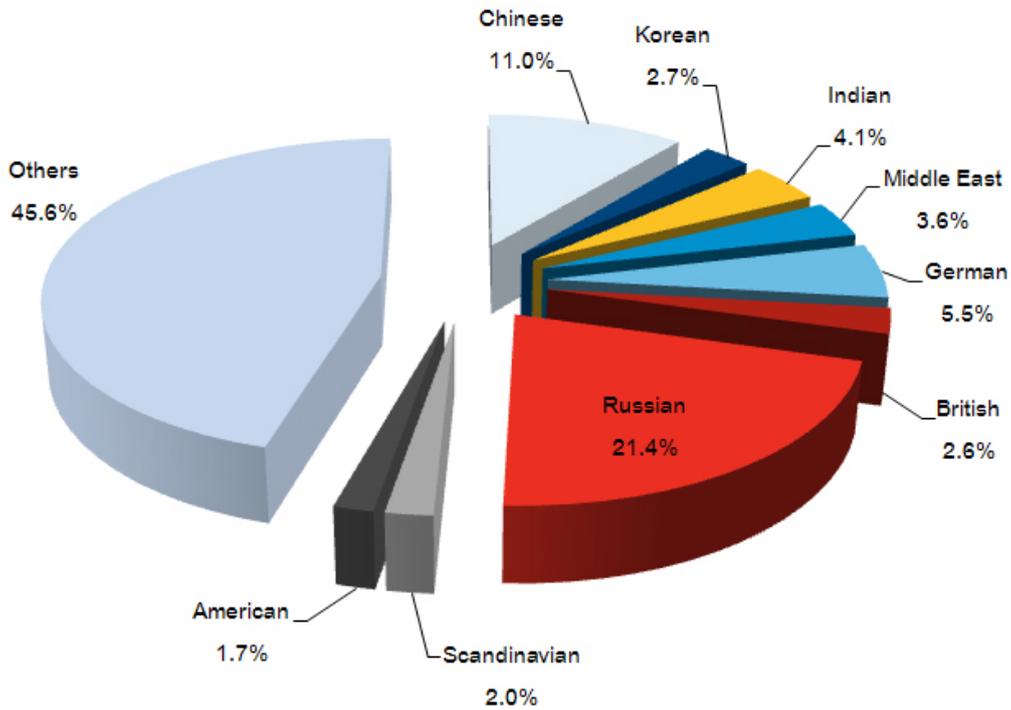
The average take up rate of all locations has increased by an average of approximately 6.6% from the first half of 2010. The take up rate for three locations, Pratumnak, Jomtien and Na Jomtien increased with a similar number or around 2 - 3% from the first half of 2010, due to the many new projects launched in second half of 2010. For Pattaya area the increase was highest with more than 12%, due to many projects in this area being recently completed.

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 for 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 or to rent as an investment. Often these projects are sold quickly while the more expensive condominiums located in Wongamat and Pratumnak 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 an inexpensive 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. Often local buyers are attracted by better payment terms compared to foreign buyers and therefore the developers financing structure can have a significant bearing on the local buying component.

BREAKDOWN OF FOREIGN VISITORS TO PATTAYA, YEAR END 2010



Source: Department of Tourism and Colliers International Thailand Research

The Russians account for over 20% of foreign visitors to Pattaya and the increasing number of signs and advertising in Russian is indicative of this. They also represent an increasingly large market for condominium developers and a number even have Russian sales staff to promote their projects. The ever warm Gulf of Thailand is now having more appeal than the Black Sea. 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. Many more Middle Eastern and Indian visitors are coming to Pattaya than has been traditionally known. Many have a desire to buy property here, but are still very cautious and most have small budgets. With strict embargoes against Iran, it is also virtually

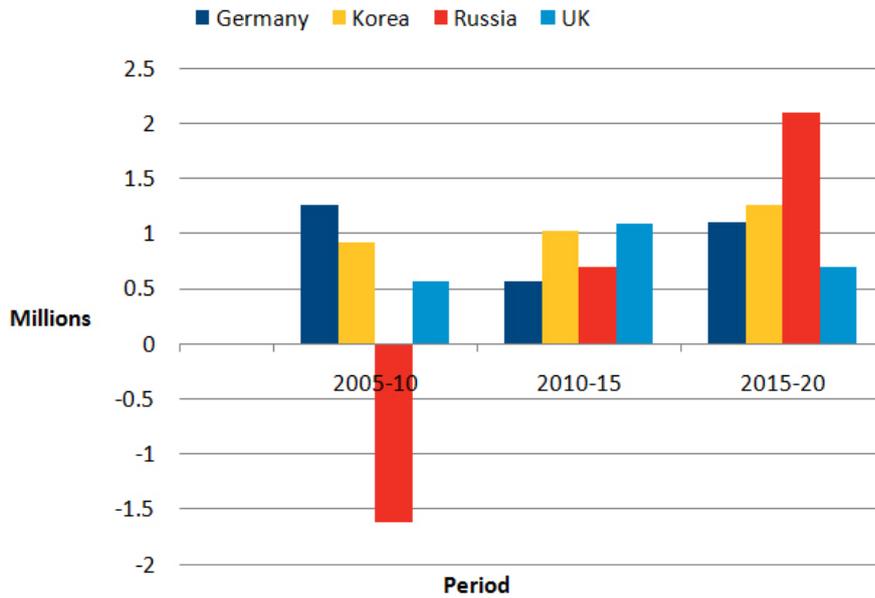
impossible to send payments directly to Thailand. However these countries could become super powers on the Pattaya property scene in the near future, just as the Russians started off slowly several years ago.

The Baht is not expected to return to the golden era of a few years ago. Having said that, foreign buyers from the Euro zone, United Kingdom and USA continue to buy property in Pattaya in large numbers. Thailand still remains good value for money compared to Europe and USA. Nevertheless spending power has been curbed with the most popular price range being between three to six million Baht.

There is plenty of availability in this market segment as designers and architects have given much thought to innovatively maximizing limited floor space more efficiently thus reducing sales prices without sacrificing location, facilities and overall quality.



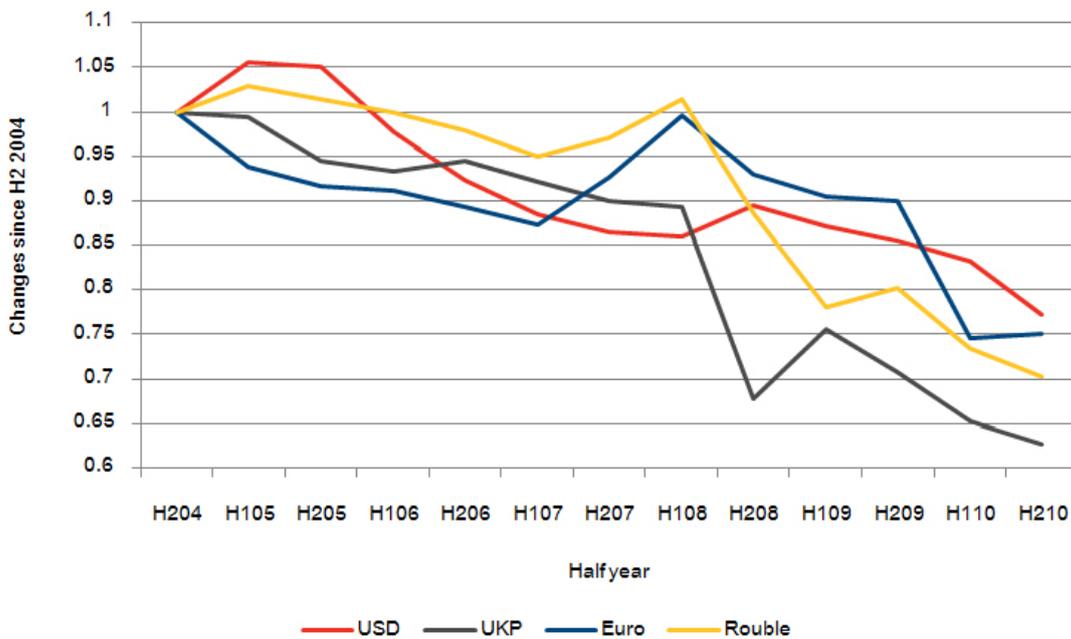
ADDITION OF POPULATION OVER 65 IN SELECTED COUNTRIES



Significant numbers of retirees will come 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 standard of living in a warmer climate.

CHANGE IN CURRENCY TO THAI BAHT



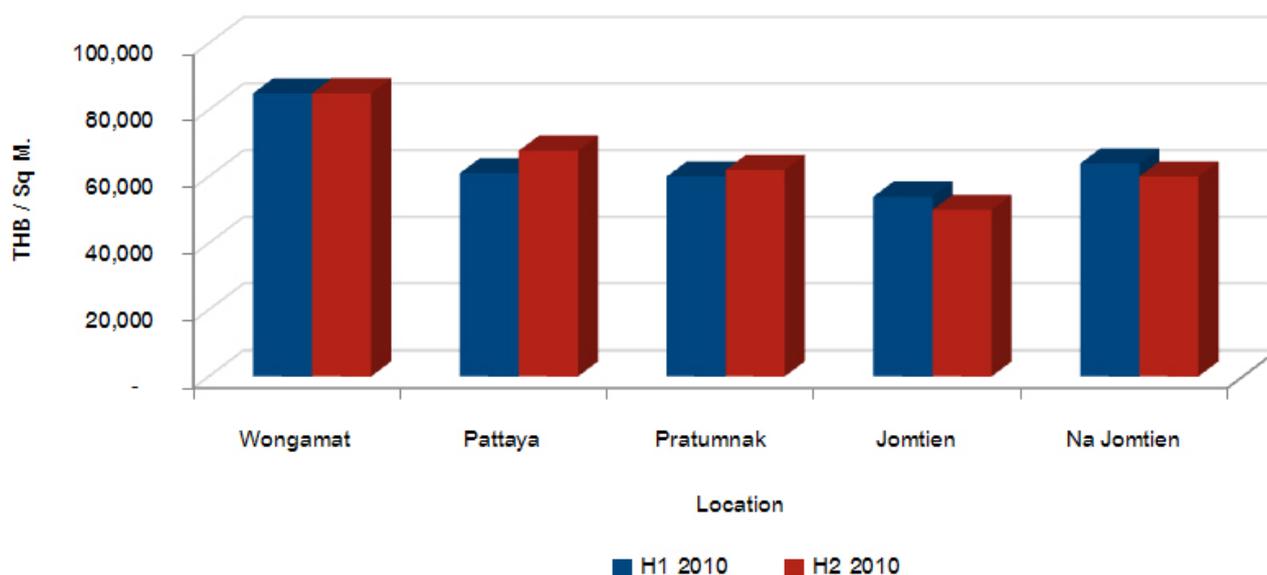
Colliers International Thailand Research
Source: Bank of Thailand

The table shows how Pattaya city 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 their own currency.

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 TOTAL UNITS BY LOCATION, AS OF YEAR END 2010



Source : Colliers International Thailand Research

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. Overall prices increased slightly in the second half of 2010 except for Na Jomtien. Average selling price in Na Jomtien area is decreased from first half nearly 6%, due to changes in project concepts and size.

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	85,000	87,500	80,000	80,500	85,000
Pattaya	67,800			72,000	66,800
Pratumnak	62,000			67,000	60,000
Jomtien	50,000	120,000	43,000	120,000	43,000
Na Jomtien	60,000	95,500	36,500	125,000	44,000

Source : Colliers International Thailand Research

Beach frontage is the key driver for luxury condominiums. Prices can rise by over 100% when located by the beach, especially in Jomtien where many projects are located some distance from the shoreline. 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 city developments use greater quantities of glass in their construction in order to make the most of the surroundings.

SWOT

STRENGTHS

Thais who traditionally visited Hua Hin are shifting over in favour of Pattaya city, taking the reduced travelling time of just 90 minutes from Bangkok, together with the vast selection of shopping, dining and entertainment options into account. Pattaya is evolving into a world class destination.

Many developers are now firmly established in Pattaya city and this allows a significant amount of confidence for buyers wishing to purchase off plan in the city.

Pattaya city, unlike many other resorts, has a firm local as well foreign buying element in a greater number of income categories. This diversified demand can allow the market cope far better with any economic or political dislocations.

WEAKNESSES

Traffic issues are causing problems in a number of locations as the city centre struggles to cope with its growing popularity. New transport infrastructure needs to be developed to ease future chronic bottlenecks.

OPPORTUNITIES

The growth of the industrial area in the Eastern Seaboard will enhance Pattaya city as the residential area for those working in the many industrial estates located in close proximity to Pattaya. In the future the

city could see the advent of dedicated office space and thus become an alternative commercial area to Bangkok. This would further enhance the city's appeal as a residential area.

Pattaya city attracts visitors from new growing markets from the Middle East, India and Russia and the latter market represents a significant source of demand for condominiums. The Middle East and India could be enormous potential for the future.

Since the introduction of the new Second Road in Jomtien, it has greatly assisted in reducing traffic congestion along Beach Road, making travelling from North to South Jomtien considerably easier. It is widely considered that Jomtien could be the developer's next favoured hot spot because of this recent improvement to the area and the availability of large beach front land plots. The imminent completion of the Thappraya Road widening scheme will also reduce travelling time between the Jomtien and Pattaya.

THREATS

While close proximity to Bangkok remains a strength, political disturbances in the capital can still resonate in Pattaya city in terms of perception rather than actual affect.

The high end of the market appears to have suffered most during the economic downturn and many investors are reluctant to spend over ten million baht mainly due to the weaker exchange rates. Further problems in the global economic climate will further hamper this segment.



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