

City & Country

Looking for funding

Australian property firms may seek hedge-fund cash

Market still buoyant

January private-home sales rebound to 1,476 units

A good location

Unit at The Trumps sold for \$952 psf

Koh Samui SPLENDOR

This year, branded residences in resort locations are expected to see a return in buying interest. The W Residences in Koh Samui, priced at US\$2 million to US\$6 million each and expected to be launched mid-year, intends to ride the upswing.

This 10,374 sq ft four-bedroom show unit at the W Residences Koh Samui costs US\$4 million



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| STORIES BY ELLEN LOKAJAYA |

Seven years ago, when hotelier “Sunny” Ashwani Bajaj first saw the site where the W Retreat & Residences Koh Samui is now located, he had an epiphany of the kind of luxury hotel and resort homes he wanted to build there. It took him three years to accumulate the hillside land totaling 27 acres (1.18 million sq ft) and with close to 1km of private beach at Maenam Beach on the northern coast of Koh Samui off the Gulf of Thailand.

The W Retreat & Residences Koh Samui is a joint-venture project by Bajaj’s firm, Amburaya Hotels & Resorts, and Istithmar World, the private-investment arm of state developer Dubai World, which is struggling to renegotiate a US\$22 billion (\$31.04 billion) debt. However, the project “is fully funded by both partners and has secured project funding from Siam Commercial Bank [SCB]”, says Bajaj. “Hence, there should be no doubt that the JV will see the project through to completion. The W Retreat Koh Samui will open its doors in June.”

The resort property in Koh Samui is the most luxurious in Bajaj’s portfolio. A third-generation Thai of Indian descent, he established Amburaya Hotels & Resorts 10 years ago. He also owns two other hotel properties: Bel-Aire Princess Bangkok under a franchise agreement with leading Thai hotel group Dusit International, and the Sheraton Pattaya Resort. Am-

buraya is also developing the Holiday Inn Express in Bangkok.

For Starwood Hotels & Resorts Worldwide, the W Retreat & Residences Koh Samui is one of its first W-branded residential projects in Asia and the first in Southeast Asia. (The other upcoming W-branded residence in Southeast Asia is the W Residences in City Developments Ltd’s Quayside Isle project in Singapore’s upscale waterfront residential resort, Sentosa Cove, targeted to be launched in the coming months.)

“As our W Retreat & Residences Koh Samui is a first for the W brand in the region, there were a lot of design challenges we had to overcome,” says Bajaj. “This took much longer than we expected and slowed down the entire [development] process. Of course, being on an island also poses logistical challenges, which is normal, but we have been able to manage this fairly well.”

What’s more, there are strict building regulations in Koh Samui to protect its environment. A developer cannot build a structure that is taller than a coconut tree. “The tallest coconut tree here is the height of a three- to four-storey building,” says Bajaj. “In fact, Koh Samui is the largest coconut exporter in the region. Historically, exporting coconut was its main trade. Even today, the islanders value their coconut trees a lot. So, when you carry out your project, you’re not allowed to cut down a single coconut tree.”

However, 18 months ago, developers on Koh

Samui had more pressing worries than coconut trees. The financial tsunami that swept across the world did not spare Thailand’s third-largest island. “Basically, both Phuket and Koh Samui are functions of an international market. Obviously, with the global downturn last year, there has been a drop in activity and new launches,” says David Simister, chairman of CB Richard Ellis (CBRE) Thailand, in a phone interview with *The Edge Singapore* recently. “Quite a number of projects were postponed or cancelled.”

While there has been a drop in buyer interest and a corresponding drop in the number of transactions last year, “we haven’t seen any drop in value”, says Simister. He explains that this is probably because foreigners have no access to mortgage financing when buying property in Thailand. They have to either buy with cash or with borrowings on credit lines from collateral outside of Thailand. “Unlike in the West, it’s not a market where purchases are heavily driven by debt. So, while the market has paused, prices have held up pretty well,” he adds.

‘Buying interest returns’

Simister expects to see a return of buying interest in the luxury-villa segment in Koh Samui and Phuket this year. The traditional buyers are an international mix, with the largest and most consistent group comprising Hong Kong-based British expatriates. There’s also been an increasing number of Russian buyers, and a growing trickle “which may grow into a stream” of northern



Bajaj: Enquiries for our residences have started to pick up with the global economic recovery

Asian and mainland Chinese buyers “because they have liquidity”, says Simister.

While Phuket is considered “the best resort market in Asia”, adds Simister, “Koh Samui is its more boutique and slightly more stylish cousin”. Bajaj agrees. “Samui has still retained much of its island charm, but it doesn’t force you to give up the luxuries of everyday life either.”

With global markets recovering, Bajaj is anticipating that he will be able to launch his project in time to ride the upswing. The 75-villa hotel resort property is scheduled to open in the middle of this year, while the W Residences



The living room is furnished with hints of red to emphasise the vibrancy of the W brand

es, with 17 villas for sale, is due to start construction on four units this year. The show villa, however, is already completed.

Bajaj plans to start marketing the villas when the W Retreat opens in June, as guests to the resort are a “captive audience”. “In the kind of world we live in today, people want to make sure the project is going to be completed and is fully funded,” he explains. “The hotel is going to open in the next few months, and that’s our chance to inspire confidence in any interested buyer. Once the hotel opens, people who come and stay have the opportunity of seeing the show residences.”

He is already seeing a definite pick-up in demand for his villas. “A number of enquiries are coming in,” he says, adding that the group has been fielding questions from as far as Central America as well as from within Asia-Pacific.

The 17 beachfront villas at the W Residences are designed in a tropical Zen style that blends modern elements with the rustic beach lifestyle. There is a mix of three-, four- and five-bedroom units of 7,021 to 12,590 sq ft. Each villa will have a fully furnished living room, dining room, two kitchens (a wet kitchen for heavy cooking and an open-concept kitchen) equipped with the latest high-end appliances, and two maid’s rooms. There will also be a private 15.7m by 5m infinity swimming pool and outdoor shower.

Owners can choose their own soft furnishings, but those who want to put their villas into the W Retreat rental pool will have to conform to W’s guidelines on quality of furnishings and design.

US\$2 million to US\$6 million price tag

The villas are priced from US\$2 million to US\$6 million each and come with a 90-year lease (in three 30-year blocks or 30 + 30 + 30 years). Payment is made according to construction progress, with a 10% deposit paid when the sale and purchase agreement is signed. This is followed by a further 20% upon completion of the foundation, another 25% when the superstructure is completed, and another 25% when the main structure of the building is completed (lock-

up stage). The balance payment of 20% will be due upon delivery of the villa to the owner. Typically, it takes 12 to 15 months to build a villa, says Bajaj.

Owners who wish to put their properties into the rental pool are required to sign on for at least two years. They also have the flexibility of either putting the entire villa or just a few rooms for rental. And, owners are not restricted to staying a certain number of days a year, or at certain periods of the year. “Our category of high-end buyers won’t appreciate being told that they can only use their villas for 30 or 45 days a year,” says Bajaj. “As a buyer, that would turn me off, too.”

The rental income from the villa or rooms will be split 50:50 between the owner and the hotel operator, after deducting expenses. Expenses include a common-area charge not unlike the conservancy charges in most condominiums in Singapore, for security, garbage collection, electricity, landscaping, maintenance of the building façade and swimming pools and so on.

Residents to enjoy hotel amenities, too

Residents at the W Residences get to enjoy the facilities and services of the hotel resort, such as the spa, gym and restaurants. They are also entitled to the same 24-hour concierge service. “Residents and guests can order in-room dining from the hotel and we can arrange cars for excursions or a boat or plane,” says Coetzer Deysel, general manager of W Retreat Koh Samui.

Among the international luxury brands, the W brand is perceived as being funky, and appeals to the young and wealthy urban professionals and the glitterati. Thus, the W villas will be equipped with the latest in design and IT features, for instance, a Jack Pack plug and play entertainment system that includes wireless iPod and WiFi Internet connection.

“I think the W brand is very different; it is ultimate luxury with a twist,” declares Bajaj. “Among all the brands in this category, I’ve always loved the brand. I have an affinity for it; it represents what I am about. I’ve always wanted to bring it in for an upscale project like this one.”

Branded residences ‘more investor-friendly’

Koh Samui, the third-largest island off eastern Thailand, has always been associated with boutique-luxury projects. In recent years, a number of international luxury-brand resorts on the island have included a residential component in their projects, for instance, the Six Senses Hideaway, Four Seasons Resort with The Estates Samui project, The W Retreat & Residences Koh Samui and Conrad Koh Samui Resort and Residences.

While there was a lot of supply coming up before the global financial crisis, “in a way, the crisis prevented a [deluge] in supply”, says David Simister, chairman of CB Richard Ellis (CBRE) Thailand.

For instance, The Estates Samui, which has 14 villas operated and managed by Four Seasons, was put on the market three years ago and just sold out recently. The lowest-priced unit was about US\$3 million (\$4.2 million). This year, so far, there are only two luxury branded residences scheduled for launch in Koh Samui, reckons Simister. They are The W Residences (see main story) and the Conrad Koh Samui Residences.

The Conrad Koh Samui Residences will go on an international roadshow in Hong Kong on March 6 and 7. The development has 32 villas — 25 two-bedroom and seven three-bedroom ones — and is located next to the Conrad Resort, which has 65 villas. The entire project is perched on a 20-acre hillside on the southwest tip of Koh Samui, and a 45-minute drive from the Samui International Airport. The villas also have access to a private beach and offer unobstructed views of the sea and the Five Islands.

Villas range in size from 4,166 to 8,913 sq ft, and prices are from THB43.8 million (\$1.86 million) for a two-bedroom unit to THB88 million for a three-bedroom unit. Buyers also have the option of using the property as a holiday home or including it in the resort’s rental programme. Those who choose to join the resort’s rental programme will be given a 7% rental guarantee for five years, says Simister. CBRE is the marketing agent for the project.

Construction of the project is well underway, with completion scheduled for year-end. The developer is a subsidiary of Hong Kong-based Hillcrest Capital, which specialises in upscale residential developments. In addition to the Conrad Koh Samui Residences, it also developed 21 Anderson, a prime boutique condominium project in Singapore. The architect for the Conrad Koh Samui Residences is Singapore-based architectural firm Eco ID, which has designed other hospitality projects like The Metropolitan Bangkok and W Maldives.

Those buying a hotel-branded villa typically enjoy a hassle-free transaction, compared with those buying a standalone villa, points out Simister. In addition to concerns about construction quality for standalone villas, there are other issues to address, for instance, the ongoing management and maintenance of the property. “These things can be done yourself, but tropical properties require a high level of regular maintenance,” he says. In addition to the substantial maintenance bills, you will also have to handle the rental of the villa, staffing and security issues, which is difficult when you are away. “Hence, a branded residence is more investor-friendly,” concludes Simister.

While a villa on a resort island like Koh Samui, or even in Phuket, will not have the same level of liquidity as an apartment in Hong Kong or a condo in Singapore, “we find that it’s possible for people to enjoy quite good liquidity and find buyers when it’s a good-quality project that is well-constructed, well-maintained and in a good location,” he adds.



Simister: In a way, the crisis prevented a [deluge] in supply



The Conrad Koh Samui Residences has unobstructed views of the sea and the Five Islands off the coast

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