

# PALACE

ASIA'S ELITE PROPERTY SHOWCASE

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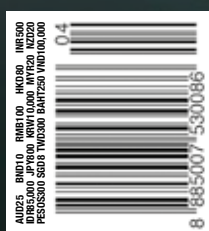
LUXURY  
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# Small, pricey, but extraordinarily beautiful investment locales

by Alexander Karolik-Shlaen



**F**resh from my trip to Santorini, Greece, I was reminded of an interesting investment theme about property investment stretching beyond a location's size or borders. As usual in my columns, I will discuss the investors' side of the game rather than a location's tourist appeal though they go hand in hand for identifying a quality investment.

## SANTORINI

For example, the small island of Santorini is famously known as an exceptional place to catch some of the most amazing and breathtaking vistas of the Aegean Sea. And perhaps to match its wondrous beauty, the island has got some equally breathtaking property prices.

The beautiful Santorini – a unique, croissant-shaped land the size of just

76 square kilometres (around one tenth the land size of Phuket or Singapore) was formed by a series of powerful volcanic eruptions, of which its most significant and powerful, the Minoan eruption some 3600 years ago, resulted in a large water-filled caldera (volcanic crater). The island is basically a sunken volcano with its picturesque lagoon the subject of gorgeous images known the world over, and tourists lucky enough to visit all clamour for the chance to stay in accommodations with a caldera view, often paying a small fortune for this privilege. And what a fortune this privilege costs.

The island's caldera-view room rentals go into thousands of Euros in high season and even restaurants in prime caldera-view areas charge prices that are more reminiscent of dining in Singapore or London. Some of the most exotic stays are in old caves

(cave houses) that were refurbished to accommodate wealthy tourists. Many upscale hotels have just a few rooms, some even as few as four or five, which are usually booked solid throughout the high season. My check on the prices of some of the smaller higher-end hotels and my discussions with local owners showed them asking for around one million Euros per key, or per room. And some are asking for much more.

You can find some private properties' asking prices translating to over EUR 16,000 (approx. USD 19,000) per square metre! Gasp... are we talking about the economically challenged Greece here or the top of Hong Kong's Victoria Peak or a palatial property in Monte Carlo?! What is surprising and perhaps reassuring is how strong property fundamentals such as location, scarcity and rental

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returns are able to overpower even a major bust of the macroeconomy.

That brings my focus to property in locations where interest in its real estate is regional or global. The demand factor is way beyond the borders of a given country and hence the price skyrockets to the highest global levels.

As an investor, I am always on a lookout for such type of properties. These areas can be regional or global centres of business, but what I noticed is that premium ones are often in nicer, beautiful locations and that makes them more attractive to international high net worth investors vs local investors. In our region, we have several such spots that attract as many if not more foreigners than local investors.

### SINGAPORE

Singapore itself is one such locale. Zooming into spots such as districts 9, 10 and district 1 with its scarce condominiums but unobstructed views over the Marina Bay, it is easy to find a high proportion of foreign owners. Another interesting spot in the Lion City is Sentosa Cove. Though not a popular investment destination for locals, I believe that it will continue to rise as an internationally renowned (and attractive) place-to-be.

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Sentosa is a location influenced by foreign buyers in Singapore, where locals play a relatively minor role. Foreigners and local expats are a major group if not the majority of Sentosa Cove buyers and renters. This is perhaps how Sentosa’s property sales took off dramatically in 2006 after foreigners were permitted to own luxury property on the island. But prices went down significantly in recent years due to foreigners being the most affected by government cooling measures which levied an additional 15% stamp duty on foreign buyers – a bitter pill too big to swallow even for very rich. Additionally, the local government began to limit the number of working visas, thus limiting the demand for rentals, which leaned heavily on Sentosa real estate rentability and prices. Hence, Sentosa’s current attractiveness has become relatively undervalued and one can buy a lovely condo with nice views for a mere USD 1,000 per square foot.

### THE PHILIPPINES

In the Philippines, coastlines have long been a draw for tourists seeking stunning beaches and views of a clear glassy sea. The classic case would be Boracay. When I visited the place for the first time in the early nineties, there was not even electricity on the island. Now, it is a world-famous resort island with an abundance of high-priced properties.

Mactan, the most densely populated island in the Philippines, is home to more than 400,000 people in just 65 square kilometres. It’s a popular destination for local and foreign tourists alike, and it’s not hard to see why. The town is bustling, the beaches are aplenty – though not the best due to the presence of coral reef. But the sea is azure and great for snorkelling. Although an island, Mactan is officially part of the sprawling Cebu metropolis which is connected to the mainland via two bridges. Proximity to Cebu means that big city amenities are easily found



Singapore's Sentosa Cove Aerial View.

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by those wanting to blend peaceful island life with urban convenience.

Cebu itself is a force to be reckoned with. It is the country's second biggest city and business centre, and the Mactan-Cebu International Airport has flights to all major Asian destinations such as Singapore, Hong Kong, Taiwan, Japan and Korea, as well as global routes including Los Angeles and Dubai. Some 4.5 million domestic and international passengers now pass through every year, and upon arrival it's a mere 20-30 minute drive to most major resorts or condos of the island.

Mactan also boasts an industrial tax-free zone and factories, many of which are Japanese owned and housed in the Mactan Export Zone. There also appears to be a strong Korean business presence, which is perhaps understandable given the close to 50 weekly flights to Korea. Many Asian and western expats rent properties and many of them end up buying condos, creating a steady demand for new projects.

In turn, these rather wealthier corporate expats create business opportunities for other compatriots who also move to Cebu and Mactan to cater to this market. You can find plenty of restaurateurs, travel and sightseeing agents, English language schools and diving instructors. These businesses in turn also rent properties and commercial spaces, creating more returns for landlords and investors.

But not all is perfect there. A primary issue would have to be the presence of poor roads. Though an expansive road network now covers the island, these roads tend to be narrow and poorly maintained. Even relatively short commutes can quickly become frustrating.

There is a good choice of smaller units in upscale condos – smaller units are usually more popular with investors due to their good rentability and fast turnover. Generally speaking, most smaller units are studios or one-bedroom units in the range of 30 sqm to 70 sqm. Prices range from USD 70,000 to USD 140,000, with most units offered fully furnished and fitted with modern kitchen and electric appliances.

In general, developers in the Philippines offer around 8% discount on cash payment. Since foreigners can't get loans from local banks, many



Boracay Island.

take on this option, unless they are able to take partial financing from developers, which is sometimes available. In the Philippines, properties are cheaper compared to the places mentioned earlier and that makes it attractive to more international investors who are interested in expanding their portfolios and dipping their toes into new markets. The Philippines is an upcoming economy and still has still lots to do to improve its image to foreign investors. However, I believe that it is doing quite a good job in the recent years.

### THAILAND


Thailand's Samui and Phuket islands are also super draw destinations in our region. There, prices and investor demographics are more on par with global investment centre.

Firstly, there are no industries there except a main industry related to hospitality. But the draw of tourists and people who want to have a slice of paradise is much bigger with prices that can go into many millions of USD.

Phuket's high-end property market is seeing an ongoing demand while its more affordable property options are experiencing a stronger demand. This is a result of many Thai locals moving

to this beautiful island in the Andaman sea to cater to the needs of a growing population of HNWI residents and tourists. Another reason could be related to foreigners wanting a second home but are unwilling to invest too much into it. With Phuket's relatively good infrastructure, one can live in nice and peaceful conditions that are also situated away from the popular beach areas of the west coast.

The newly expanded Phuket International Airport is also busy even during the slower seasons and the number of arriving tourists and tourist spending are on a healthy upward trend. There are also plenty of buyers as seen in the Banyan Tree Group's Angsana Beachfront Residences property project that sold almost all of its 60 units in a very short span of a few months. The leasehold properties of USD 1million and above were snatched up by foreigners even though it is almost impossible for local banks to finance the purchase for foreigners.

The various islands and locations in this article thus reflects the great appeal of small, yet idyllic places that continue to draw investors from all over the world in an era fraught with precarious financial investment risks and gut-wrenching geopolitics. 

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