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Samui

2010 Hotel Market Update

February 2011

Samui tourism at the crossroads

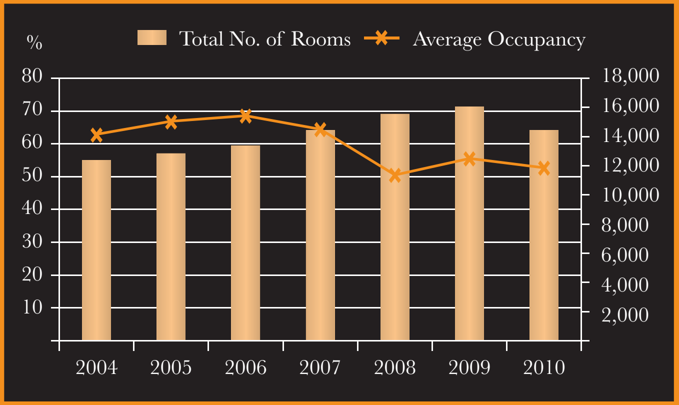
Island's journey from emerging to mainstream market reaches halfway marker

"The evolutionary pathway of Koh Samui from an idyllic Robinson Crusoe-like tropical island to developed tourism destination has hit midstream growing pains.

A four year hotel building boom has resulted in a supply demand hangover which was magnified in 2010's operating performance. Gains during the year in airport arrivals were neutralized by diminishing European tourists and a drop in the volume of historically strong repeat guests.

Missing ingredients can best be expressed in the replacement market search for absent Europeans, which in turn will require a wider network of direct international air service. The airport expansion or relocation dilemma is a critical unanswered question.

Hotel Supply vs. Demand



Source: Office of Tourism Development Thailand and C9 Hotelworks Market Research

Forward trading prospects are bolstered with the island earning high marks for a new supply of stylish branded products in the luxury and upscale tiers. There is an inherent risk of being lost in transition which remains a clear and present threat over the next two years.

Expectations for 2011 look to focus on the coming of age debate whether increasing international brands can induce demand to Samui."

Bill Barnett, Managing Director C9 Hotelworks

2010 Trends

- Total passenger arrivals grew 5% over 2009 comprised of a 51% rise in international and 2% for the domestic sector.
- Imbalance between hotel supply and demand contracted occupancy by 7%, average room rates by 15% and RevPAR by 26%.
- Shrinking repeat visitor profile and development of nearby islands diluting market wide occupancy.

Forward Outlook

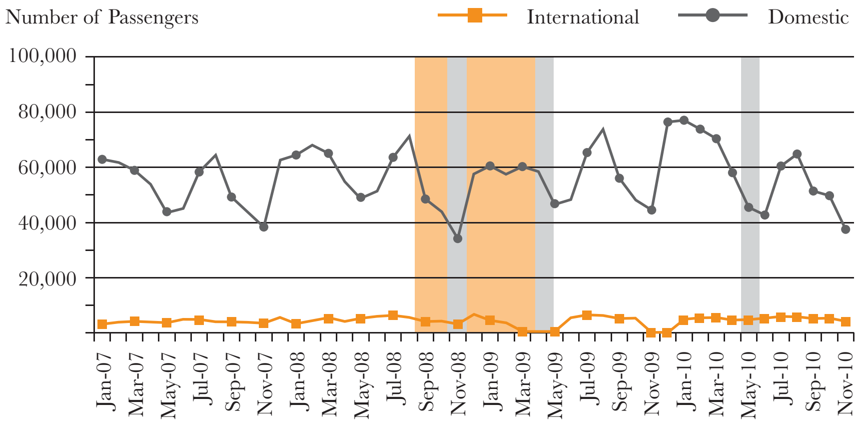
- Lack of low cost carriers (LCC's) and charter flights are restraining destination cyclical maturation.
- Increased international brand concentration expected to induce demand and raise destination competitiveness.
- Uncertainty over market absorption of 801 rooms scheduled to enter the supply side by 2012, representing growth of 5%.

TOURISM

Airline Indicators

- Aircraft movements grew 15% for first time in the past three years, led by international growth of 38% with 12% for domestic flights.
- Current flight utilization of 73% indicates capacity for increased airlift. However, a restrictive ceiling of 36 flights per day owing to existing environmental controls plus limited runway length constrain growth.

Visitor Arrivals at Samui Airport



Source: Department of Civil Aviation and C9 Hotelworks Market Research

Increased international arrivals fail to spur hotel occupancies

Global Financial Crisis

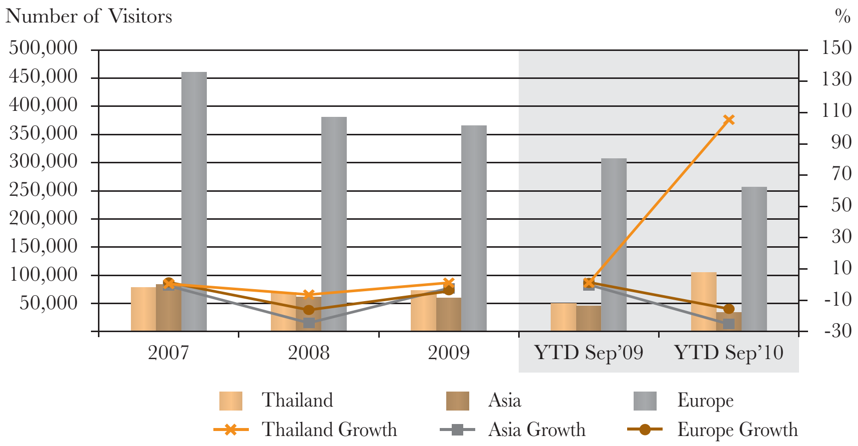
Political Related Events

Bangkok airport closure (Nov-08)
ASEAN Summit disruption (Apr-09)
Bangkok red shirt protest (May-10)

Tourism Indicators

- Foreign visitors ebbed three consecutive years with an 8% negative annual growth rate between 2007–2009.
- Traditional European markets recorded a significant decline of 16% in 2010 punctuated by U.K., France and Scandinavia at 25%, 18% and 13% falling respectively.

Samui Key Demographic Markets



Top 5 International Source Markets

1. Germany
2. United Kingdom
3. Australia
4. Russia
5. France

Top 5 Growth Markets

1. Thailand
2. Germany
3. Russia
4. Middle East
5. Eastern Europe

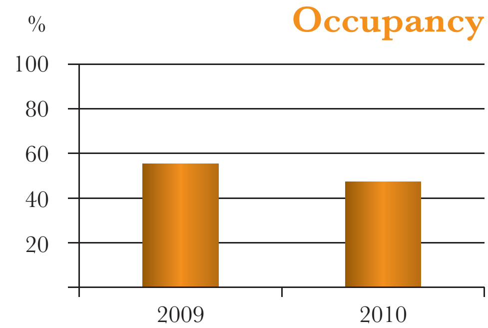
Dynamic changes in source markets and less repeat visitors indicate destination transition

*January – November 2010

Source: Surat Thani Provincial Office of Tourism and C9 Hotelworks Market Research

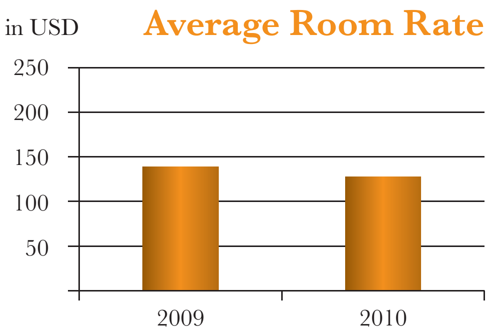
Hotel Performance

By Tier



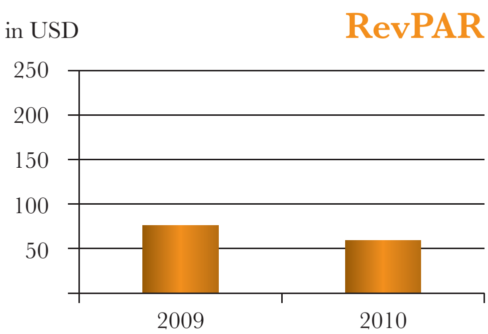
	Change
Luxury	▼ 12%
Upscale	▼ 13%
Midscale	▼ 7%
Budget & Economy	▲ 7%

Downward trend in foreign arrivals triggered drop in occupancy



	Change
Luxury	▼ 34%
Upscale	▼ 11%
Midscale	▼ 3%
Budget & Economy	▼ 2%

Shift to price sensitive markets pushed down rates across entire chain scale



Source: C9 Hotelworks Market Research

	Change
Luxury	▼ 49%
Upscale	▼ 30%
Midscale	▼ 15%
Budget & Economy	▲ 19%

RevPAR decline reflects soft rates and occupancy

Hotel Openings

- At the end of 2010 there were 14,401 rooms at 364 hotels registered as accommodation establishments in Samui.
- In the first half 2010, a number of small guesthouses with 1,808 rooms closed down representing a decline of 11% in total supply. There was a slight increase of 140 hotel rooms in the fourth quarter of the year.
- Seventy-five percent of the total pipeline of 801 new rooms are anticipated to open in 2011.

Hotel Name	Location	Rooms	Opening Date
Möevenpick Resort & Spa Mae Nam Beach	Mae Nam	81	2011
Aleenta Samui	Bo Phut	60	Aug 2011
Akyra Chura Samui	Chaweng	62	Feb 2011
All Seasons Samui Chaweng	Chaweng	153	Q1 2011
Vana Belle Samui Resort & Spa (Starwood Luxury Collection)	Chaweng	180	Jul 2012
Ozo Samui	Chaweng	200	2012
Conrad Koh Samui Resort & Spa	Thong Krut	65	Apr 2011

Source: C9 Hotelworks Market Research

About C9 Hotelworks

Bill Barnett
Managing Director

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C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- **Hotel and Resort Development**
- **Asset Management / Ownership Representation**
- **Project Feasibility and Analysis**

With key competencies including international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects, give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 26 years of experience in Asia Pacific, the firm is well positioned to serve an increasingly demanding marketplace.

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