

SAMUI TAKING FLIGHT AGAIN

After taking a hard hit during the global slump, the island resort is showing strong signs of a recovery *By Nina Suebsukcharoen*

The controversy over oil exploration off the coast of Koh Samui does not seem to have dented tourism on the island. The number of visitors increased by 19% in the first half of 2010 compared with last year, which admittedly was a low tide for Samui, said Bill Barnett, managing director of C9 Hotelworks.

While the uplift is encouraging, it must be emphasised that Samui was probably the local resort market most affected by the global financial crisis.

"There was a pretty sharp decline two years ago and this year we saw a high recovery, but it started from a low base," said Mr Barnett.

Research by C9 Hotelworks shows that total tourist arrivals in the first half of this year were 8% higher than in the same period of 2009, with the recovery in overseas visitors reflecting a 21% increase in international flights from a year earlier.

Aside from Bangkok Airways, which owns Samui Airport, two other airlines, Berjaya Air and Firefly of Malaysia, now fly to the island.

"Certainly people are coming from Malaysia, people are coming from Indonesia — we are seeing a sharp increase in regional travellers over the past two years so that is a strong fundamental," said Mr Barnett.

He noted that the recovery in Samui tourism has begun despite the political events in Bangkok in April and May. Overseas tourists seem happy to come to Thailand as long as they don't see Bangkok on the boarding pass.

C9 Hotelworks' research also shows that hotel performance on the island in the first half of this year saw surges in occupancy, rates and revenue per available room night (RevPAR) of 3%, 13% and 24%, respectively, when compared to the figures from last year.

While the existing room supply shrank by 11%, to 14,261, due to the closure of a number of small properties over the past year, the luxury tier is set to grow by 109% in the second half of the year. This will add 205 rooms to the supply. Key new hotels opening this year and next are:

- ◆ W Retreat Koh Samui (75 rooms, November 2010);
- ◆ Infinity Residences & Resort (65 rooms, December 2010)
- ◆ Conrad Koh Samui Resort & Spa (65 rooms, Q1 2011);
- ◆ All Seasons Samui Chaweng (153 rooms, Q1 2011);
- ◆ Vana Belle Samui Resort & Spa (Starwood Luxury Collection), 180 rooms, August 2011.

Mr Barnett sees two projects on the island as being particularly interesting, describing them as "green shoots". The first is the Conrad which has been very aggressive in its marketing and is offering 7% guaranteed return for the first five years.

"They got a model unit opened very early in the game, so that is driving sales — we are seeing sales momentum in the Conrad."

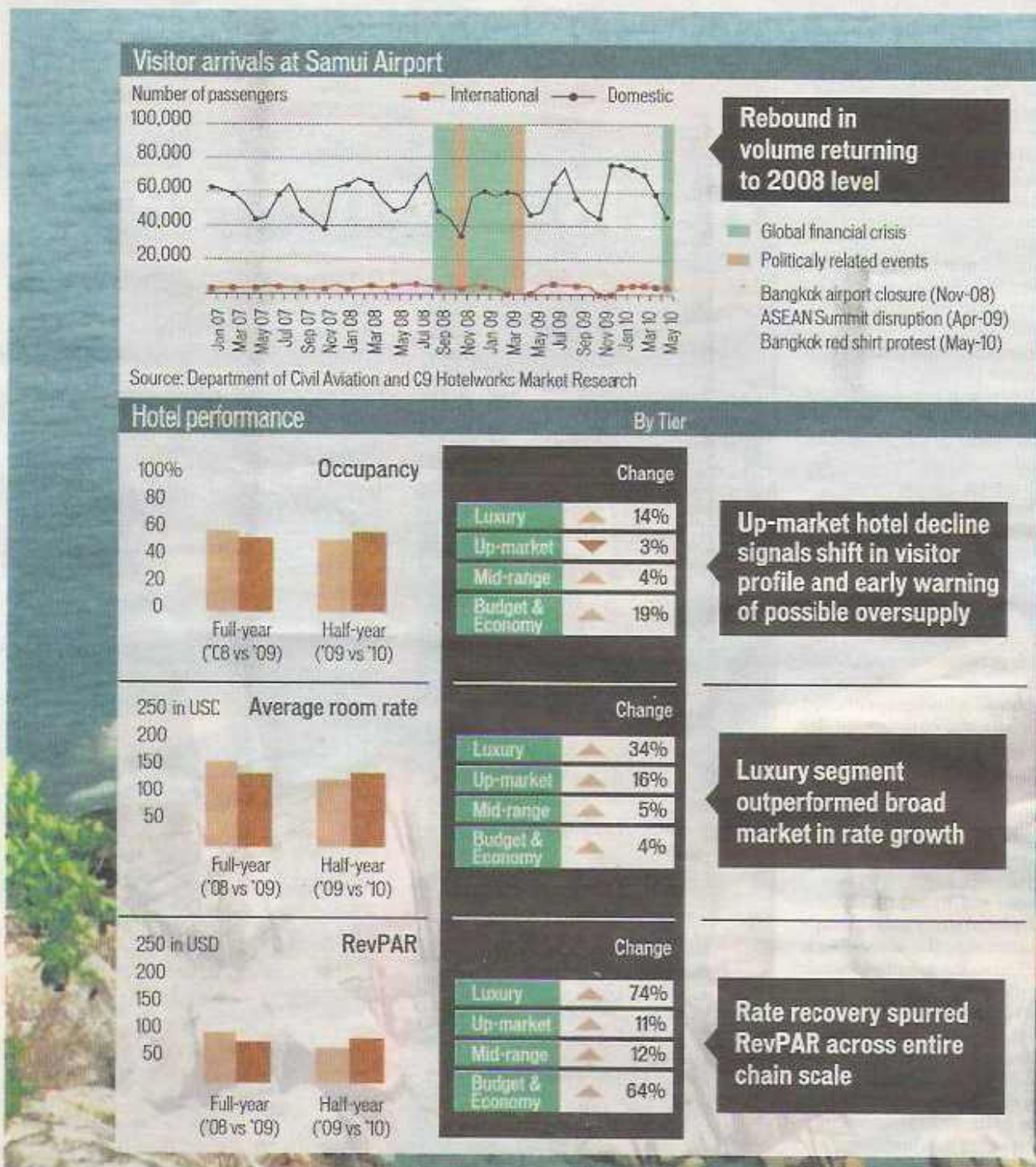
The other project is Beach Republic, which surprisingly is offering fractional ownership by cashing in on its name as an entertainment venue.

"It's a beach club in Lamai but they have also gone and opened a resort, and with it they are doing fractional sales. People like the brand, they like the concept, they feel at home and they are buying into it."

Fractional ownership is also taking hold elsewhere on the island, for example at X2 Resort.

Mr Barnett said there is a good spread of people buying property and trying fractional ownership in Samui and they comprise both long- and short-haul travellers.

"One thing about Samui is that it doesn't have much domestic content. I think a lot of that can be attributed to really expensive



airfares, going back to Bangkok Airways."

Another interesting thing about Samui is that there are no transactions in the \$3-5 million (95-126 million baht) range as occurs in Phuket.

"But certainly the sweet spot of the upscale real estate is between one and two million dollars. We are seeing Conrad selling for about 40 to 45 million baht, but by the time you add in the guaranteed return of 7% over five years, that effectively is coming in at 30 million baht." He added that Conrad's pricing point was considerably less for this type of product than it would be in Phuket.

The opening of several big international hotel chains in Samui has also whet the appetite of other investors, with Park Hyatt also poised to restart this year, according to Mr Barnett.

"There are a couple of other international

brands looking to come into the market as well. The emergence of new brands indicates that there is positive investor sentiment on the island."

Mr Barnett said when Samui is mentioned in the media these days, the hot issues are pollution on the island, the roadway and especially the demonstrations about oil exploration.

"Samui needs more demand generators," he said. "We always talk about golf courses and marinas but we are seeing some green shoots, so that is a good thing."

Mr Barnett sees an interesting change in Samui in that it seems to be evolving in the development cycle and is no longer a backpackers' destination. The closure of 1,808 guesthouse rooms in the past year clearly shows that this type of accommodation is no longer feasible.

"What we are seeing is backpackers are moving to other islands — Koh Phangan and Koh Tao. Samui is edging higher, very similar to what Phuket saw 15 to 20 years ago."

However this does not mean Samui is moving ahead of Phuket, as the two islands are entirely different markets.

"There is really not a lot to compare. Samui is purely a destination and Phuket is a destination resort but it's also used as a transit point to greater Phuket — to Krabi, to Phang-nga, to the Similan islands, for boating. It's a different kind of destination so I don't think it's fair to draw comparisons."

Even so, improvements are needed on the island, and one necessity is a bigger airport. Mr Barnett remarked that the authorities should not look at whether the current facility can handle the capacity for the next two years, but for the next 20 years. ■