



## **GHN MARKET REPORT - Koh Samui**

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### **Upscale Hotels Drive Samui's Market Repositioning**

While Koh Samui remains one of Thailand's top resort destinations, an influx of new luxury properties is driving a market repositioning in the tourism sector. Product induced demand has spurred a move to more affluent travelers which is paying off as rates and occupancy have shot up.

Based on our firm C9 Hotelworks market research for the full year 2011 island-wide occupancy increased 6%, while average room rates soared by 16%. The latter factor pushed up RevPAR 30%.

A series of high profile internationally branded hotels including Four Seasons, W, Le Meriden, Conrad, and InterContinental have created new customer faces and altered traditional trading patterns.

Despite airlift into Koh Samui being constrained by the privately operated airport under Bangkok Airways stewardship, the introduction of direct flights from Singapore by Silk Air and Bangkok Airways, flying from Kuala Lumpur, has added access and tapped into growing regional travelers, tapping into the two larger regional hubs for easier long-haul connections.

Passenger arrivals over a five-year period (2007-2011) reflect a positive trend in international visitors with 7% compounded annual growth (CAGR). Inside the numbers clearly the island has a strong reliance on overseas tourists.

At a time when domestic and regional traffic are being increasingly dominated by a growing number of low-cost carriers, Koh Samui's airport situation is a barrier to entry for them; hence



local visitors remain an underperforming segment. The lion's share of Thailand's other destinations have strong LCC airlift capacity, which is accompanied by relatively cheap ticket prices.

Tourism visitors last year grew 8% versus 2010. China and Korea were key growth markets. Though overall Germany stands at 14% , UK with 8% and Australia 7% of the arrival mix.

When comparing occupancy by tier, luxury and upscale are the bigger winners and reflect the market shift. Overall average room rates for the year registered a four year historical high.



InterContinental Samui Baan Taling Ngam Resort

There remain danger signs for an aging supply of large midscale and economy hotels, which cater to volume, based business. These two chain scales need greater airlift by low-cost airlines.

A knock on factor is that the island's airport cannot cater to wide-body aircraft which has effectively eliminated a key Thailand tourism demographic of substantial Eastern European and China visitors who come via charter flights.

At end end of 2011, Koh Samui's hotel supply stood at 448 hotels with 17,204 rooms. One of the island's most profound points of differentiation is that while Asia and Thailand's destinations have experienced a frenzied build up of new properties over the past five years, the island's current pipeline stands at only 513 keys or a 3% increase in supply projected over the next few years.

In our analysis, trading fundamentals for Koh Samui remain favorable given it's strong new brand stable of world-class hotels. Viewing supply and demand in a country which has amped up on hospitality assets accompanied with rising concerns of saturation, the island has somehow escaped the lollapalooza of a domesticated feeding frenzy.

*Bill Barnett is an Investment Committee member of GlobalHotelNetwork.com.*