hotelworks

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Samui

Hotel Market Update

Mid-Year Edition August 2011

Battle of the brands as Samui goes global

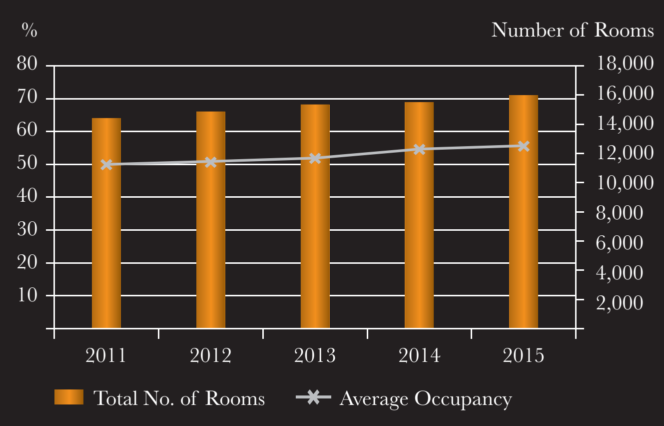
61% H1 occupancy signals island getting back to business

"An influx of international hotel chains to the third largest island of Thailand – Koh Samui is setting the stage for fierce brand competition. Well known names including Conrad, InterContinental, Le Meridien and Möevenpick will all be intent on luring travelers to the destination by the end of 2011.

A material trend is the changing face of tourists which has resulted in a significant reduction in the average length of stay. The visitor profile is rapidly changing and increasingly volatile.

The life support system impacting fundamental growth of island tourism is accessibility. While the great debate over the basic issue of sustainability rages, the status quo threatens to rain on the hotel parade.

Hotel Supply vs. Demand Forecast



Source: C9 Hotelworks Market Research

In viewing the long term prospects for Koh Samui tourism and the increasing imbalance between supply and demand, there is an obvious implication that the airport issue must be addressed sooner than later.

Meanwhile the new entry of global hotel operators will inevitably aid in destination marketing, induce demand and inject a sense of excitement into the marketplace."

Bill Barnett, Managing Director, C9 Hotelworks

2011 Mid Year

- Hotel wide occupancy increased slightly by 2% vs. H1 2010. Room rates and RevPAR up 9% and 12% respectively.
- Domestic travelers accounted for 18% of total island arrivals in 2010 vs. the previous record of 10% in 2009.
- Room revenue for the island grew 5% compared to the first half 2010 and registered approximately US$279 million.

Forward Outlook

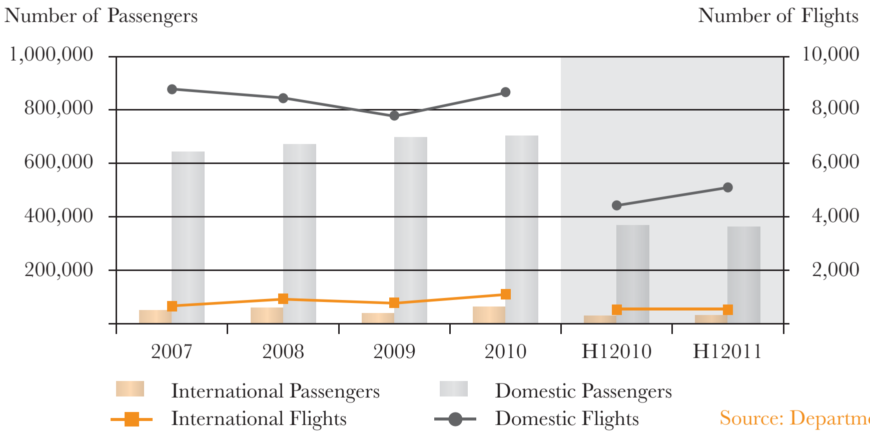
- Increasing popularity of monthly full moon party displacing airlift as growing outer island attractions undermine transport links.
- Stalemate over issue of new airport shows disconnect between government and private sector policy.
- Resurgence of development in south of the island starts to diversify tourism density.

TOURISM

Airline Indicators

- Number of foreign arrivals for the first half 2011 rose by 5% over the same period last year. While the domestic sector's was slightly down by 2% vs. H1 2010.
- Runway length of 2,180 meters restricts size of aircraft serving Samui with the largest being the 139-seat Airbus A319 and 149-seat Boeing 737. This restrains charter flights from Europe, Russia and China which are currently key market feeders to the competing island resort destination of Phuket.

Visitor Arrivals and Inbound Flights



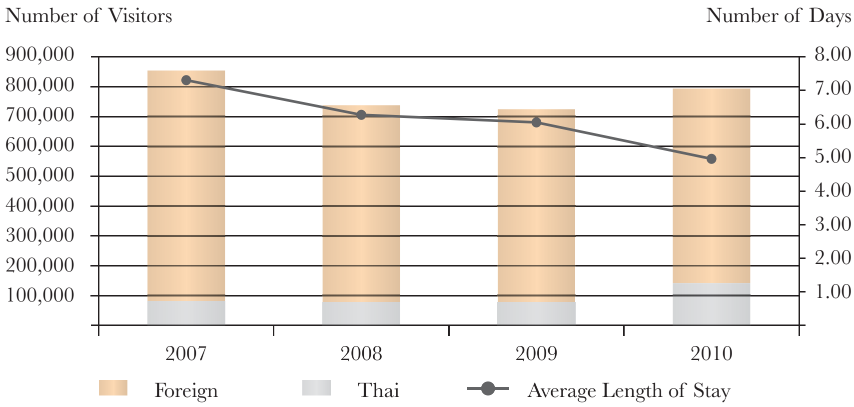
Higher load factors on international flights, while rising domestic service shows lower demand

Source: Department of Civil Aviation and C9 Hotelworks Market Research

Tourism Indicators

- Visitor arrivals, which bottomed out in 2009, grew 10% in 2010 with a total of 793,179 tourists staying at registered accommodation establishments. Key indication is a positive recovery trend after the Global Financial Crisis in 2008.
- Thai visitors in 2010 significantly grew by 94% vs. 2009, leading tourism source markets with highest proportion over the past decade.

Visitor Arrivals and Average Length of Stay (ALOS)



ALOS reduced to 4.99 days in 2010 stemming from movement in source markets

Top 5 Source Markets*	
1. Thailand	18%
2. Germany	15%
3. United Kingdom	13%
4. Australia	9%
5. Middle East	6%

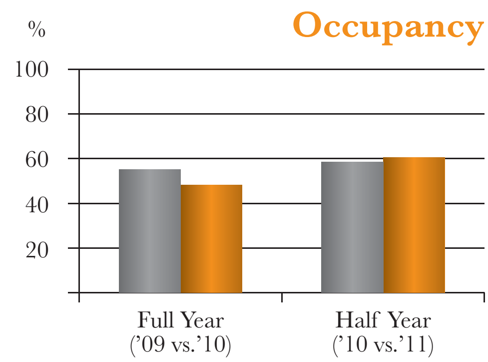
Top 5 Growth Markets*	
1. Thailand	94%
2. Germany	32%
3. Russia	20%
4. Middle East	9%
5. Australia	1%

Top 5 Asian Markets*	
1. China	21%
2. Japan	17%
3. Malaysia	12%
4. Singapore	10%
5. South Korea	10%

* January - December 2010

Source: Department of Tourism Thailand and C9 Hotelworks Market Research

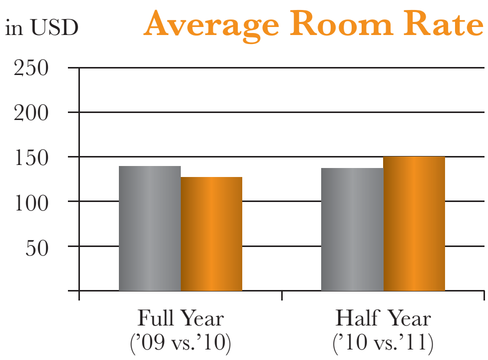
Hotel Performance



By Tier

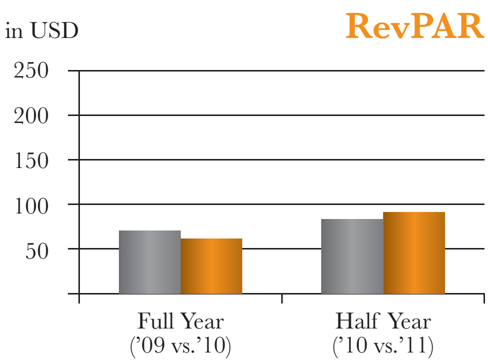
	Change
Luxury	▼ 1%
Upscale	▲ 10%
Midscale	▼ 1%
Budget & Economy	▼ 3%

Market dynamics triggering changes in demand profile



	Change
Luxury	▲ 6%
Upscale	▲ 10%
Midscale	▲ 2%
Budget & Economy	▲ 15%

Budget & economy tier room rate growth highlighted by increase in domestic segment



Source: C9 Hotelworks Market Research

	Change
Luxury	▲ 4%
Upscale	▲ 30%
Midscale	▲ 1%
Budget & Economy	▲ 9%

Positioning shift of the island to niche products reflected in upscale hotel set

Hotel Openings

- At the beginning of 2011, there were 16,986 rooms in 446 hotels on Samui, according to the Tourism Authority of Thailand – Koh Samui. The majority of these hotels are classified into the budget & economy and midscale segments. Luxury and upscale tiers made up 5% and 25% of total supply respectively.
- A total pipeline of 820 keys represents a 5% increase to existing supply. The second half of 2011 is anticipated to see 440 rooms or 54% of the new products entering the market. The remaining 380 rooms will open in 2012.

Hotel Name	Location	Rooms	Opening Date
Möevenpick Resort & Spa Mae Nam Beach Koh Samui	Mae Nam	81	Q4 2011
Akaryn	Choeng Mon	60	Q4 2011
All Seasons Samui Chaweng	Chaweng	153	Q4 2011
Vana Belle Samui Resort & Spa (Starwood Luxury Collection)	Chaweng	180	Jul 2012
Ozo Samui	Chaweng	200	H2 2013
Conrad Koh Samui Resort & Spa	Thong Krut	65	Sep 2011
InterContinental Samui Baan Taling Ngam Resort	Taling Ngam	81	Dec 2011

Source: C9 Hotelworks Market Research

About C9 Hotelworks

Bill Barnett
Managing Director

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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