

Koh Samui Region Overview

The island of Koh Samui is located in the southern region of the Gulf of Thailand, and is the largest of an archipelago of more than 80 islands, for the greater part uninhabited, the Angthong Marine National Park (The Golden Bowl).

Of a surface area of about 250 square kilometres, with a growing population of over 50,000 Koh Samui is the third largest island of the Kingdom after Phuket & Koh Chang. Koh Samui is just a 1 hour flight from Bangkok, and also enjoys direct international flights to Hong Kong, Singapore, and Kuala Lumpur. This island has become one of Southeast Asia's most prominent vacation resorts over recent years.

The three main beaches of Samui, are Maenam, Chaweng and Lamai, which are situated on the northern and eastern coasts of the island.

Historically, development in Koh Samui has been more abundant in the north and eastern areas of the island. While multimillion dollar residential properties are the norm along all the coasts of Samui, the NE region has still remained the most popular due to being within a close proximity to the lively and bustling coastal town of Chaweng Beach. Most notably, Koh Samui over recent years has attracted world famous luxury Hotel & Resort brand names, such as The Four Seasons, The Conrad Hilton, W Hotels, and most recently The Langham Hotels Group and The Banyan Tree.

With the northern and east coasts being the most developed areas on Koh Samui, these command the highest land prices. It is also the most interesting in terms of rental potential, and currently the most secure in terms of resale, as most tourists and buyers are still focusing on this part of the island. However, the west coast is seeing accelerated development. A number of luxury west coast hotels and resort projects are under way, which will contribute to a rise in value of the area. The NE coasts are conveniently located for golf courses, the airport and other amenities – thanks to relatively cheaper land prices, some west coast projects currently offer extremely good value and higher capital appreciation prospects relative to opportunities on the eastern & northern coastlines. In contrast, the south coast continues to see slower residential development due to the distance separating it from Koh Samui International Airport and the golf courses.

For property buyers, purchasing a property in Koh Samui is a “lifestyle investment.” It opens the door to Thailand and Samui's acclaimed lifestyle and environment. It is also an investment decision to place one's money in a rising market with solid economic fundamentals.

Traditionally, buyers of Samui properties come from the United Kingdom and the Scandinavian countries where there are high concentrations of HNWIs. As Samui grows in its

popularity, the island begins to attract property buyers from nearby countries, most notably Singapore and Hong Kong, whose residents find domestic property prices skyrocketing beyond their reach as their countries transforming into developed nations. Recently buyers from Russia, China, Korea and the Middle East have emerged as new sources of demand.

Virtually all of these purchasers have seen their investment increase in value. Capital appreciation over the past four years has varied from 15-20% annually, and some properties have seen their value appreciate by as much as 50-100% between the launch of a project and the transfer of title. Those who have chosen to let their properties have also seen significant rental income, particularly during high season. The holiday rental market has seen considerable growth. CBRE calculates that an actively managed property available for let should produce annual returns of 6-12%, based on 100 night's occupancy.

There has been a diversification in locations being developed on the island, as prime oceanfront sites on the NE coasts, the original center of development, have become scarce. The south and west coasts, which were once overlooked, now boast several high end projects with steadily increasing prices. Hillside sites with prime sea views are now becoming difficult to acquire, prompting increases in value and demand for inland properties. The most sought-after properties are those with ocean views. These command higher prices since they are of course in limited supply due to building restrictions. However, provided that good design, planning and management are employed, projects are selling in an increasingly wide range of areas.

Unlike land assets, completed residential/resort units are sold at prices not far below those in some of the world's more expensive resorts. In the lower end of the market, prices are driven by buyers looking for vacation property with investment returns. In the middle market, properties are purchased increasingly as retirement/second homes by affluent expatriates and foreign baby boomers. At the top of the market, homes are purchased as lifestyle properties by the extremely wealthy individuals with multiple homes. It is in the high end of the market that price ranges are the widest (between 40-200 million baht), reflecting the significant premiums attached to the largest and most desirable properties with unique amenities. As property offerings continue to improve in terms of scope and quality, prices will continue to escalate and approach levels more comparable to those seen in the domestic resort markets of buyers from hyper-expensive regions such as Hong Kong, Japan, Western Europe and America.

The strong contribution from international markets underscores the growing popularity of Samui as an international travel destination. Of the reported 1million + foreign visitors each year, Europeans continue to dominate with largest percentage share of total international arrivals. Though most established European markets showed single-digit growth rates (with the exception of the United Kingdom), Eastern European nations have shown the largest increase in visitors relative to recent years. The emergence of new high-growth source markets suggests that the growth of Samui will not stagnate in the near future. Strong tourism growth will translate to strong hotel performances on Koh Samui.

Due to the limited overall percentages of properly titled prime positioned land, the continuing rise in land price underlines the tremendous economic potential that investors

can extract from developments in Samui given its positioning as the world's premier resort destination. With the limited supply of prime beachfront lands, the growing demand will predictably put an upward pressure on price. In a recent report, beachfront land on Samui's north & east coasts are transacting at 20 million baht up to 50 million baht per rai, with the exception of Chaweng Beach which has recently achieved 100 million per rai. While seemingly priced exorbitantly in comparison to other beaches, Chaweng Beach can justifiably demand the highest price point due to its popularity synonymous to the island of Samui itself, providing hotel accommodations to the largest percentages of foreign visitors to Samui last year. The land progressively becomes cheaper the further it is located away from Chaweng, the tourism center of Koh Samui. Land prices do fall in a wide range depending on its geographical location and beach front proximity.