

June 2005
Market Focus

The Gulf Gold Rush - The phenomenal growth of Koh Samui's real estate market

By Jules Kaye

Over the last five years, the property market on Koh Samui has shifted from one based principally on speculative land purchases, to a thriving multi-level economy with a full range of on-site support services. Exclusive, privately owned properties can now be found throughout the island, many of them designed and constructed by firms of international repute. There are also several large-scale projects nearing completion, some of which involve up to fifty houses. Real estate agencies have sprung up all over the island, as well as international construction companies, interior designers, Thai and foreign run legal and administrative services, land brokers, regional developers and a number of dedicated real estate publications.

The property sector on Samui certainly has a gold rush feel about it, but there is also concern in some quarters that this will soon place undue stress on the island's infrastructure and resources. A cautious approach to investment is definitely advisable, but for those arriving with the necessary knowledge and capital, Samui still represents one of the region's more attractive propositions.

According to those involved in land and property sales on Koh Samui, investment in real estate is increasing at a rate of no less than 20% per year. Hong Kong has been a major source of investment capital since the boom first began, and the level of interest from that part of Asia was rewarded in April with the launch of a direct flight. Early developments focussed either on private villa construction or the purchase of large tracts of land, which were divided up and sold as plots.

Most of these projects sold out almost immediately, with many of those who bought in happy to see a fast return rather than risk expensive, time-consuming construction. In the last two years, however, the arrival of a range of upscale services and facilities has boosted confidence in Samui's economic stability. The introduction of two new international standard hospitals and the completion of a world-class golf course, improved transport services to the mainland, and the appearance of a number of global brand companies have all contributed to an image overhaul.

Such improvements are now attracting a more diverse and committed level of investment, as well as a wider range of potential clients for existing properties and projects. The tsunami undoubtedly had a profound effect on the tourism industry throughout the country, but according to some local property developers, the real estate sector was not unduly influenced in either a positive or a detrimental way. The property market continues to grow, and is driven by factors not necessarily linked directly to the tourist economy.

"Prices are still moving on Samui, and when beach land becomes available it continues to sell extremely quickly," John Birt, Managing Director of Samui Villas and Homes says. "Property clients obviously look at things with a longer term view than tourists, and Samui continues to enjoy a very buoyant property market. There has been no drop in the number of clients walking into our offices, and very few people express concern or even mention the tsunami. Even over on Phuket, which one would imagine being much more

seriously effected; there are plenty of people still investing in the property sector."

Despite such obstacles, the vast majority of investors feel Koh Samui is developing at a rate that justifies the risks, and as each year passes the process of buying land or property on the island becomes less problematic, and at the same time more legitimate. Mr Manit Tajew, an experienced English-speaking lawyer from Bangkok who has been involved in many of the island's larger property deals, believes that Thailand will always welcome foreign investment.

Investment opportunities in the property sector on Samui can now be divided into several categories. At the top end of the price scale is the exclusive luxury villa market with three to six bedroom houses, including a private pool and the option of full staff and amenities. Such luxury properties are currently available for B30 million upwards, and include a number of stand-alone villas, as well as larger developments such as the Fairways Country Resort, which borders the Santiburi Country Club, and the villas at Napasai, managed by the Pansea Orient Express group.

The second category of property is located inside a larger gated community, such as those offered by Coco International and RDI, most of which include a choice of size and design, with houses generally falling into the B10-20 million range. Newer developments in this category, such as those designed by CD&P, offer increasingly modern European architecture, while more economical and prolific still are the various bungalow and apartment style residential complexes, as exemplified by Palm View townhouse apartments, which are proving to be a very popular choice for tourists visiting the island.

In addition to these projects there are numerous second and third generation private houses for sale, often at very reasonable prices, and plenty of raw land is still available at various locations around the island, particularly in the south, although beachside plots are becoming increasingly difficult to find. The cost of land still varies enormously depending on the location and additional amenities in place, such as road access, electricity and water supplies. The cheapest plots tend to be mountain land, which can still be found for as little as B2 million per rai (2500sqm), while beachside tracts fetch upwards of B8 million per rai.

Crispin Paton-Smith is the Editor of local listings publication Samui-Phangan Real Estate Magazine, and even he admits that it's hard to keep up with all the new property companies and offices opening up on the island. "The range and diversity of property options is phenomenal on Samui right now," he says. "A few years ago I could have counted the number of developers and real estate agents on one hand. But nowadays the international market is really opening up and there are opportunities everywhere, with developers and construction companies aiming to follow the standards of the western world, and striving to give their customers the best options available. The discerning investor will obviously have a lot of questions about what it takes to own a piece of paradise. But despite the risks, I believe it's a very good time to invest on Koh Samui."

