

# LIVING THE SUSTAINABLE HIGH-LIFE



Luxury hospitality company Six Senses is launching its first private residential project in Thailand under the Soneva brand. **Claire Malcolm** talks to founder and 'intelligent luxury' guru Sonu Shivdasani about building green for the world's high rollers

The sustainability movement may have started at grass roots level but it's quickly moving up the development ladder to encompass everything from high-rise office towers and hotel rooms to the residential market.

One of the companies leading the way on the hospitality front is Six Senses. Established in 1995, the Six Senses resort and spa portfolio includes six sub brands which operate under the group's SLOW LIFE philosophy (Sustainability, Local, Organic, Wholesome and Learning, Innovative, Fun Experiences), coined by co-founder and owner Sonu Shivdasani.

At the top of the hospitality hierarchy is the Soneva brand – a collection of luxurious resort experiences targeting high net worth individuals looking for complete escapist privacy. Under the tagline of 'intelligent luxury', Shivdasani is walking the sustainability talk from careful construction methods to the use of locally-sourced materials.

With two highly successful Soneva projects setting sustainability benchmarks in the Maldives, under their belt, Shivdasani and his partner, wife Eva, are about to take the eco high-life to a new level, by offering luxury residences for sale within their latest project, located on the Thai island of Koh Kood.

## RESORT TO RESIDENTIAL

The third destination for the Soneva brand is Thailand's fourth largest island – Koh Kood – located off the south-east coast and part of a national park. In addition to the hotel portion of the resort, Soneva Kiri, which is due to open in mid-2009, will have a total of 20 residences available for sale to loyal repeat guests and qualified prospects. The same design philosophy will be applied, as Shivdasani explains: "Soneva Kiri incorporates everything that we have learned from designing Soneva Fushi and Soneva Gili."

The decision to launch a residential product was always a foregone conclusion according to Shivdasani, who says: "We always felt that we would do residences with the Soneva brand as we have such a loyal following. We couldn't build residences in the Maldives because of leasehold challenges, so we thought of finding another location in Asia, somewhere that would have that remote but accessible appeal."

"We chose Koh Kood because unlike other islands, which have millions of tourists visiting each year and a huge resident population, it has a population of just 2,000 people."

## LOCATION LOGISTICS

The remote location may be a signature of the Soneva brand, but this has naturally had significant cost implications for the logistics of the build. Shivdasani says: "The costs have been huge. To give you an idea, our latest cost plan estimate is around US\$100 million which includes 28 resort guest villas, the central areas, our airport and the heart of the house infrastructure, as well as two finished residences. So it really is quite a big investment and must be one of the highest for rooms across our entire portfolio."

Unfortunately, the drop in construction material prices has come too late to even make a dent in the investment outlay. Says Shivdasani: "We are nearly finished now and we are opening in July, so we haven't really benefited from the drop in the cost of construction materials. For the first eight villas that we have sold, the costs have been quite high."

"Because of the remote location we have had to buy a lot of equipment and barges to transport the materials. So there have been major transportation challenges, but that is because it is such a unique location in comparison with other venues."

On the other hand, Six Senses has benefited from cheaper land prices, as he explains: "Because it's a remote location we could buy land cheaply, which meant that we could buy more, so we have a total of 150 acres. This makes it a substantially larger site than other resorts of that size."



1 Beach Residence exterior  
2 Beach Villa master bedroom

"Out of the entire construction, only the pool contains cement. It is cleaned by pumping water up to a pond above, which has oxygenating plants that clean the water, and then waterfalls bring this water back down to the pool. The waterfall also generates power for the villas at night. The air-conditioning uses about one tenth of the energy it would normally require, as the earth walls mean that the villa doesn't need much cooling," he adds.

## GREEN BUILD

Thailand's environmental legislation is in a state of relative infancy, but with Koh Kood part of the Koh Chang Marine National Park it could be assumed that a number of restrictions would already be in place. According to Shivdasani, this isn't the case: "There is no specific legislation relating to us being part of a national park, nothing different to the standard building regulations which already mandate certain limits. But the government is talking about making Koh Kood a special zone with limited development, and I think that once they see our resort that will give them more impetus to do so."

With almost 15 years of experience in environmental design and development, Six Senses is perfectly positioned to bring best practice to the region and Shivdasani is already initiating eco firsts for the Soneva Kiri project, starting with resort accommodation and the creation of a zero carbon villa dubbed the 'eco suite'.

"The villa is around 200 square metres, with a pool, but it has very little carbon in the construction and zero carbon in the operation, so it is made largely of rammed earth with no cement," he says.

"The foundations are built with stones that we found on site, which we sink in and then make a central hole for the pillars. The rammed earth walls are topped with an earth roof with green vegetation growing on it, which makes it around six degrees cooler inside than with a thatched roof. Inside there is a simple air-conditioning unit which is run by solar and wind power."

A test project for Six Senses' new Evolution brand, Shivdasani says that the eco suite costs around the same as a regular Soneva villa to develop. "The investment is more in terms of the thought and ideas behind the concept and we had our permaculturist there on site to build it along with a local contractor."

"The Evolution brand is a concept that we are working to develop which will be LEED Platinum-certified and zero carbon, or else carbon positive whereby if we do take from the grid we will only take 30 percent of our energy requirements and then contribute back in other ways. And we are also looking to develop Evolution Residences."

## ACT GLOBAL, BUILD LOCAL

A major point of building sustainably is incorporating local materials into any project. Shivdasani says: "We are trying to source our materials as locally as possible, and the most important thing is to not use tropical hardwoods because even if they are certified by the Forest Stewardship Council we feel that there is still a bit of a risk there."

"So we've used bamboo for all the villa floors, the external and internal walls and the roofs in the hill villas. We've also used local eucalyptus from farms in Trat province for all the rafters and uprights. The only long-haul wood is sandblasted pine for the outer decks which comes from New Zealand, because they have a special treatment. It was important for us to ensure that



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the wooden poles holding up the villas are treated to keep termites at bay in a jungle environment. But at least we know that they are reforested timbers."

The same ethos applies to the interiors, which are almost 100 percent sourced from within Asia. "There's a lot of leather and that comes from a great supplier in the Philippines who does all our leather work. The Six Senses creative department has about 20 people working from our hub on sourcing and purchasing for the interiors of each of our projects, and we obtain a lot of items from across the country, especially from Chiang Mai and Chiang Rai," he adds.

But he admits that it isn't feasible to secure every last FF&E item locally. "Of course there are some items that we simply can't source here – pine is the main one and there are also tented roofs from Australia, which is a technology that they don't have in Thailand."

Six Senses also extends its sustainable mantra to locally available workmanship in each destination, as Shivdasani explains: "It's put together as locally as possible. For example, the eco suite was built by a local group which is supported by a charity that was set up in the north of Thailand to allow people to learn traditional techniques such as mud-building, which was a dying craft. We have worked with them before on the Hideaway in Hua Hin."

"Obviously we have to use a main contractor to do most of the work and then a local contractor to do the specialist work. The villas need good wood joining techniques for example, because of the uneven eucalyptus and the wooden dowels joining them together."

#### RESIDENTIAL MATCH

The appeal of a second or third home for Six Senses' affluent clientele is a given, but are the Soneva Kiri residences really designed to be potential long-term homes? Shivdasani is confident that his loyal following has fully embraced the sustainable concept and is willing to pay upwards of US\$4 million for an island hideaway.

"Most of our buyers so far have been existing Soneva clients who already understand our positioning and the intelligent luxury philosophy. Just 20 percent are non-Soneva clients," he remarks.

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Although Shivdasani agrees that most residents will probably only ever enjoy extended stays on the island, as opposed to moving in on a permanent basis, he is adamant about selling villas to those potential tenants who really do buy, in to the sustainability positioning. "With resort guests it's one thing – they are only there for a week – but with a buyer you've got them for life!" he points out.

Residents will also part with their cash in exchange for a home that will have certain restrictions placed on it in terms of modification, as he explains: "If it's going to be let as part of the rental pool then there is obviously limited flexibility – owners will need to follow our fabrics and interiors. If they're not part of the pool then it is just the exterior which we don't allow any modification of."

"There wouldn't be anything like a satellite dish or anything as obtrusive. Some of our buyers may have individual requests but for most people it hasn't been an issue so far and they are usually very sensitive."

3 Beach Residence dining area  
4 Beach Residence exterior

#### SHARING BEST PRACTICE

Other developers are also turning to Shivdasani and the Six Senses success story as sustainability becomes increasingly more relevant within the development community. "Quite a few people have come to talk to us since we've identified ourselves in this particular area of development," he remarks.

And Six Senses is continually on the lookout for new initiatives to up the sustainability ante across its developments. "We have the Evolution brand where we want to get to the goal of zero carbon or at least carbon positive, and we have the goal of making Soneva Fushi in the Maldives zero carbon by 2010."

Soneva Fushi has already introduced Deep Water Cooling which uses a special three-kilometre-long pipe – laid beneath the lagoon at a depth of 300 metres – to pump cool water into the resort's guest villa air-conditioning units. This process saves 70 percent of the energy used in regular ozone-depleting systems.

Shivdasani says: "This will roughly halve our load, along with the hot water recovery. The latest technology we are looking at is concentrated solar power; this is like a satellite dish which focuses the sun's energy on water to turn it into steam to power a steam turbine engine."

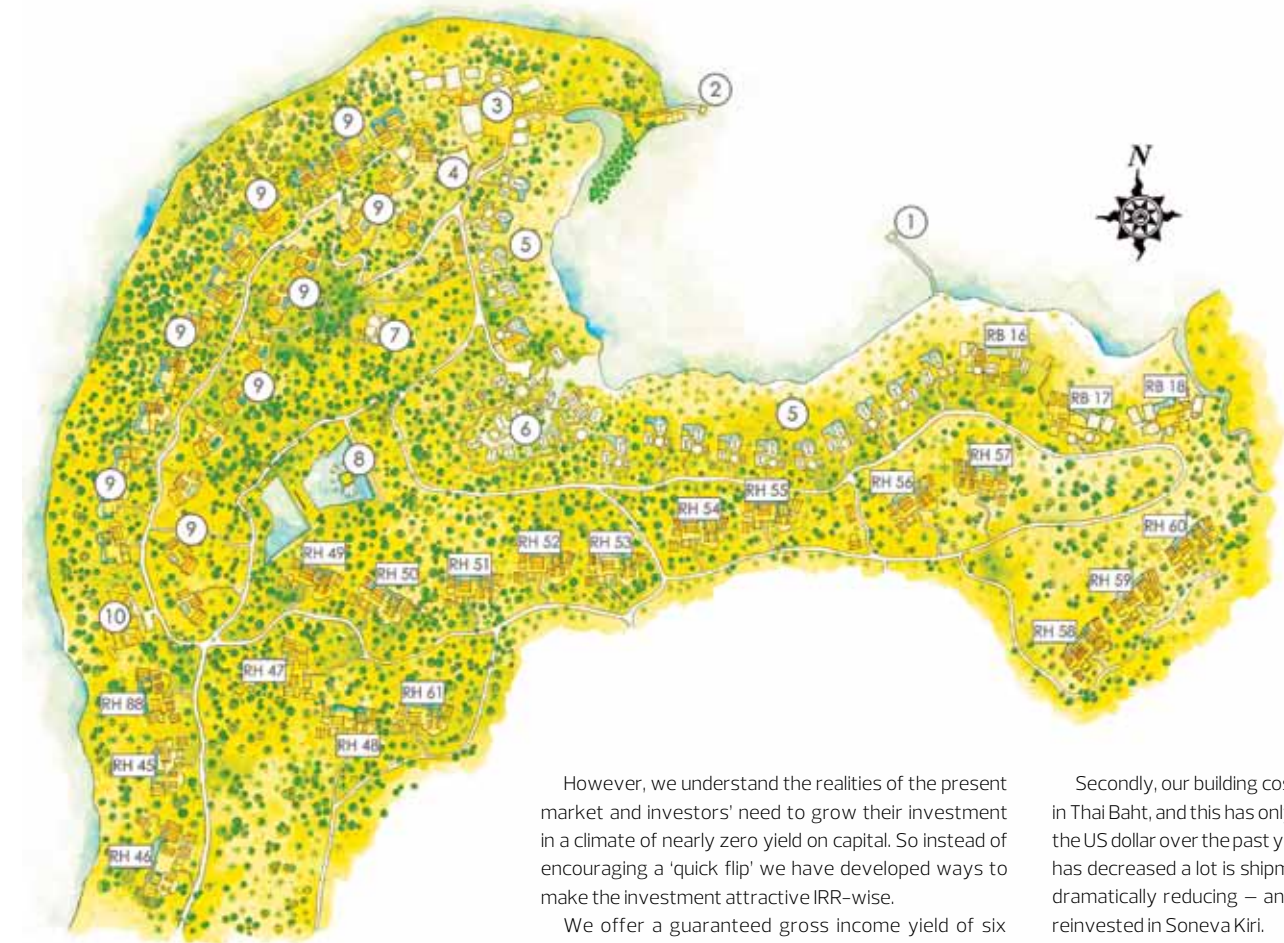
Although Six Senses is targeting a more affluent clientele, Shivdasani is dedicated to pursuing the zero carbon goal and introducing initiatives that could impact all sectors of society, as he explains: "Only 10 years ago a lot of people doubted that global warming was a real phenomenon – even George Bush spent his first two to three years in office arguing against it and questioning the judgment of the scientists. But now it is only the fool who still argues the question and I think in the next eight years you will see the impact more and more in our everyday lives. And this is going to make people more anxious than ever to really look at viable solutions."



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# SELLING THE LUXURY LIFESTYLE

Q&A with Lynn Villadolid, senior director for Six Senses Private Residences



However, we understand the realities of the present market and investors' need to grow their investment in a climate of nearly zero yield on capital. So instead of encouraging a 'quick flip' we have developed ways to make the investment attractive IRR-wise.

We offer a guaranteed gross income yield of six percent on the villas if the villa buyer enrolls their home in our rental programme. In addition, we have already demonstrated capital appreciation as our earliest investors are now seeing an unrealised return of two to three times their initial investment (on an unlevered basis) as many receive offers from new buyers wishing to procure their plot at higher prices than when they invested. For certain countries affected by the sharp depreciation of their currency against the US dollar (UK, Sweden) we are able to offer to peg the exchange rate at an average spot rate less 10 base points for the duration of the build, giving them an assurance that their build costs will not increase, but which will also allow them to benefit if their home currencies appreciate during that period.

#### With the decrease in the cost of building materials, will this have a knock-on effect to the selling price?

The answer is yes on some costs, no on most others. When we open on July 1<sup>st</sup>, 2009, we will be one of the greenest resorts in the world. While the cost of steel and cement have gone down globally, we use very little of these. We rely heavily on sustainable building materials and the cost of these materials has been relatively stable.

Secondly, our building costs are mostly denominated in Thai Baht, and this has only mildly depreciated vis à vis the US dollar over the past year (about 10 percent). What has decreased a lot is shipment costs – with fuel costs dramatically reducing – and these savings have been reinvested in Soneva Kiri.

#### Are you building all 20 villas on a phased basis or will plots only be developed as they are sold?

Except for two show villas, both of which have been sold, all villas are built to order within a 12-15 month period. Because we do not have a pre-built template, our villas can be customised to our clients' individual requirements. Our buyers to date have requested optional items such as extra bedrooms, a conservatory, yoga room, floating pontoons or marinas.

#### Have you seen a slowdown in sales activity for the residences or is the High Net Worth Individual market largely unaffected?

Like all premium luxury branded resort residences we have seen a slowdown in general enquiries and in the time to close sales. However, we are in good shape compared to other developers. Our villa buyers and resort guests tend to be relatively insulated to the financial volatility. What we are hearing from them is that an investment in a Soneva residence in fact becomes attractive as the market turmoil deepens – many of them are sitting in cash, earning a very low yield, and worrying if their bank could conceivably fail. ●

#### What is the price range of the residences at Soneva Kiri?

All villas have four bedrooms with approximately 1,275 square metres of interior and exterior living space, sited on around 3,830 square metres of land. An option to extend to six bedrooms in select locations is also available.

Prices range from US\$4.5-4.75 million for a Hilltop Villa up to US\$7.5 million for a Beach Villa. There are [also] annual service and maintenance charges. In certain cases we can be flexible in absorbing some of these costs depending on what deal is struck with the buyer.

#### Will buyers be able to purchase and then flip their villas on the secondary market, or has Six Senses put conditions on the purchase agreement to avoid speculation?

Villa buyers will be unable to flip their villas for a quick profit. They should expect an average holding time of between three to five years. We tend not to encourage speculators and have put in place some restrictions whereby they are unable to sell their villas until all the other villas in Phase I are sold. We, the developer, also have a right of first refusal on a secondary sale.