



GHN MARKET REPORT - Phuket



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Phuket's Evolution To Mass Tourism Model

Phuket passenger traffic smashed all previous records with 3.5 million arrivals during 2010 - or 22% growth over the previous year with new markets such as Russia and China emerging as the major drivers of growth.

According to our firm C9 Hotelworks latest market research report, *2010 Phuket Hotel Market Update* indicates annual tourism figures soundly recovered from early political angst to hit new highs.

Both Russia and China have emerged as star performers, with charter and direct flight capacity fast tracking growth.

The departure of legacy geographic markets has come at a cost with shrinking average room rates. While new replacement players have become dynamic revenue sources, the shift in arrival markets continues to baffle hotel strategy sessions into how to capture these new revenue sources.

Lack of clarity over questionable recovery of traditional long haul Eurozone countries are creating a sales and marketing conundrum.

Data from the report highlights market capitulations and reactionary pricing resulting in a market-wide occupancy increase of 4%, offset by a 3% fall in room rates.

During 2010 there were new hotel openings adding 1,389 keys, reflecting an increase of 3.2% for



Phuket's existing 43,036 rooms registered in accommodation establishments.

The real storyline remains airlift as traffic surpassed 2007's peak year by 19% with growth of 28% over 2009. China sprouted wings, ranking second overall among international source markets.

A transforming change is underway as the rise in new hotels rooms is widening a split between the traditional lower density resort areas on the island and a growing urban leisure model. This transition is expected to create destination marketing challenges going forward.

Patong is experiencing wildfire growth and a transforming change is underway for the central entertainment district where projections show more than 50% of new hotel supply will be massed over the next five years.

This evolution will see a destination emerging within a destination for the growing price sensitive mass tourism market.

There is a possible disconnect between passenger capacity at Phuket International Airport and a lag in expansion completion which is not expected to complete until 2014.

Passenger traffic of 7.05 million passengers through the airport in 2010 strained existing capacity. An expansion to 12.5 million passengers will commence in the second quarter of this year.

Thai developers increasingly dominate the overall hospitality investment horizon mainly in the mid-market segment, contributing 77% of new projects in the pipeline.

A shift in hotel investor profile to domestic developers is creating a void for luxury and mega projects that would induce new demand to the destination.

Umbrella future development for Phuket sees 5,749 more rooms, representing a 12.9% increase to existing supply. Delayed openings from 2010 pushed into 2011 of which 723 keys will contribute to total of 1,472 rooms entering supply this year.

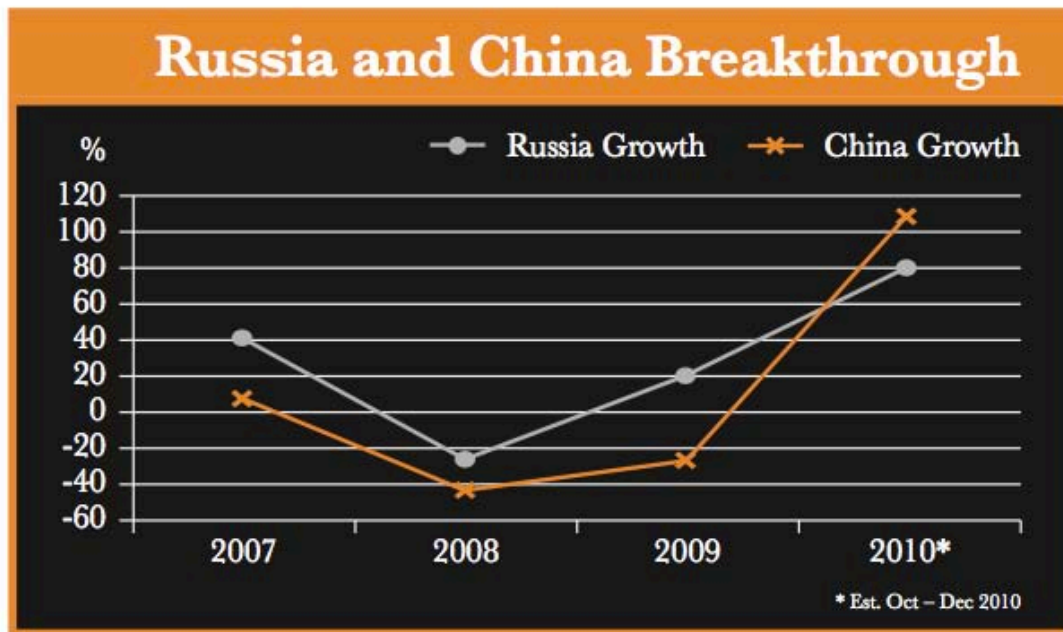
But it's not all blue sky for Phuket's future.

Supply outpaced demand for the first time in a decade which undermines market stability. Challenging supply and demand conditions are forecasted for 2012-2014 with 55% of forward supply in midscale segment.



Key storylines for the year will be hotel transactions and increasingly vocal Phuket business owners and residents asking the poignant question is more better?

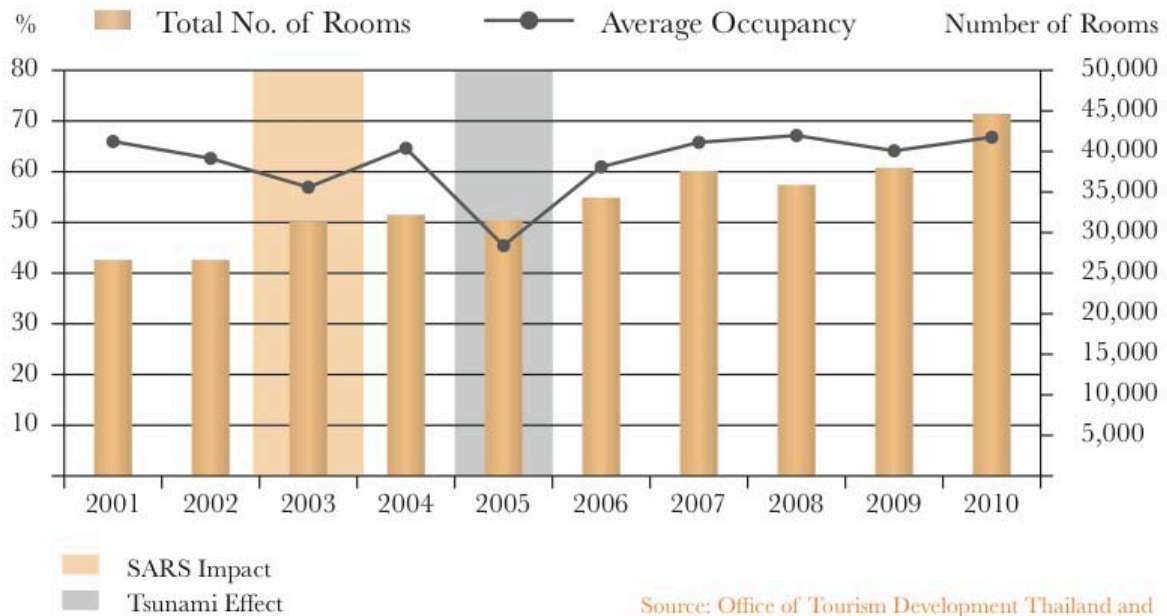
Russia and China Breakthrough



Source: C9 Hotelworks Market Research

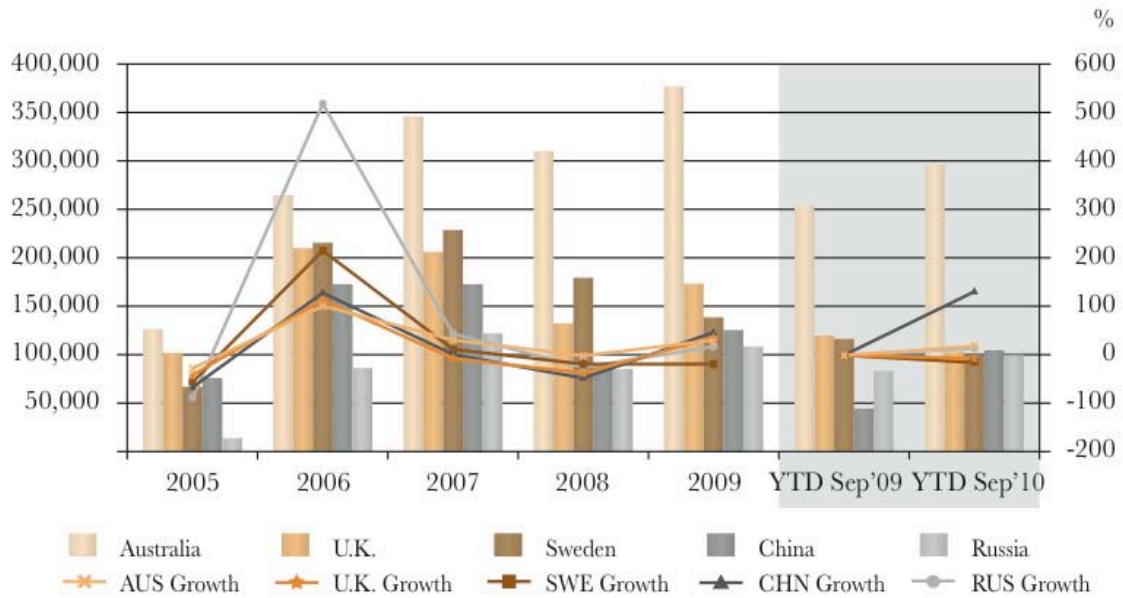


Hotel Supply vs. Demand 2001-2010





Phuket Top 5 Source Markets



Source: Office of Tourism Development Thailand and C9 Hotelworks Market Research



Hotel Openings

Hotel Name	Location	Rooms	Opening Date
PHUKET			
Maikhao Dream Villa Resort & Spa, Mai Khao, Phuket	Mai Khao	22	Apr 2011
West Sands Phuket	Mai Khao	426	May 2011
Holiday Inn Phuket Mai Khao Beach Resort	Mai Khao	276	Q3 2011
Pullman Phuket Arcadia Naithon Beach	Nai Thon	281	Q4 2012
Thanyachiva Lifestyle Resort	Thalang	77	Nov 2011
Phuket Grandville Resort	Thalang	105	2012
Novotel Phuket Kamala Bay	Kamala	172	2012
The Naka	Kamala	95	Q1 2012
Wyndham Resort Phuket	Kalim	133	Q2 2011
The Kalima Resort and Spa	Kalim	168	2012
Absolute Twin Sands Spa and Resort	Patong	96	2012
Novotel Phuket Dahlia Hotel	Patong	305	Q1 2012
Sleep With Me Hotel	Patong	286	Q3 2012
Mercure Phuket Deevana	Patong	508	Q4 2014
Patong Bay Hill	Patong	744	Q4 2012
Moringa Resort	Patong	350	Q4 2012
Four Points by Sheraton Phuket, Patong	Patong	290	Jan 2014
Aloft Phuket Patong	Patong	300	Jul 2014
yooPhuket	Kathu	256	Q4 2013
Kata Rocks	Kata	34	Dec 2011
U Serene Phuket	Nai Harn	140	Q4 2011
Rawai Palm Beach Resort	Rawai	198	Nov 2011
Regent Phuket Cape Panwa	Cape Panwa	106	2011
Four Points by Sheraton Phuket, Panwa	Cape Panwa	200	Mar 2011
The Yamu	Cape Yamu	102	2012
Koh Maiton Resort	Koh Maiton	79	2013
PHANG NGA*			
Casa de La Flora Khao Lak	Khao Lak	36	Feb 2011
Mai Khao Lak Beach Resort and Spa	Khao Lak	200	Q4 2011
Wyndham Resort Khao Lak	Khao Lak	205	Feb 2012
Sentido Graceland Khao Lak	Khao Lak	316	Q2 2012
Maikhao Dream Resort & Spa, Natai, Phang Nga	Natai	56	Mar 2011
Similan Beach, A Ritz-Carlton Reserve	Bo Dan	79	H2 2013
KRABI*			
Mercure Krabi Ao Nang	Ao Nang	200	2012
Ibis Krabi Ao Nang	Ao Nang	230	Q4 2011
Centara Grand Lanta Island	Koh Lanta	233	2012

*Phang Nga and Krabi projects depicted for information purposes only and not included in Phuket data.

Source: C9 Hotelworks Market Research

ABOUT BILL BARNETT & C9 HOTELWORKS

C9 Hotelworks is hospitality consulting firm based in Phuket, Thailand and led by Managing Director Bill Barnett. With 26 years of experience in Asia Pacific, he is a leading specialist on hotel and property development issues. C9 is a leading hospitality market research and intelligence reporting concern working with financial institutions, private equity groups and private hotel developers. Bill is a columnist with a number of leading newspapers, including the Phuket Gazette and The Nation and has appeared on CNBC, the BBC and CNN. His popular blog www.thephuketinsider.com is the authoritative source of all Phuket hotel tourism and real estate issues and trends. More information on the company can be found at www.c9hotelworks.com.

Bill Barnett is a Member of GlobalHotelNetwork.com's [Investment Committee](#).

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