



asset management
& hospitality consulting

Phuket

2012 Hotel Market Update

January 2013

Phuket tourism is no longer just about the beach

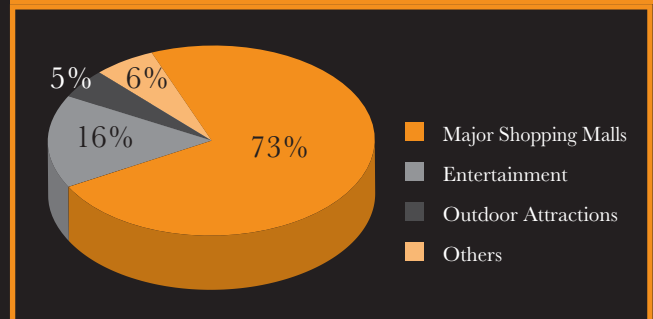
Shifting island visitor profile sees shopping and attractions as strong demand catalysts

“Hot on the heels of a rising Asian middle class and a resurgence of a prolific group travel segment, Asia’s resort destinations are quickly becoming urban playgrounds.

Increasingly Phuket has become ground zero for the region’s new leisure consumers. Unlike in decades past where the beach was the flashpoint of activity, an increasing number of tourists are now heading to shopping malls and seek out a daily dose of activities.

The unabridged success of large retail complexes such as Central Festival and

Tourism Attraction Market Share



Source: C9 Hotelworks Market Research

Jungceylon is paving the way for an even greater focus on “off beach” demand generators.

Based on C9’s extensive market research into visitor behavior on the island, it’s clear that a new rule book now exists which looks beyond the beach. Asia’s economic march forward is clearly a numbers game.”

Bill Barnett, Managing Director, C9 Hotelworks

2012 Trends

- Passenger arrivals through Phuket International Airport recorded at 4.77 million, with the international sector accounting for 53% vs. 47% in the domestic segment.
- Hotel-wide performance registered a 76% average occupancy with ADR and RevPAR standing at US\$142 and US\$108 respectively.
- Repeat visitors to the island comprise approximately 10-15% of total tourists.
- Average length of stay for foreign visitors recorded at 5.15 days as compared to 3.06 days for Thai travelers.

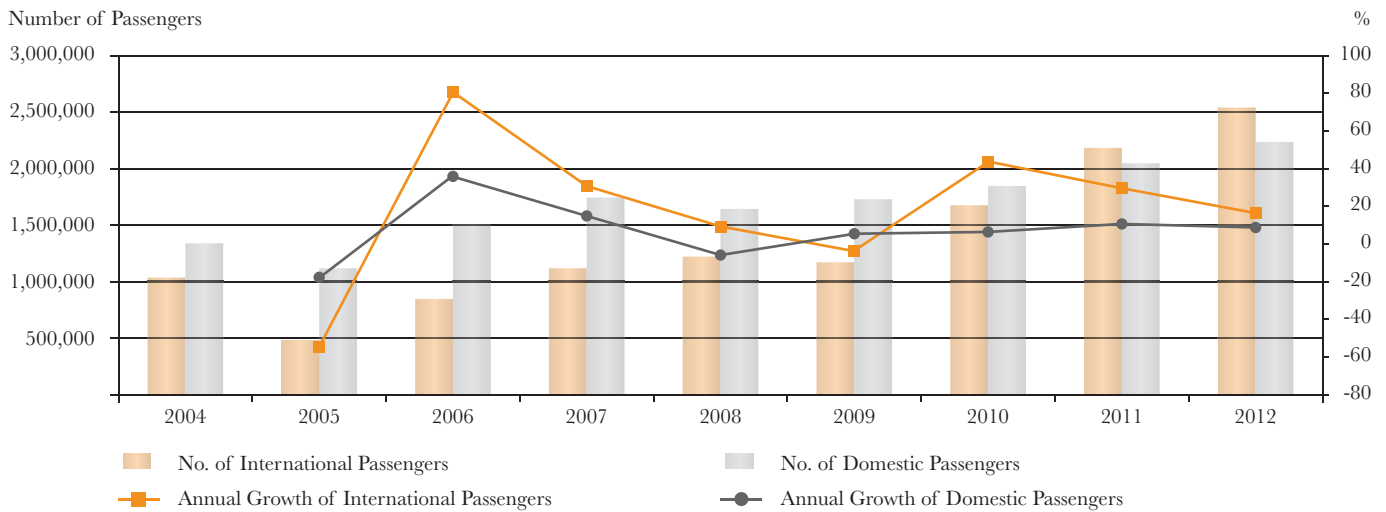
2013 Outlook

- The government’s investment in over US\$500 million in infrastructure developments across the island will strongly support sustained growth.
- Strong demand in the mass market of Chinese and Russian tourists will continue to grow with a gradual shift to more independent travelers (FIT’s).
- West coast plays a dominant role with Patong accounting for 61% of total development pipeline.
- Rise of investment in new retail and tourist attraction projects highlighted by Central’s expansion plans.

Airline Indicators

- Traffic through Phuket International Airport (PIA) strained with surging arrival numbers, primarily attributed to the substantial growth in mass tourism on the island.
- In 2012, total inbound and outbound passengers for both domestic and international sectors registered at 9.5 million, reflecting an excess of 47% from the airport's stated capacity, which represented a growth of 13% over the previous year.
- Between 2004 and 2012, the visitor arrivals at PIA grew at a compound annual growth rate of 9%.

Historical Trend of Airport Visitor Arrivals

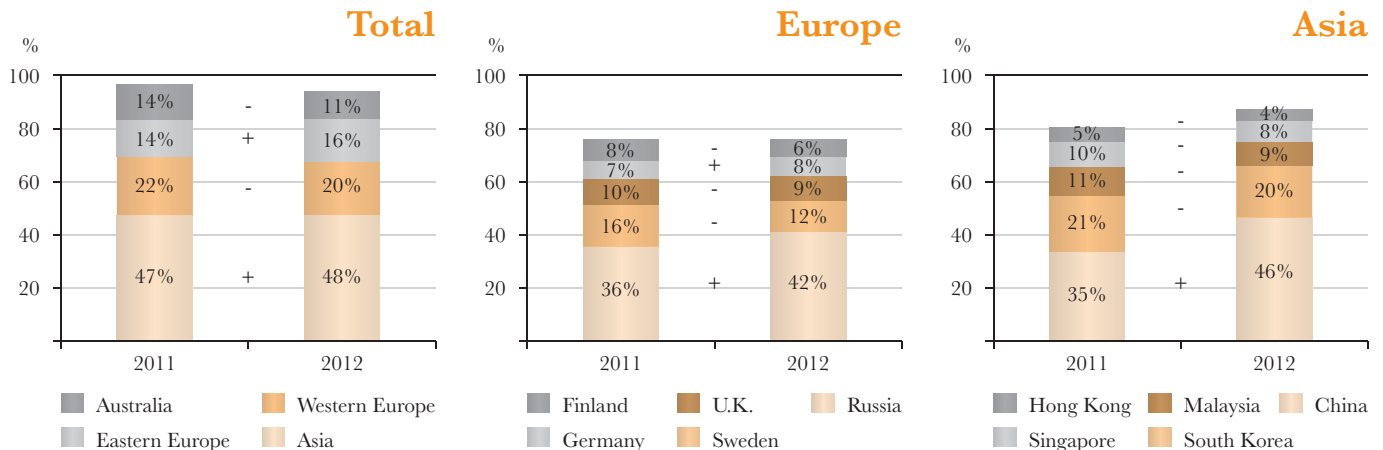


Source: Phuket International Airport and C9 Hotelworks Market Research

Tourism Indicators

- Top five international source markets to the island's tourism industry accounted for 60% of total vs. 56% in 2011. These consist of China (22%), Russia (15%), Australia (10%), South Korea (9%) and Malaysia (4%).
- A considerable decline of the traditional European market was substantiated by a debt crisis currently spreading over the Euro zone. Market shares of the island's tourism for key countries such as Finland and Sweden continued to shrink year on year.

Key Geographic Sources Market Share

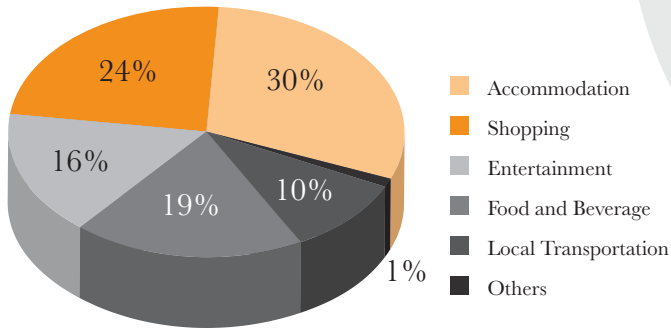


Source: Phuket Airport Immigration, Phuket Provincial Commercial Office and C9 Hotelworks Market Research

Tourism Attractions

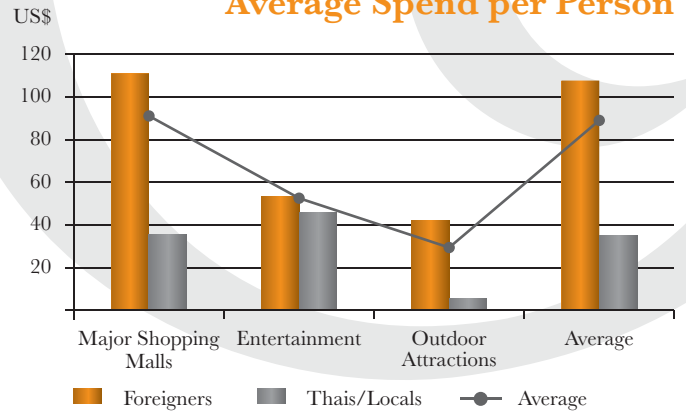
- The largest spend for tourists to Phuket is accommodation, accounting 30% of total, followed by shopping at 24%.
- Chinese, Russian and Australian visitors are the top 3 spenders at leading retail malls.
- Commission system is substantially applied in tourism attractions that are sensitive to annual seasonality. While it is less used in leading retail complexes which are more penetrable to direct customers with a strong base of local patrons.

Tourism Expenditure by Type



Source: Department of Tourism, Thailand and C9 Hotelworks Market Research

Tourism Activities Average Spend per Person

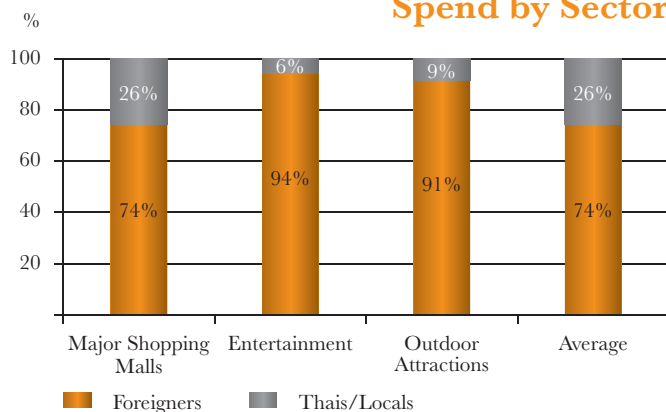


Source: C9 Hotelworks Market Research

Major shopping malls and tourist attractions accounted for 24% and 16% respectively of tourist's spend

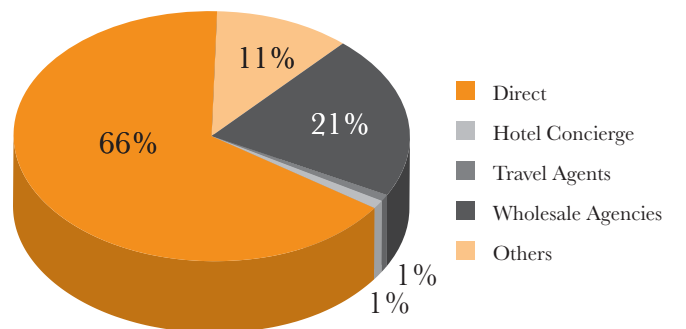
Average spend of foreign tourists at US\$108 per person is three times above domestic travelers

Foreign vs. Domestic Spend by Sector



Source: C9 Hotelworks Market Research

Tourism Attractions Booking Source



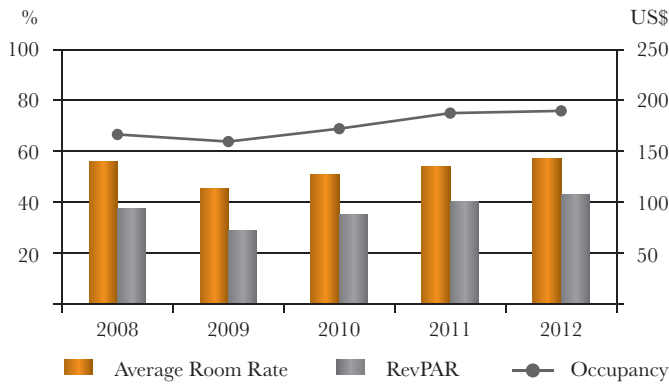
Source: C9 Hotelworks Market Research

73% of total customers to demand generators visit shopping malls

Wholesale segment led the indirect channels driven by Chinese and Russian visitors

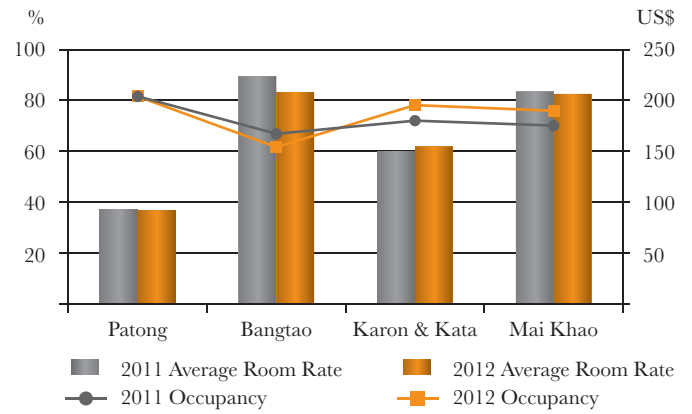
HOTEL MARKET

Overall Performance Trend



Source: C9 Hotelworks Market Research

Performance by Key Locations



Source: C9 Hotelworks Market Research

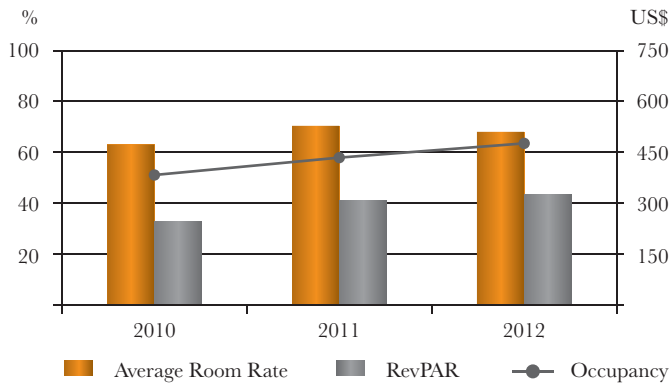
Market cycle demonstrating stabilized trading conditions

Patong room rates static despite strong demand

Hotel Performance by Tier

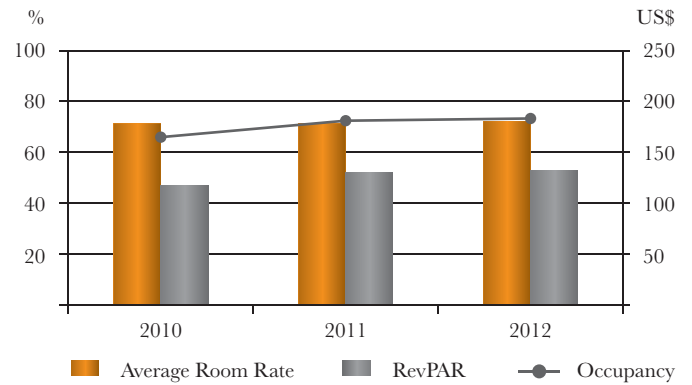
- The luxury segment outperformed the overall market with a push upwards in occupied room nights by 9% vs. 2011. RevPAR increased in all tiers by 7% on average.

Luxury



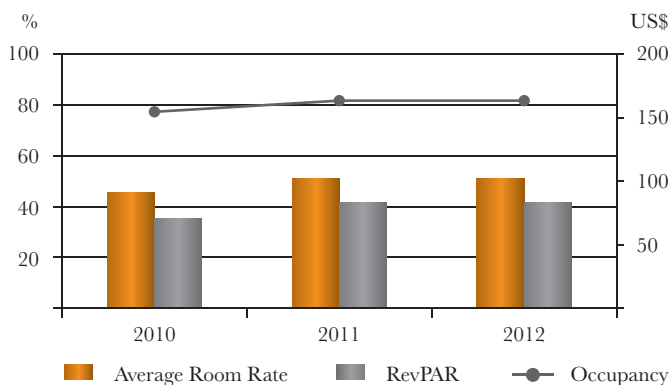
Source: C9 Hotelworks Market Research

Upscale



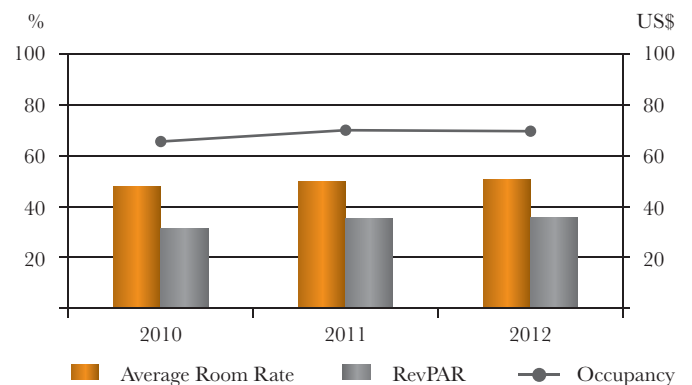
Source: C9 Hotelworks Market Research

Midscale



Source: C9 Hotelworks Market Research

Budget & Economy

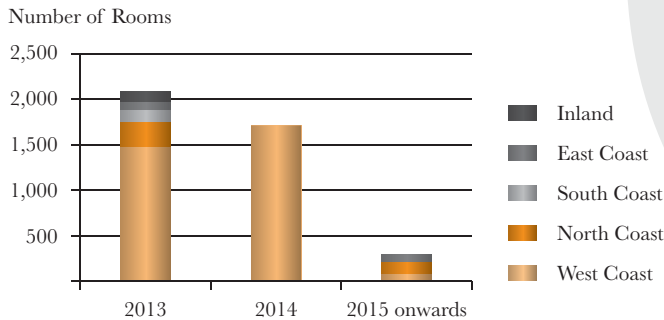


Source: C9 Hotelworks Market Research

HOTEL SUPPLY

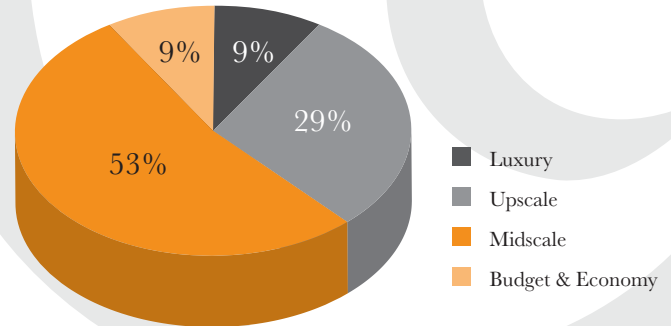
- At the end of 2012, the island of Phuket had over 45,000 registered accommodation units, inclusive of 1,458 keys coming into inventory during the year.
- During 2013 - 2016, a new supply of 4,091 keys are forecasted to enter the market, representing a total supply growth of 9%.

By Location and Opening Year



Source: C9 Hotelworks Market Research

By Tier



Source: C9 Hotelworks Market Research

Hotel Openings

Hotel Name	Location	Rooms	Opening Date
Pullman Phuket Arcadia Naithon Beach	Nai Thon	277	Feb 2013
Hotel Indigo Phuket Naithon Beach Resort	Nai Thon	135	2015
Nikki Beach Hotel and Spa	Bangtao	174	Q2 2014
Novotel Phuket Kamala Beach	Kamala	174	May 2013
Kamala Bay Terrace Resort	Kamala	202	2013
The Naka Phuket	Nakalay	94	Dec 2013
Sleep With Me Hotel	Patong	230	Oct 2013
The Patong Bay Hill Hotel & Resort	Patong	744	Q4 2013
Four Points by Sheraton Phuket, Patong	Patong	290	Jan 2014
Centara Grand Moringa Resort & Spa Phuket	Patong	350	Q1 2014
Grand Mercure Phuket Patong	Patong	318	Q1 2014
Aloft Phuket Patong	Patong	250	Jul 2014
All Seasons Phuket Patong Beach	Patong	250	2014
Rosewood Phuket	Patong	87	2016
The Hermitage Hill	Karon	80	Q1 2014
Kata Rocks	Kata	34	Aug 2013
Point Yamu by COMO	Cape Yamu	79	Q4 2013
Days Inn Hotel Phuket Town	Phuket City	120	Dec 2013
Park Hyatt Phuket	Koh Siray	70	2015
U SunSuri Phuket	Nai Harn	133	Apr 2013

Source: C9 Hotelworks Market Research

Major Rebranding and Renovations

Hotel Name	Scope of Work	Location	Rooms	Reopening Date
Anantara Phuket Layan Resort	Minor Hotel Group acquired the existing Bundarika resort in 2012. Property is being upgraded and expanded.	Mai Khao	77	Sep 2013
InterContinental Phuket Rawai Beach Resort	Former Evason Phuket closed in May 2012 after being acquired by a Singapore group. It is undergoing large scale redevelopment and will be rebranded by IHG.	Rawai	240	2014
Outrigger Phuket Beach Resort	Property was closed for renovation in 2012, after being bought by private equity firm in early 2011 and resold to Outrigger in mid 2012.	Bangtao	252	Q1 2013

Source: C9 Hotelworks Market Research

KEY INFRASTRUCTURE HIGHLIGHTS

Marinas

Name	Location	Capacity and Facilities	Year Open
Boat Lagoon	Koh Kaew	290 berths with services such as chandlery, fork lift and hardstand. It features other facilities such as a hotel, residential development, marina center and office/retail shops	1995
Yacht Haven Marina	Laem Phrao	250 berths and chandlery service. Other facilities include restaurant, shops and commercial space	1997
Royal Phuket Marina	Koh Kaew	350 berths with additional services of fork lift and hardstand. It is part of an integrated lifestyle development boasting residential villas and condominiums as well as retail and food and beverage outlet	2005
Ao Po Grand Marina	Ao Po	200 berths as well as staging area for Phang Nga Bay tours	2009

Source: C9 Hotelworks Market Research

International Schools

Name	Location	Number of Students*	Year Open
1. British International School Phuket (BIS)	Koh Kaew	850	1996
2. HeadStart International School Phuket	Phuket City	415	2005
3. Phuket International Academy (PIA)	Thalang	217	2008
4. QSI International School Phuket	Phuket City	105	2009
5. Kajonkiet International School Phuket	Kathu	85	2011
6. Rawai Progressive International School	Rawai	30	1998

* As of December 2012

Source: C9 Hotelworks Market Research

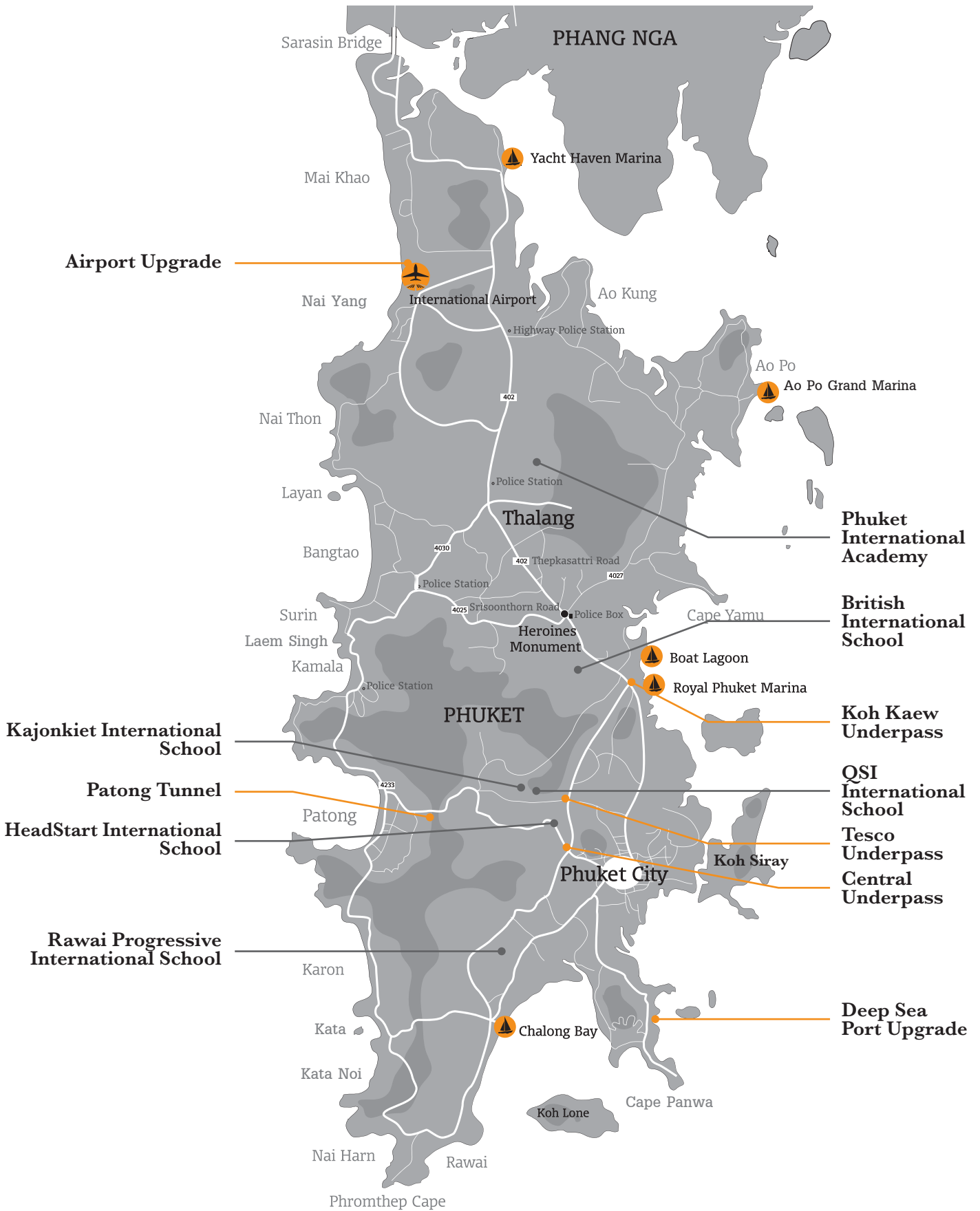
Infrastructure Developments

Name	Key Project Description	Project Status	Target Completion
1. Phuket International Airport Expansion Budget: US\$180 million	- New international terminal, apron extension and multi-storey car park	Piling work is currently underway	May 2015
2. Underpass at Central Festival Intersection Budget: US\$20 million	- An 850-meter underpass along Chalermprakiat Road	Construction commenced in November 2012 and is ongoing	October 2014
3. Underpass at Tesco Lotus Intersection Budget: US\$20 million	- A 600-meter underpass	Project has been approved with construction set to begin by March 2013	March 2015
4. Underpass at Koh Kaew Intersection Budget: US\$15 million	- A 300-meter underpass	Under contractor selection process	TBA*
5. Underpass or Flyover at 5 Key Highway Intersections Budget: TBA*	- Intersections include Airport, Nai Yang, Thalang, Heroines Monument and Chalong	Under review with current status of feasibility consultant selection in process	TBA*
6. Patong Tunnel Budget: US\$117 million	- Two one-way tunnels of approximately 1.5 km each - The project was transferred from the Phuket local government to EXAT**	Feasibility consultant selection. Tentative construction schedule is set to commence in early 2015	February 2018
7. Deep Sea Port Upgrade Budget: US\$5.8 million	- Addition of a passenger resting area	Pending environmental approval	March 2014

* To Be Announced, ** Expressway Authority of Thailand

Source: C9 Hotelworks Market Research

Infrastructure Map



 Marinas
  International Schools
  Infrastructure Developments

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 include 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 28 years of experience in Asia Pacific, the firm is well positioned to serve an increasingly demanding marketplace.



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