



asset management
& hospitality consulting

Phuket

2014 Hotel Market Update

Mid-Year Edition September 2014

Phuket tourism straddles a thin red line with it's volume-driven strategy

Mid-year slump in arrivals jolts hotel trading levels

“In the aftermath of Thailand’s political crisis which saw martial law and a nationwide curfew imposed in May, the resort island of Phuket experienced a sharp drop in visitor arrivals. This peaked in the month of June when combined international and domestic passenger arrivals dropped by 14% year-on-year.

There has been a gradual easing of the negative trend in July and August, though compared to the same period in 2013 the market has continued to experience contraction. Chinese and Russian travelers remain key sources of business in the first half of 2014 accounting for 47% of international arrivals, rising 6% and 14% year-on-year, respectively.

At the same time Phuket is expected to benefit from an extensive government-led oceanfront clean up of illegal structures

Monthly Trend of Airport Arrivals



Source: Phuket International Airport and C9 Hotelworks Market Research

and anti-corruption campaign which has resulted in a remarkable clearing of the island’s beaches.

Speaking to hoteliers on the forward outlook, while static growth is expected this year, in 2015 they are looking at budgeting similar figures which they had previously anticipated when preparing growth-oriented 2014 budgets.”

Bill Barnett, Managing Director, C9 Hotelworks

2014 Mid Year

- During the first half year of 2014 room night demand retracted to 72% and room rates decelerated, leveling off at US\$159 compared to the same period in 2013.
- Passengers arrivals at Phuket International Airport in H1 2014 maintained a positive 10-year CAGR growth of 13% between 2004 to 2014 and 5-year growth of 8%.
- Number of total arrival aircraft movements has expanded from 5,810 flights in H1 2005 to 18,986 flights in first half of 2014. Proportion of direct international flights rose from 38% to 55% in the same period.

Forward Outlook

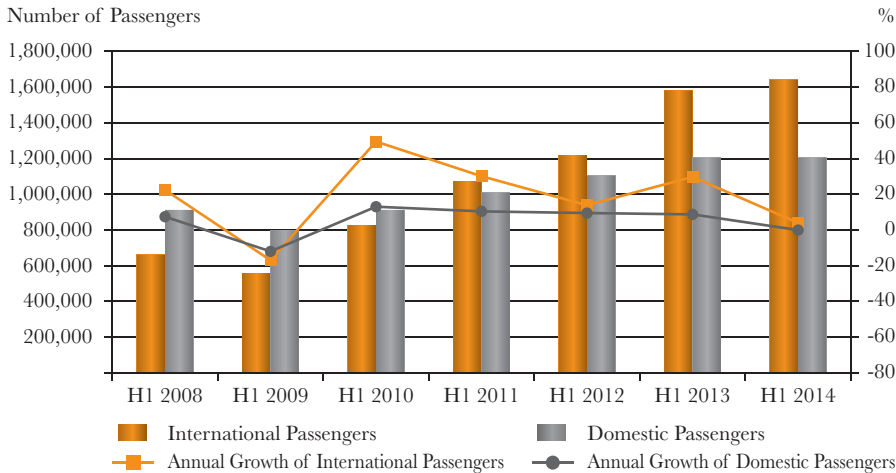
- Phuket’s incoming pipeline stands at 4,582 new rooms from 23 hotels which are presently under development. Approximately 40% are forecasted to open in 2015, followed by another 22% in 2016.
- Most of the island’s pipeline is concentrated on the West Coast accounting for 74% vs. 17% for the East Coast. The North and inland areas lag at 3% and 6%.
- Over-leveraging of emerging mass tourism segments continues to concern hotels as does potential risk from the Ukraine political crisis and rise of global oil prices.

TOURISM

Airline Indicators

- International and domestic passenger arrivals for the period of January through June 2014 tallied in at 1.6 million and 1.2 million, respectively.
- Total number of direct international aircraft arriving at Phuket International Airport accounted for 10,399 flights which registered 5% year-on-year growth. Domestic aircraft arrivals increased 9% year-on-year with 8,587 flights.

Phuket Airport Arrivals – Half Year

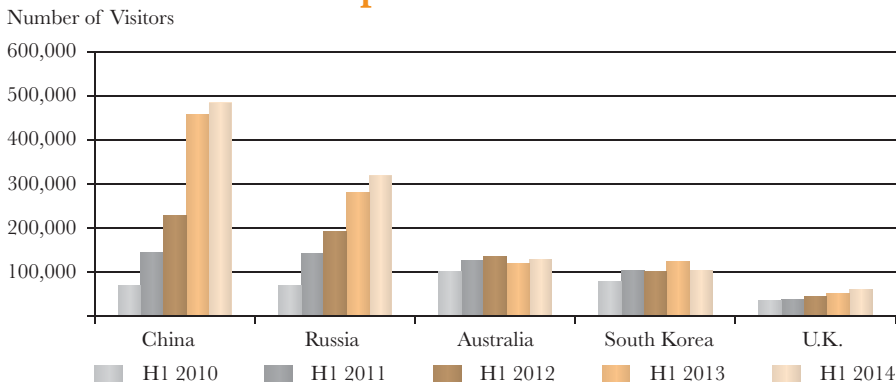


Source: Phuket International Airport and C9 Hotelworks Market Research

All-time high airport passenger arrivals in first half 2014

Tourism Indicators

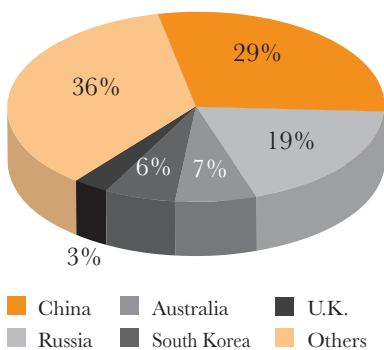
Top 5 Source Markets – Half Year



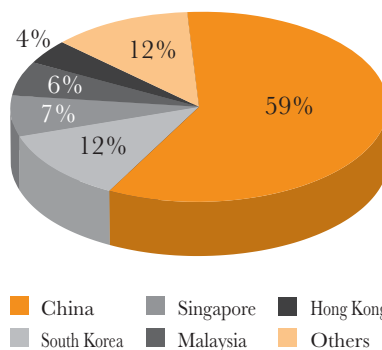
Chinese and Russian source markets show sustained 5-year growth pattern

Key Geographic Source Market Share

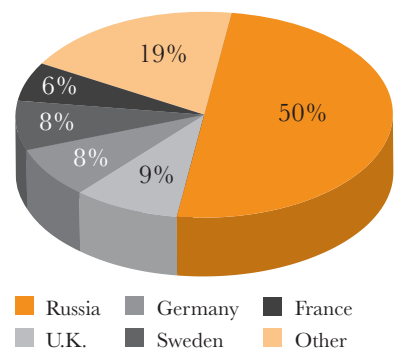
Top 5 Source Markets



Top 5 Asian Markets



Top 5 European Markets

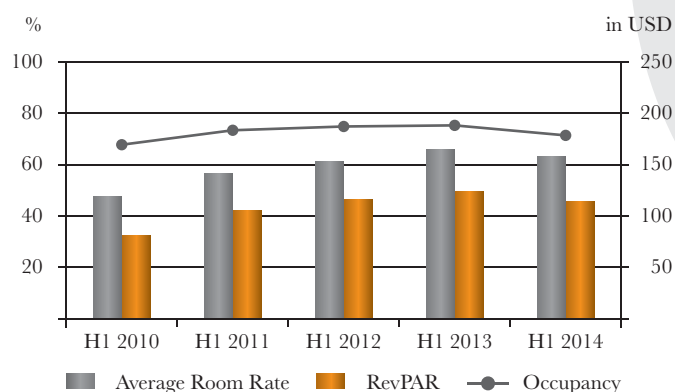


Source: Phuket Airport Immigration and C9 Hotelworks Market Research

Hotel Performance

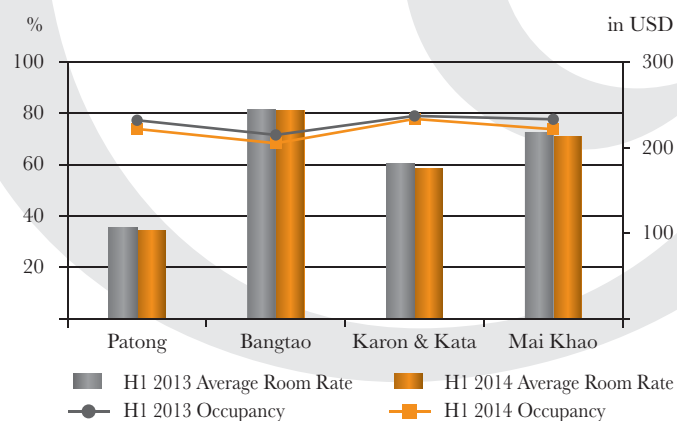
- All tiers demonstrated a negative trend in operating performance during H1 2014 compared to the same period in 2013. Market-wide occupancy of 72%, was down by 4%, while ADR decreased from US\$165 to US\$159. Overall RevPAR of US\$114 declined by 9%. Hotel demand in key locations across the island has remained static versus year-on-year figures in 2013.

Overall Performance – Half Year



Source: C9 Hotelworks Market Research

Performance by Key Locations



Source: C9 Hotelworks Market Research

Hotel Supply

- Aside from a surging pipeline of new build hotels, upgrading and expansion programs of existing properties is on the rise. Two notable repositioning projects are the Royal Phuket Yacht Club Nai Harn and former Evason Rawai (now InterContinental) which should re-enter the market over the next 18 months.

Hotel Name	Location	Keys	Opening Date
Hotel Indigo Phuket Naithon Beach Resort	Nai Thon	135	TBA*
Nikki Beach Hotel and Spa	Bangtao	174	Q1 2015
The Naka Phuket	Kamala	94	Dec 2014
Keemala	Kamala	38	Aug 2015
Best Western Patong Beach hotel	Patong	224	Oct 2014
Ramada Phuket Deevana	Patong	206	Jul 2015
The Patong Bay Hill Hotel & Resort	Patong	744	Q4 2015
All Seasons Phuket Patong Beach	Patong	250	2015
Rosewood Phuket	Patong	80	Q1 2016
Hyatt Place Phuket	Patong	161	Q2 2016
Grand Mercure Phuket Patong	Patong	350	2016
Centara Grand Moringa Resort & Spa Phuket	Patong	350	TBA*
Four Points by Sheraton Phuket, Patong	Patong	290	TBA*
Aloft Phuket Patong	Patong	250	TBA*
Novotel Phuket Karon Resort & Spa	Karon	210	Q2 2015
Eastin Yama Hotel Kata Phuket	Kata	104	Oct 2014
The Hermitage Hill	Kata	80	Jun 2015
Novotel Phuket Town	Phuket City	180	Q2 2015
ibis Styles Phuket Town	Phuket City	120	Q2 2015
Park Hyatt Phuket	Koh Siray	85	2016
Sri Panwa (extension)	Cape Panwa	30	Oct 2015
Panwa Beach Resort (extension)	Cape Panwa	223	TBA*
JW Marriott Phuket Resort & Spa Chalong Bay	Chalong Bay	189	Dec 2016
Courtyard by Marriott Phuket at Chalong Bay	Chalong Bay	277	Dec 2016
Phuket Marriott Resort & Spa, Naiyang Beach (conversion and extension of Imperial Adamas Hotel Phuket)	Nai Yang	81	Q2 2016
W Retreat Phuket Phang Nga Bay	Koh Yao Noi	79	Jan 2018

*To Be Announced

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**

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



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