



asset management
& hospitality consulting

Phuket

2013 Hotel Market Update

March 2014

Phuket's 2013 international passenger arrivals surge 26% despite political overtones

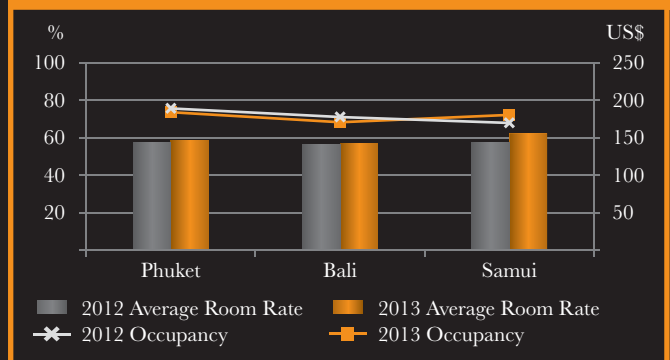
Thailand's two key resort destinations lead region

“As Bangkok remains ever-present in the international media, Phuket International Airport has consistently increased passenger numbers since 2010. In 2013 a record high 3.2 million international arrivals were recorded at PIA, amounting to a 26% year-on-year growth.

The marked increase in direct international flights to Phuket has largely insulated the destination from the negative impact of the political situation in the nation's capital. Sustained overseas demand this has propelled 5-year CAGR growth of 21%. Last year China and Russia lead the international markets, up by 67% and 41% versus 2012.

In 2013 Phuket was able to push up average room rates with only a minimal impact on occupancy. Comparing the destination to Bali which has been hit by

Phuket Hotels vs. Bali and Samui



Source: Bali Hotels Association and C9 Hotelworks Market Research

a massive supply increase, Phuket outperformed the Indonesian resort island in terms of occupancy and rates.

Taking a forward looking view, feedback from island hotels remains positive given the dynamics of a shorter term booking horizon. Historical trading trends have shown the potential to claw back any lost business due to external events within a compressed time period.”

Bill Barnett, Managing Director, C9 Hotelworks

2013 Trends

- Market wide occupancy registered 74% in 2013 vs. 76% in 2012. Overall ADR in 2013 rose by 3% compared to the previous year, hitting US\$147. After a slight change in occupancy and ADR, RevPAR flattened at US\$110.
- Mainland China and Russia comprised 45% of total international passenger arrivals, compared to 36% in 2012.
- The hotel managed villa property sector has shifted from U.K. and European buyers to increasing numbers from emerging markets.

2014 Outlook

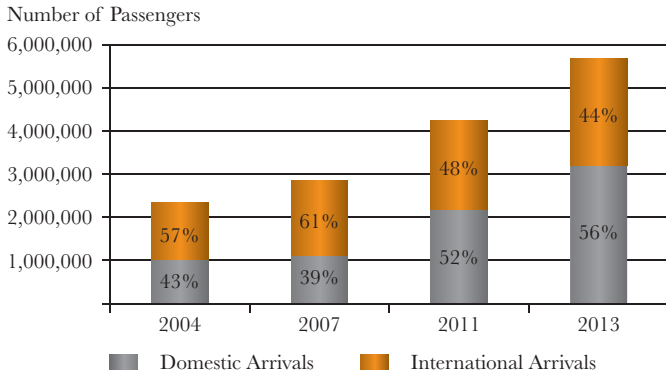
- Eight new hotels with 971 keys are planned to open by the end of this year. In 2014 Phuket's total hotel units are forecast to top 47,112. Development is prolific at the midscale tier, representing 51% of new supply.
- With 10 large-scale island infrastructure projects underway, the underpass at the Central Festival intersection is scheduled to be completed first (October 2014).
- Regional Asian travelers from Malaysia, South Korea and India will continue to grow as European visitor numbers continue to gradually diminish.

TOURISM

Airline Indicators

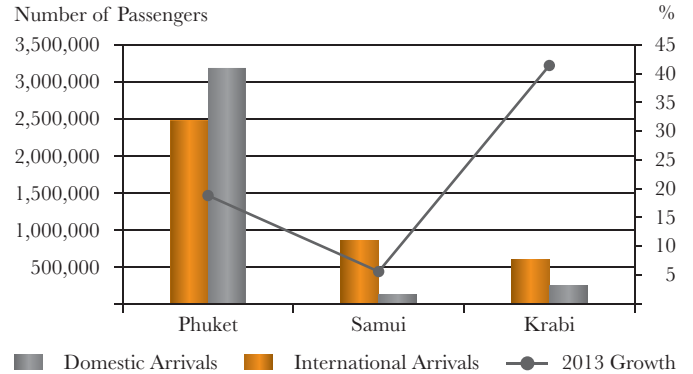
- Passenger arrivals at Phuket International Airport grew at a 10% compound annual growth rate from 2004 through 2013.

Phuket Airport Arrivals 2004 - 2013



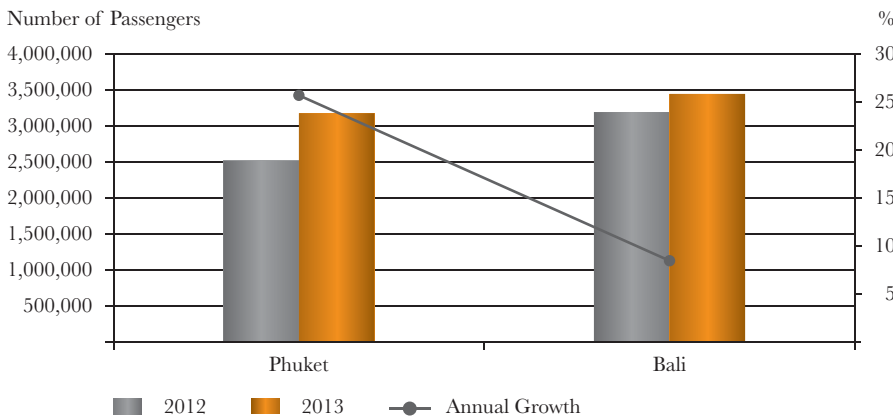
Source: Phuket International Airport and C9 Hotelworks Market Research

Regional Airport Comparison



Source: Phuket International Airport, Department of Civil Aviation and C9 Hotelworks Market Research

Phuket vs. Bali International Arrivals



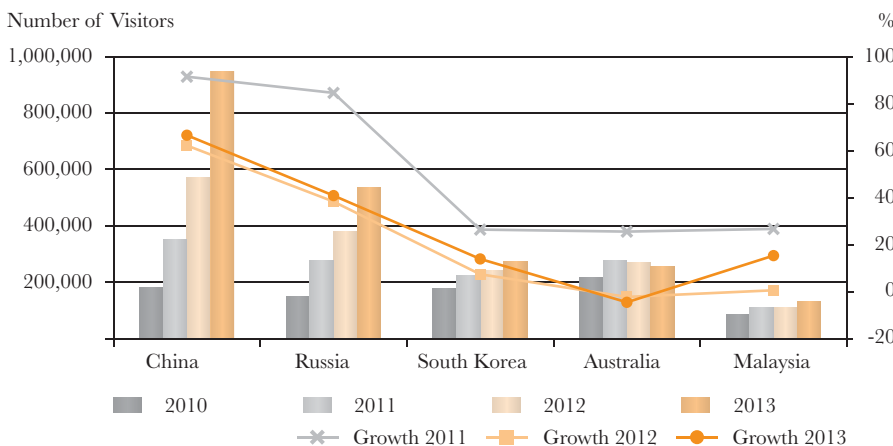
Source: Phuket and Ngurah Rai International Airports; and C9 Hotelworks Market Research

Phuket achieved 26% year-on-year international passenger arrival growth vs. 9% for Bali

Tourism Indicators

- Traditional European market share retracted to 16% led by Germany, U.K. and Sweden.

Top 5 Source Markets



Source: Phuket Airport Immigration and C9 Hotelworks Market Research

Key growth markets of China and Russian maintained momentum in 2013

KEY INFRASTRUCTURE HIGHLIGHTS

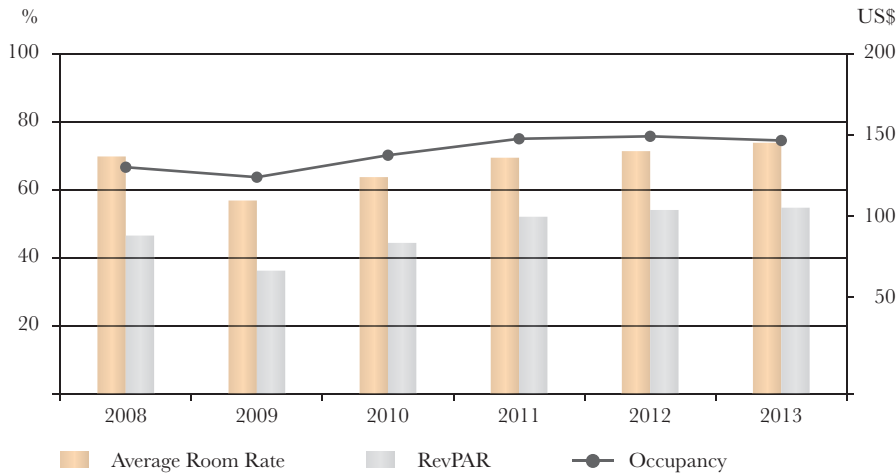
Project	Key Project Description	Project Status	Target Completion
1. Phuket Airport Expansion Budget: US\$180 million	<ul style="list-style-type: none"> • New international terminal, five-floor car park building, cargo terminal and expansion of apron and taxiway • The new facilities will double annual passenger capacity to 12.5 million passengers 	<ul style="list-style-type: none"> • The new X-Terminal which services international charter flight passenger check-in opened February 24th, 2014 • The entire project is scheduled to finish by May 2015 	May 2015
2. Underpass at Central Festival Intersection Budget: US\$20 million	<ul style="list-style-type: none"> • A 850-meter underpass 	<ul style="list-style-type: none"> • Project construction started in November 2012 and is slated to be completed in October this year 	October 2014
3. Underpass at Tesco Lotus Intersection Budget: US\$20 million	<ul style="list-style-type: none"> • A 600-meter underpass 	<ul style="list-style-type: none"> • Construction commenced in September 2013 and is currently underway 	September 2015
4. Deep Sea Port Upgrade Budget: US\$5.8 million	<ul style="list-style-type: none"> • The facilities are planned to expand 2 per berths, and to extend the quay length to 420 meters 	<ul style="list-style-type: none"> • The Environmental Impact Assessment committee issued comments in April 2013 • The project is now under master plan amendment 	2015
5. Impact Convention Center Budget: TBA*	<ul style="list-style-type: none"> • A 5,000-square meter exhibition hall consisting of a banquet hall, 9-10 meeting rooms and Auditorium • Located within Patong Fisherman Harbor Project 	<ul style="list-style-type: none"> • Under planning for project design and facilities 	Q1 2016
6. Chalong Circle Intersection Underpass or Flyover Budget: US\$0.3 million for project study	<ul style="list-style-type: none"> • A proposed underpass or flyover at Chalong Circle 	<ul style="list-style-type: none"> • Under feasibility study and public hearing processes which are set to be completed by August 2014 	2016
7. Patong Tunnel Budget: US\$117 million	<ul style="list-style-type: none"> • Two one-way tunnels of approximately 1.5 km in length each • The project was transferred from the Phuket local government to EXAT** 	<ul style="list-style-type: none"> • The project feasibility study completed in February 2013 and the detailed design is expected to finish by May 2014 • Tentative construction schedule is set to commence in early 2017 	2018
8. Underpass at Koh Kaew Intersection Budget: US\$15 million	<ul style="list-style-type: none"> • A 300-meter underpass 	<ul style="list-style-type: none"> • Contractor selection underway 	TBA*
9. Potential Underpass or Flyover at 4 Key Highway Intersections Budget: TBA*	<ul style="list-style-type: none"> • Intersections include Airport, Nai Yang, Thalang, and Heroines Monument 	<ul style="list-style-type: none"> • Planning stage with feasibility study for the four projects in progress 	TBA*
10. Phuket Airport Pier Budget: US\$8 million	<ul style="list-style-type: none"> • A passenger jetty at the Phuket International Airport 	<ul style="list-style-type: none"> • Currently undergoing Environmental Impact Assessment (EIA) 	TBA*

* To Be Announced, ** Expressway Authority of Thailand

Source: C9 Hotelworks Market Research

HOTEL MARKET

Overall Performance Trend

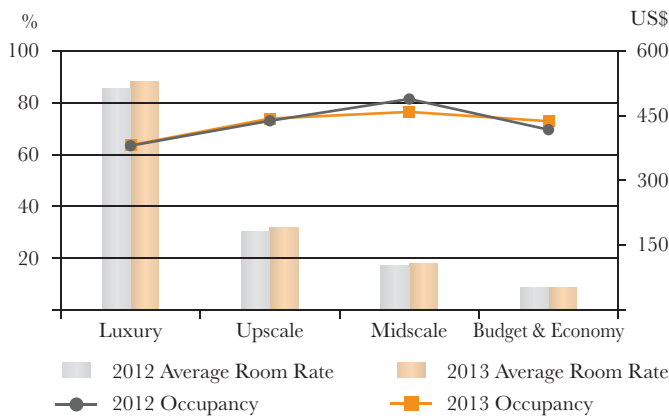


RevPAR has grown 11% since bottoming out in 2009, driven primarily by occupancy

Source: C9 Hotelworks Market Research

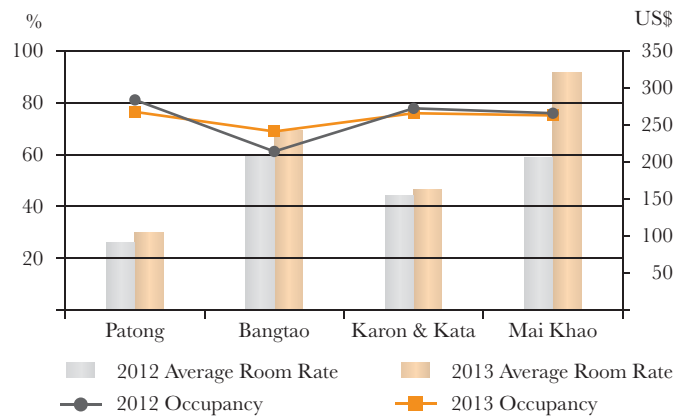
Hotel Performance

Performance by Tiers



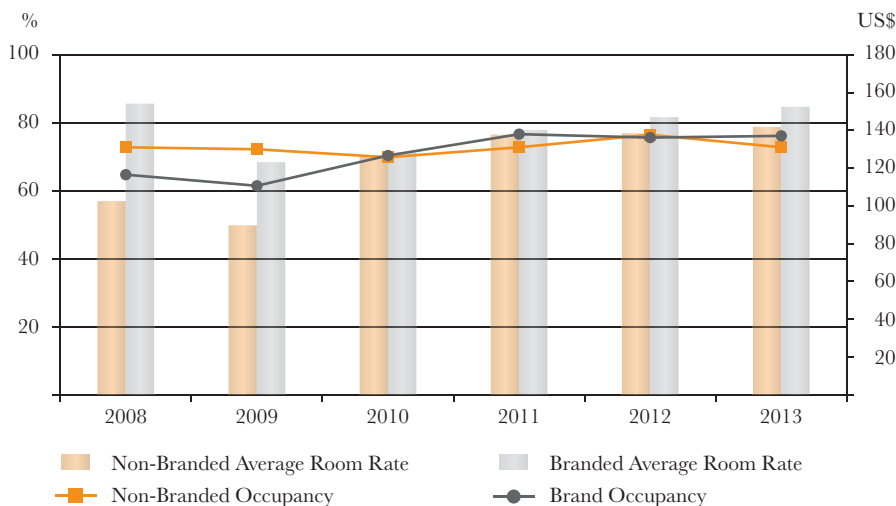
Source: C9 Hotelworks Market Research

Performance by Key Locations



Source: C9 Hotelworks Market Research

Branded vs. Non-Branded Hotels



Source: C9 Hotelworks Market Research

Branded hotels historically demonstrate ability to impact average rate growth

HOTEL MANAGED RESIDENCES MARKET

Existing Supply

- Developer profile, prime location, proximity to ocean and hotel branding are key success factors.

Project Name	Location	Total Units	Year Launch
Trisara	Nai Thon	19	2007
Banyan Tree	Bangtao	15	2005
Dusit Thani Laguna	Bangtao	28	2007
Amanpuri (Phase 3,4)	Surin	15	2010
Sri Panwa (Phase 1,2)	Cape Panwa	19	2004
Sri Panwa (Phase 3)	Cape Panwa	7	2010

Source: C9 Hotelworks Market Research

Historical barriers to entry keyed by lack of luxury sites has created strong supply demand fundamental

Additions to Supply

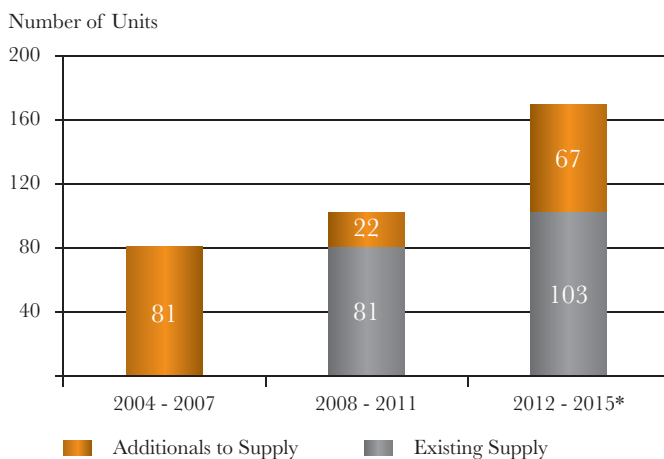
- A total of 67 units are set to enter the market in 2014 and 2015. The west coast is under the spotlight with approximately 70% of total incoming villas.
- All hotel managed villa residences are connected to hospitality operations and offer expanded facilities.

Project Name	Location	Total Units	Year Launch
The Residences by Anantara	Layan	15	2014
Point Yamu by Como	Cape Yamu	20	2014
Rosewood Phuket	Emerald Bay	32	2015

Source: C9 Hotelworks Market Research

Three- and four-bedroom configurations are the most common villa type

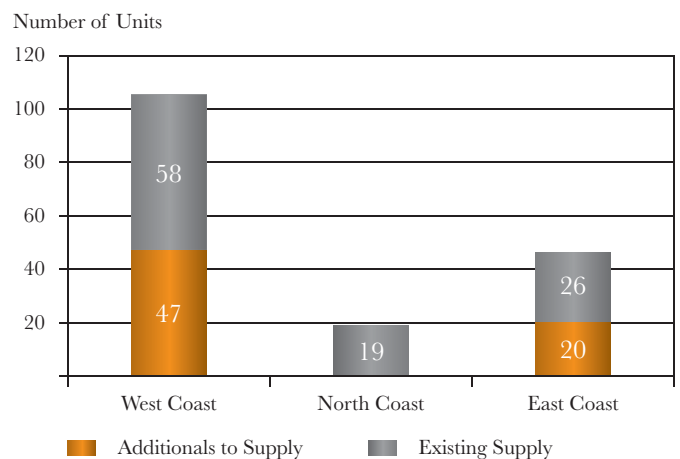
Supply Trend 2004 - 2015



* Projected Numbers

Source: C9 Hotelworks Market Research

Supply By Area



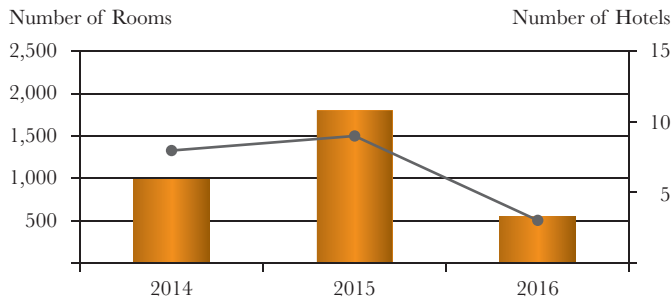
Source: C9 Hotelworks Market Research

HOTEL SUPPLY

Development Insight

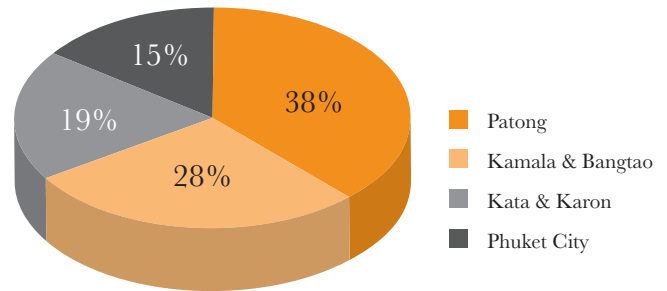
- At the end of 2013, there were 46,141 hotel units in Phuket's registered accommodation establishments.
- Development pipeline is dominated by the west coast, representing 70% of the new hotel supply. It is trailed by the east coast and inland area's with 17% and 10%, respectively.

New Supply By Opening Year



Source: C9 Hotelworks Market Research

Market Segmentation



Source: C9 Hotelworks Market Research

Total of 971 keys opening in 2014, 2% growth in supply

New hotel supply this year clustered in Patong and Bangtao/Kamala areas

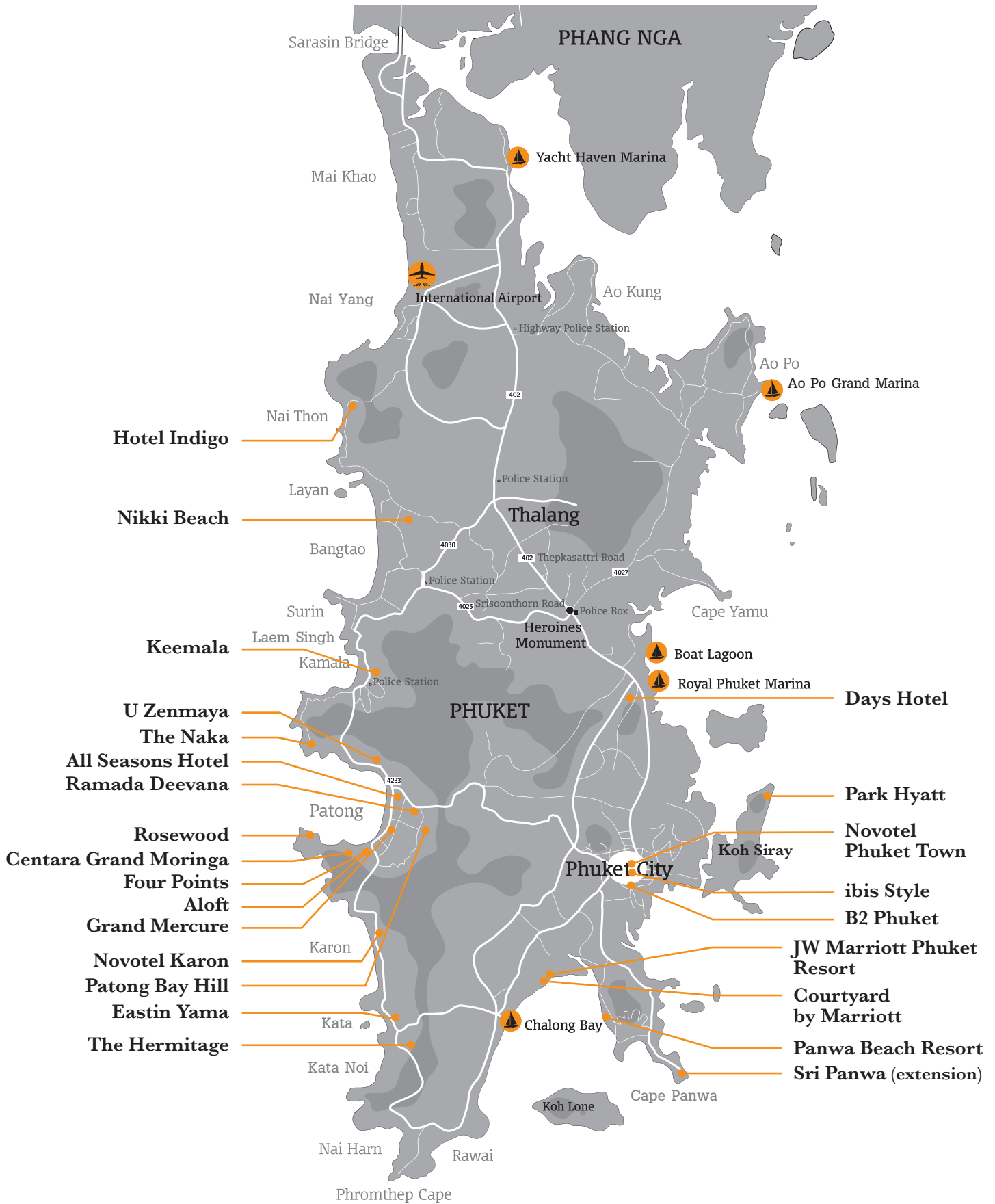
Hotel Openings

Hotel Name	Location	Keys	Opening Period
Hotel Indigo Phuket Naithon Beach Resort	Nai Thon	135	TBA*
Nikki Beach Hotel and Spa	Bangtao	174	Q2 2014
The Naka Phuket	Kamala	94	Q3 2014
Keemala	Kamala	38	Q4 2015
U Zenmaya	Patong	50	March 2014
Grand Mercure Phuket Patong	Patong	318	Q2 2014
Ramada Phuket Deevana	Patong	206	Jul 2015
Rosewood Phuket	Patong	80	Q3 2015
The Patong Bay Hill Hotel & Resort	Patong	744	Q4 2015
All Seasons Phuket Patong Beach	Patong	250	2015
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
The Hermitage Hill	Kata	80	Dec 2014
Eastin Yama Hotel Kata Phuket	Kata	105	Q3 2014
Days Hotel Phuket Town	Phuket City	120	Jul 2014
B2 Phuket	Phuket City	30	Q2 2014
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	2015
Panwa Beach Resort by Marco Polo (extension)	Cape Panwa	223	TBA*
JW Marriott Phuket Resort & Spa Chalong Bay	Chalong Bay	189	Apr 2016
Courtyard by Marriott Phuket at Chalong Bay	Chalong Bay	277	Apr 2016

* To Be Announced

Source: C9 Hotelworks Market Research

Hotel Pipeline Map



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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