



asset management
& hospitality consulting

Phuket

2013 Hotel Market Update

Mid-Year Edition July 2013

Nearly half a million Mainland Chinese visitors in first half 2013

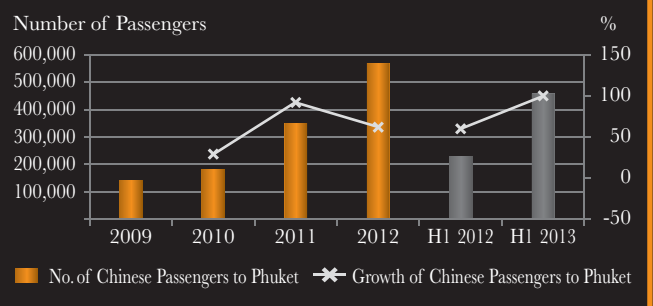
A quarter of all international visitors to island are Chinese

“The number of Mainland Chinese visitors to Thailand registered a record high of 2.3 million in H1 2013, compared to 1.2 million in the first half of 2012. A total of 12.7 million international visitors arrived in Thailand in the first six months of this year, of which China accounted for 18% of the total.

In 2012, the number of arrivals from China to Phuket was just over half a million which has skyrocketed from a lowly 37,948 in 2007. From January through June this year, the number has already reached 457,401 and is expected to gain further momentum for the remainder of the year.

Mainland Chinese arrivals at Phuket International Airport represented 24%

Mainland Chinese Airport Arrivals



Source: Phuket Airport Immigration and C9 Hotelworks Market Research

of total overseas Asian travelers in 2010 and now reflects a hefty 54% in the first half of 2013.

Phuket’s tourism industry is now firmly reflecting the growing prominence of Asian based visitors, but at the same time is being challenged to balance commodity-based emerging markets.”

Bill Barnett, Managing Director, C9 Hotelworks

2013 Mid Year

- Scheduled flights from Mainland China to Phuket accounted for 18% of the total international scheduled flights in H1 2013, while China charter flights accounted for 43% of all charter traffic. China originating scheduled flights achieved a 5-year CAGR growth of 38%, while China charter flights grew by 73%.
- Hotel market-wide occupancy at 76% is the highest since 2008. Increased demand especially from international visitors pushed average room rates and RevPAR up by 7% and 8%, respectively.
- Hoteliers reported higher than normal demand in Q1, with weaker growth in Q2 and Q3 expected, so full year 2013 growth expectations will be dependant on Q4.

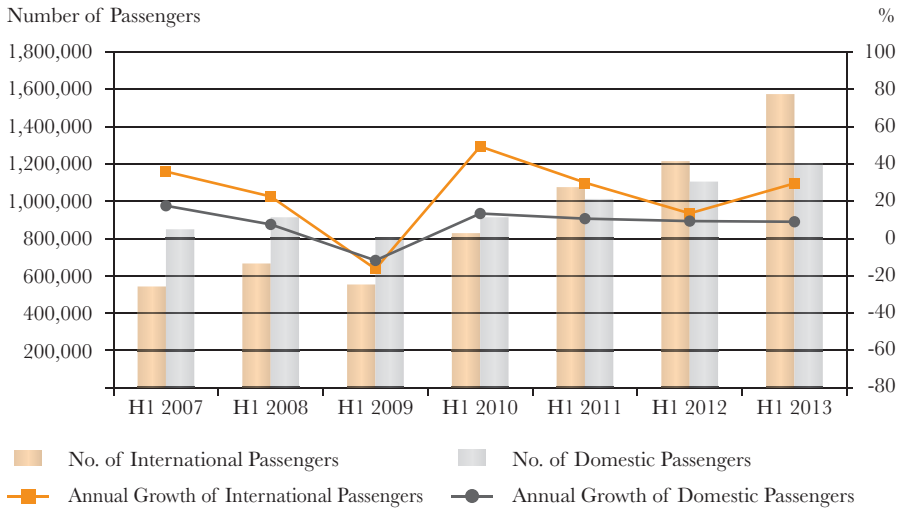
Forward Outlook

- A rising number of cities with direct flights from China to Phuket is now 22, which is up from 7 in 2007. The expansion of Phuket International Airport is underway and is scheduled for completion in 2015. The airport has been able to manage capacity through off-peak arrivals/departures, particularly with China scheduled and charter flights.
- Increasing number of visitors from emerging markets such as China and Russia are shifting demand from independent travelers to the wholesale segments. A knock on effect to tourism attractions is expected.
- More developers are likely to be attracted to the hotel branded residence sector with a substantial increase in projects anticipated.

Airline Indicators

- The number of international passengers as well as international flights has sharply increased since 2009 and continues to surpass the domestic sector ever since it first did in 2011.
- In H1 2013, international arrivals grew at 30% compared to H1 2012, accounting for 57% of total inbound passengers. Domestic arrivals rose at 9% over the same period.

Airport Visitor Arrivals - Half Year



Growth in direct flights over a 5-year period has resulted in CAGR of 19%

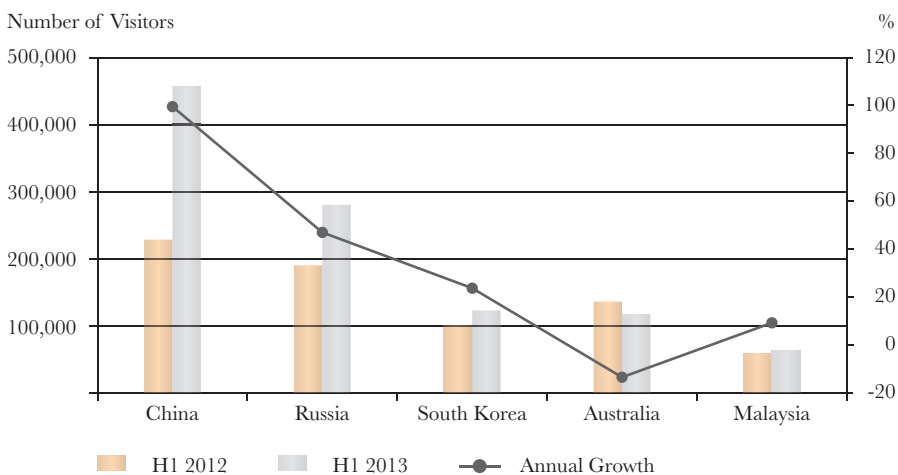
CAGR - Compound Annual Growth Rate

Source: Phuket International Airport and C9 Hotelworks Market Research

Tourism Indicators

- In the first half of 2013, total visitors to Phuket grew at 32% vs. H1 2012. China topped the list at 27% of total arrivals, recording major growth of 100%. Other key market contributors were Russians at 17%, South Koreans 7%, Australians 7% and Malaysians with 4%.
- Market share of traditional Western European visitors dropped from 37% in 2009 to 22% in H1 2013.

Top 5 Source Markets



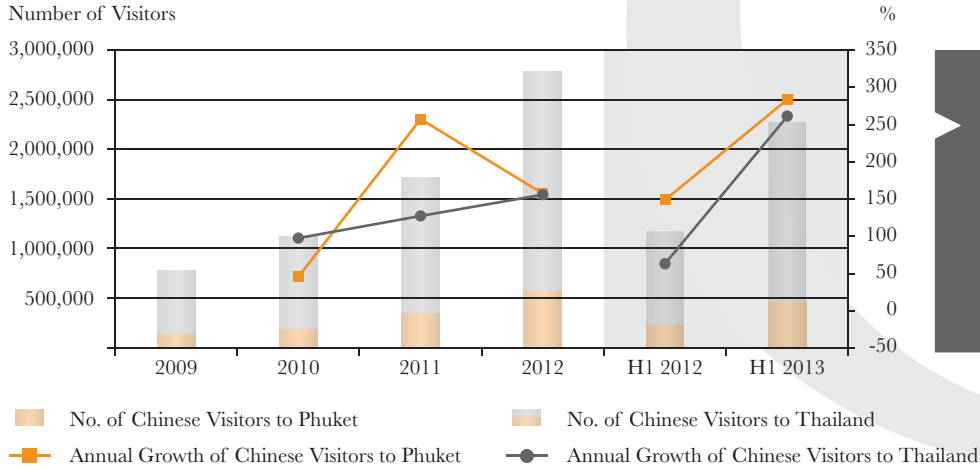
Russia and Mainland China combine for 44% of international market share

Source: Phuket Airport Immigration and C9 Hotelworks Market Research

China Market

- Content and analysis is based on Mainland China, excluding Hong Kong SAR.
- Seasonal dynamics of China demand, coupled with the departure of the traditional Eurocentric market is creating a new influx of trade in what was once Phuket's off-season.

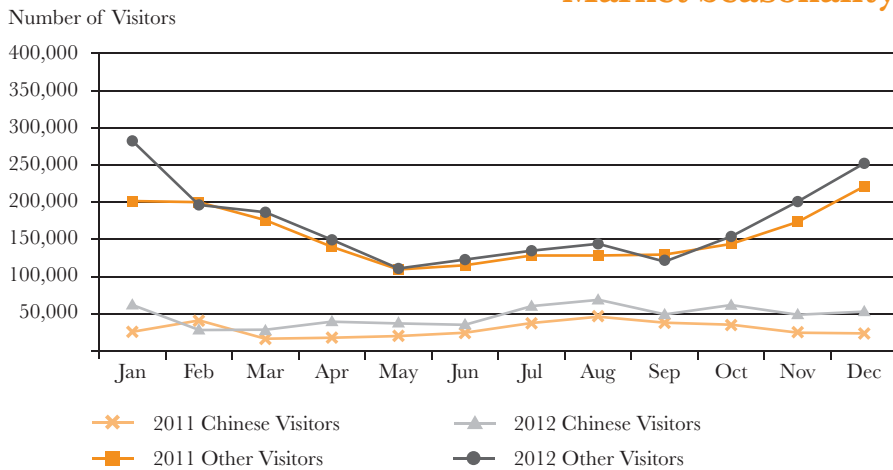
Chinese Visitors to Thailand vs. Phuket



20% of Chinese visitors to Thailand come to Phuket

Source: Department of Tourism, Department of Civil Aviation and C9 Hotelworks Market Research

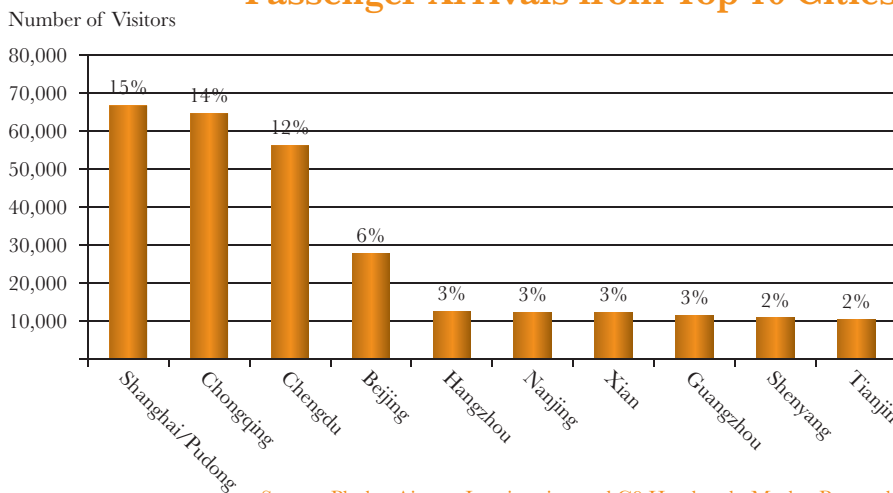
Market Seasonality



Peak periods for Mainland visitors to Phuket is July/August and Chinese New Year

Source: Phuket Airport Immigration and C9 Hotelworks Market Research

Passenger Arrivals from Top 10 Cities

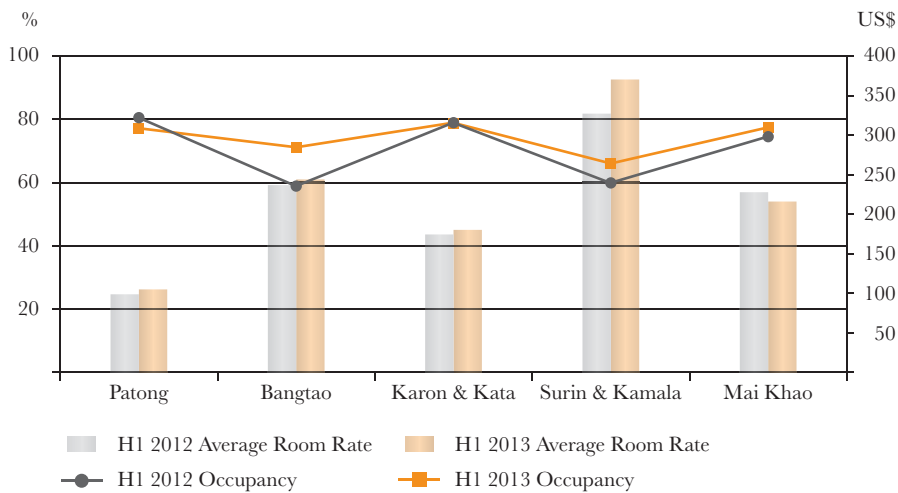


Shanghai, Chongqing and Chengdu are the top cities of origin for flights to Phuket from the Mainland.

Source: Phuket Airport Immigration and C9 Hotelworks Market Research

HOTEL MARKET

Performance by Key Locations – Half Year

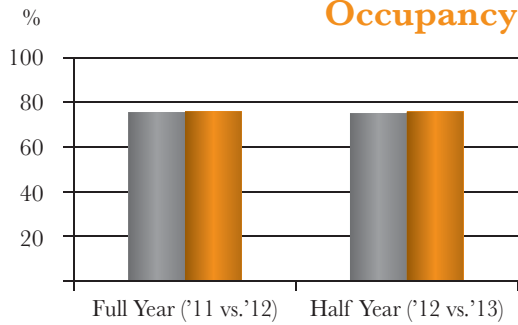


Source: C9 Hotelworks Market Research

Bangtao delivered the highest RevPAR growth of 25%, closely followed by Surin and Kamala with 24%

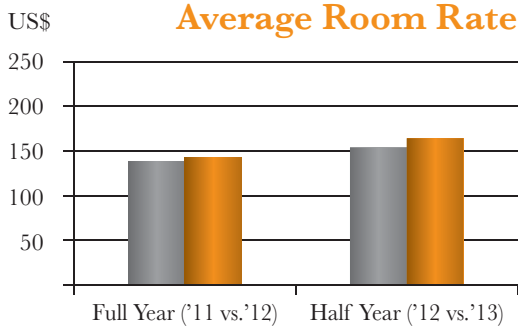
Hotel Performance

Occupancy



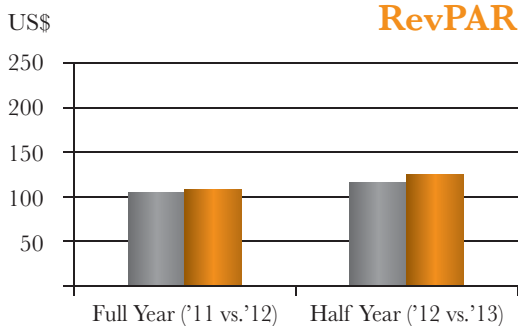
Source: C9 Hotelworks Market Research

Average Room Rate



Source: C9 Hotelworks Market Research

RevPAR



Source: C9 Hotelworks Market Research

By Tier

Tier	Change
Luxury	◀▶ 0%
Upscale	▲ 5%
Midscale	▼ -4%
Budget & Economy	▲ 7%

Budget and economy tier demonstrated highest growth of demand

Tier	Change
Luxury	▲ 9%
Upscale	▲ 4%
Midscale	▲ 5%
Budget & Economy	▼ -1%

Midscale and upscale hotels have been effective in increasing average room rates

Tier	Change
Luxury	▲ 9%
Upscale	▲ 11%
Midscale	◀▶ 0%
Budget & Economy	▲ 8%

Market-wide RevPAR in first half 2013 is highest since 2008

HOTEL MANAGED RESIDENCES MARKET

- A total of seven projects with 989 units is currently available in the market. There has been a marked rise of new launches in 2013 with nearly 50% of new inventory up for sale this year.

Project Name	Location	Total Units	Year Launch
The Lofts at Laguna Village	Bangtao	25	2008
Laguna Shores - Phase I	Bangtao	229	2012
Laguna Shores - Phase II	Bangtao	108	2013
The Privilege Residences Patong	Patong	49	2010
Amari Residences Phuket	Patong	160	2013
Phumundra The Condo	Koh Kaew	130	2010
Icon Park	Kamala	82	2011
Baan Mai Khao	Mai Khao	206	2013

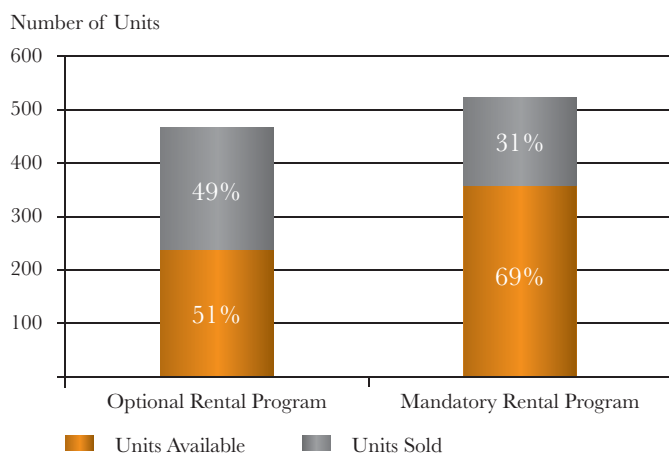
Majority of supply is located in Bangtao and Patong with 37% and 21% respectively

Source: C9 Hotelworks Market Research

Market Trend

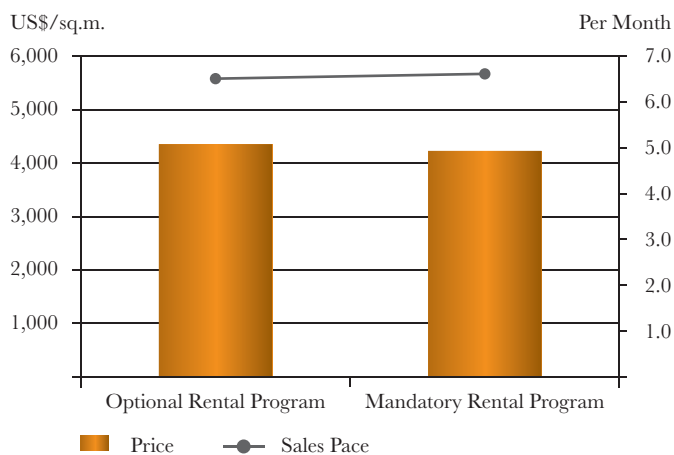
- The Phuket hotel managed residences sector is rapidly emerging in the broader island real estate market as a key segment. Investment buyer demand is outpacing end users, while lower pricing points and unit sizing are defining the offerings.
- Domestic Thai buyers are on the rise with key international purchasers from Singapore, Hong Kong, Mainland China and Eastern Europe.

Current Inventory



Source: C9 Hotelworks Market Research

Unit Price and Absorption



Source: C9 Hotelworks Market Research

53% of total units have mandatory rental management programs

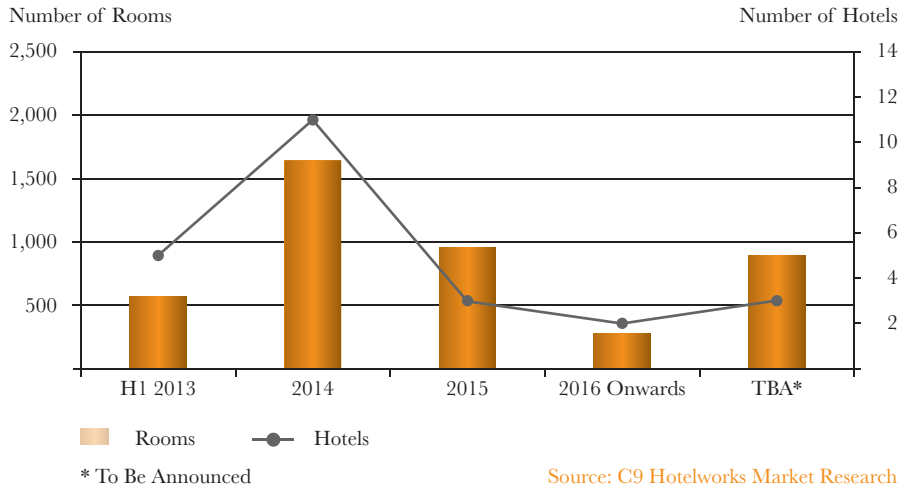
Average market take-up rate is 6.5 units per month, and average pricing per square meter is US\$4,316

HOTEL SUPPLY

Development Insight

- As of June 2013, there were 24 new hotels with 4,337 keys in the Phuket pipeline. Patong leads with 65% of total additions to supply. A notable reopening set for December 2013 is the extensively upgraded Anantara Phuket Layan Resort (formerly Bundarika) with 77 villas and rooms.
- 55% of total keys under development are midscale, with upscale properties accounting for 27%.

New Supply by Opening Year



1,646 new rooms will enter the hotel market in 2014

Hotel Openings

Hotel Name	Location	Keys	Opening Period
Hotel Indigo Phuket Naithon Beach Resort	Nai Thon	135	2015
Nikki Beach Hotel and Spa	Bangtao	174	Q2 2014
Novotel Phuket Kamala Beach	Kamala	168	Sep 2013
The Naka Phuket	Kamala	94	Feb 2014
Hyatt Regency Phuket Resort	Kamala	202	2014
Eastin Easy Patong Phuket	Patong	55	Sep 2013
Sleep With Me Hotel	Patong	230	Oct 2013
Grand Mercure Phuket Patong	Patong	318	Q1 2014
U Zenmaya	Patong	50	Q2 2014
All Seasons Phuket Patong Beach	Patong	250	2014
Rosewood Phuket	Patong	80	Q3 2015
The Patong Bay Hill Hotel & Resort	Patong	744	Q4 2015
Ramada Phuket Deevana	Patong	206	Jan 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*
Kata Rocks	Kata	34	Dec 2013
Eastin Yama Hotel Kata Phuket	Kata	105	Q2 2014
The Hermitage Hill	Kata	80	Q4 2014
B2 Phuket	Phuket City	30	Q1 2014
Days Hotel Phuket Town	Phuket City	120	Jul 2014
Point Yamu by COMO	Cape Yamu	79	Nov 2013
Panwa Beach Resort by Marco Polo (Extension)	Cape Panwa	223	Q1 2014
Park Hyatt Phuket	Koh Siray	70	2016

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



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