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% 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

Mainland Chinese Airport Arrivals

Source: Phuket Airport Immigration and C9 Hotelworks Market Research

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.

**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
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.

**Market Seasonality**

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

**Passenger Arrivals from Top 10 Cities**

Shanghai, Chongqing and Chengdu are the top cities of origin for flights to Phuket from the Mainland.
Bangtao delivered the highest RevPAR growth of 25%, closely followed by Surin and Kamala with 24%.

Performance by Key Locations – Half Year

**Hotel Performance**

By Tier

**Occupancy**

- Luxury: ▲ 0%
- Upscale: ▲ 5%
- Midscale: ▼ -4%
- Budget & Economy: ▲ 7%

**Average Room Rate**

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

**RevPAR**

- Luxury: ▲ 9%
- Upscale: ▲ 11%
- Midscale: ▼ 0%
- Budget & Economy: ▲ 8%

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

- **The Lofts at Laguna Village**: Bangtao, 25 units, 2008
- **Laguna Shores - Phase I**: Bangtao, 229 units, 2012
- **Laguna Shores - Phase II**: Bangtao, 108 units, 2013
- **The Privilege Residences Patong**: Patong, 49 units, 2010
- **Amari Residences Phuket**: Patong, 160 units, 2013
- **Phumundra The Condo**: Koh Kaew, 130 units, 2010
- **Icon Park**: Kamala, 82 units, 2011
- **Baan Mai Khao**: Mai Khao, 206 units, 2013

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

### 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

- **Optional Rental Program**: 49%
- **Mandatory Rental Program**: 51%

#### Unit Price and Absorption

- **Price**: 6.9
- **Sales Pace**: 49%

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

![Bar chart showing new supply by opening year with 1,646 new rooms entering the hotel market in 2014](Source: C9 Hotelworks Market Research)

Hotel Openings

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Location</th>
<th>Keys</th>
<th>Opening Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Indigo Phuket Naithon Beach Resort</td>
<td>Nai Thon</td>
<td>135</td>
<td>2015</td>
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<tr>
<td>Nikki Beach Hotel and Spa</td>
<td>Bangtao</td>
<td>174</td>
<td>Q2 2014</td>
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<tr>
<td>Novotel Phuket Kamala Beach</td>
<td>Kamala</td>
<td>168</td>
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<tr>
<td>The Naka Phuket</td>
<td>Kamala</td>
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<td>Feb 2014</td>
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<tr>
<td>Hyatt Regency Phuket Resort</td>
<td>Kamala</td>
<td>202</td>
<td>2014</td>
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<tr>
<td>Eastin Easy Patong Phuket</td>
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<tr>
<td>Sleep With Me Hotel</td>
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<td>Grand Mercure Phuket Patong</td>
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<td>U Zenmaya</td>
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<td>All Seasons Phuket Patong Beach</td>
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<td>Rosewood Phuket</td>
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<tr>
<td>The Patong Bay Hill Hotel &amp; Resort</td>
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<td>Q4 2015</td>
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<td>Ramada Phuket Deevana</td>
<td>Patong</td>
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<td>Jan 2016</td>
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<tr>
<td>Centara Grand Moringa Resort &amp; Spa Phuket</td>
<td>Patong</td>
<td>350</td>
<td>TBA*</td>
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<tr>
<td>Four Points by Sheraton Phuket, Patong</td>
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<td>TBA*</td>
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<tr>
<td>Aloft Phuket Patong</td>
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<td>Kata Rocks</td>
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<td>Eastin Yama Hotel Kata Phuket</td>
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<tr>
<td>The Hermitage Hill</td>
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<tr>
<td>B2 Phuket</td>
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<td>Days Hotel Phuket Town</td>
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<td>Point Yamu by COMO</td>
<td>Cape Yamu</td>
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<td>Panwa Beach Resort by Marco Polo (Extension)</td>
<td>Cape Panwa</td>
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<td>Park Hyatt Phuket</td>
<td>Koh Siray</td>
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<td>2016</td>
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</tbody>
</table>

* To Be Announced

Source: C9 Hotelworks Market Research
Hotel Pipeline Map

Source: C9 Hotelworks Market Research
About C9 Hotelworks

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.

Bill Barnett
Managing Director

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