



asset management
& hospitality consulting

Phuket

Hotel Market Update

Mid-Year Edition August 2011

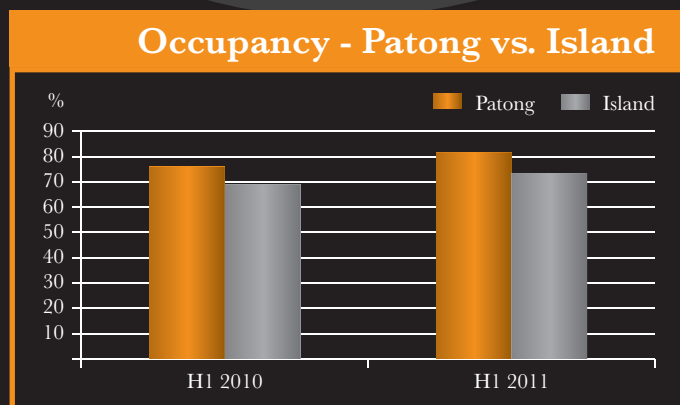
Arrivals forecast to top 4 million in 2011

Patong edges into the mainstream hitting 82% occupancy in H1

“In light of shifting market conditions, the first half of 2011 proved that Phuket is successfully gaining an increasing share in the mass tourism era. Visitor arrivals at Phuket International Airport jumped 20% vs. H1 2010.

The island has shown the ability to adapt to a dramatic transformation in guest demographics. These changing faces are tourists from China, closely followed by Russia. These two countries accounted for 25% of the total arrivals. Looking ahead, this duo is expected to become more dominant.

Hotel wide performance helped the bottom line as RevPAR grew 16%. A key driver was trading volumes derived from Chinese tour groups and the crowded Pegas Touristik buses, rather than room rate uplift.



Source: C9 Hotelworks Market Research

The vibrant Patong area was busiest as over 80% of its supply sits in the midscale and budget & economy segments. Conversely, luxury hotels are flying into a headwind, with challenging rate and occupancy issues.

Somehow broad Phuket tourism has regressed into a retro stage where tour groups, wholesalers and mass movement of visitors are once again the norm rather than the exception. The question remains are we at the beginning or end of a new cycle?”

Bill Barnett, Managing Director, C9 Hotelworks

2011 Mid Year

- International passenger arrivals in H1 2011 were 1.07 million, a 30% increase over the same period in 2010. Domestic arrivals increased by 11% breaking the one million mark.
- Occupancy for the midscale tier was 79%, followed by the budget & economy segment totaling 72%.
- Room revenue across the island for H1 2011 up US\$163 million, rising 26% over the same period in 2010.

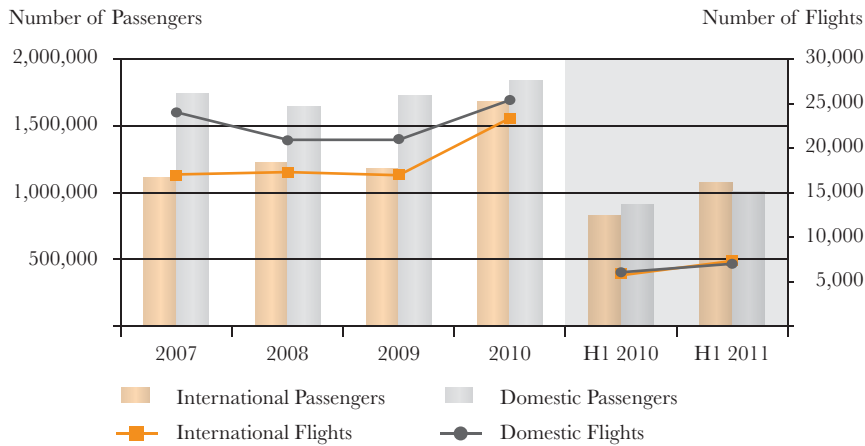
Forward Outlook

- Airports of Thailand forecasts 7.95 million international and domestic passengers for 2011. This would exceed current stated capacity by 22%.
- Leveraging by increasingly influential wholesale providers to suppress room rate growth.
- Increasing number of older hotels will face the necessity to upgrade, rebrand or downgrade market position. Transaction activity will remain active.

Airline Indicators

- Passenger arrivals for the first six months 2011 rose 20% to 2.08 million compared to the same period last year. Total traffic through Phuket International Airport (PIA) for H1 2011 registered at 4.27 million.
- Number of scheduled and charter flights at PIA has continued to grow since 2009. Inbound flights for first half of 2011 grew at 19% vs. H1 2010.

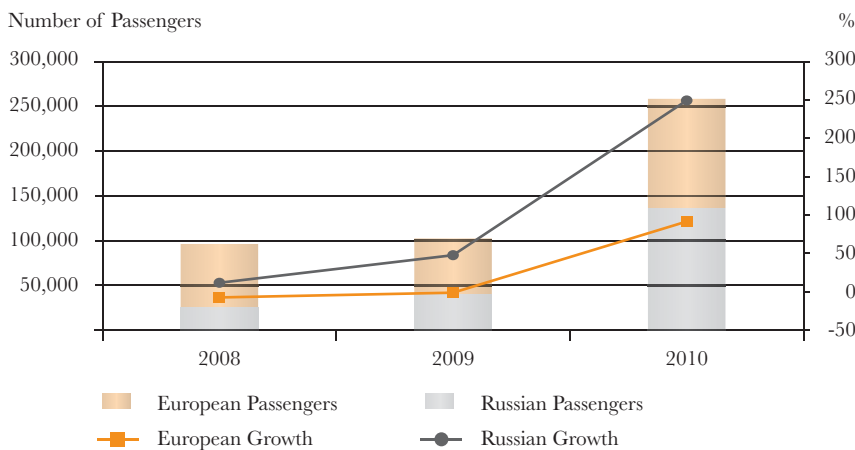
Visitor Arrivals and Inbound Flights



Source: Phuket International Airport and C9 Hotelworks Market Research

International arrivals for H1 2011 almost surpassed the full year figures for 2007

Charter Flight Passenger Arrivals - Russia vs. Europe



Source: Phuket International Airport and C9 Hotelworks Market Research

Charter flight passengers in 2010 reached highest recorded levels with 153% rise over the previous year

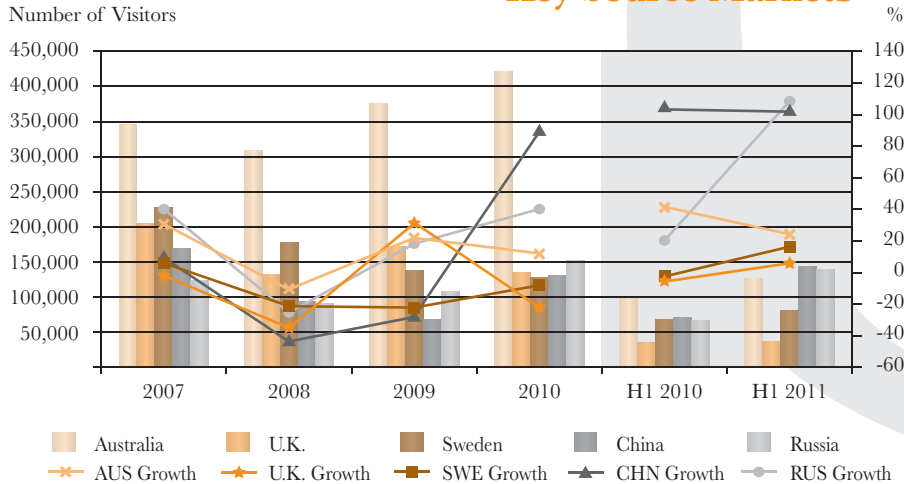
Phuket Airport Expansion Update

- According to Airports of Thailand, the short term plan to ease congestion at Phuket International Airport is to improve current terminal buildings by adding seats and renovating the baggage claim area. While the long term expansion development plan is budgeted at approximately US\$164 million and comprises a new international terminal, taxiway and aircraft parking bay, apron enhancements, additional gates and a multi-story car park. These new facilities will double the annual capacity to 12.5 million passengers.
- The project's current status is under architectural design which is anticipated to be finalized by October 2011. Construction set to commence in 2012 with targeted completion by the end of 2014.

Tourism Indicators

- Mainland Chinese tourists were the top travel producers for the first half 2011, growing 103% compared to H1 2010. They overtook Australians who had held the position since 2005.
- South Korea returned as a key market contributor with a 30% rise in the first six months of 2011 over the same period in 2010.

Key Source Markets



Key feeder sources dramatically changing with rising influence of Asian travelers

Top 5 Source Markets

1. China	13%
2. Russia	12%
3. Australia	11%
4. South Korea	9%
5. Sweden	7%

Top 5 Growth Markets

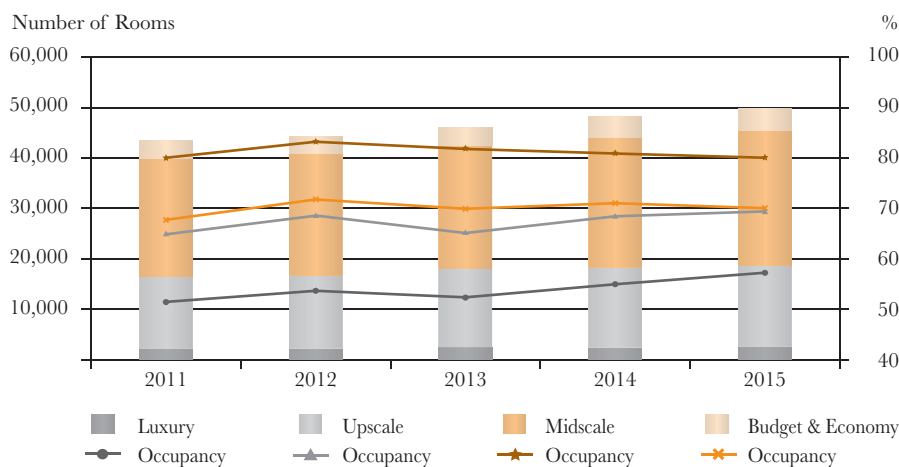
1. Russia	109%
2. China	103%
3. South Korea	30%
4. Australia	25%
5. Sweden	17%

Top 5 Asian Markets

1. China	26%
2. South Korea	19%
3. Malaysia	9%
4. Singapore	9%
5. Hong Kong	5%

Source: Office of Tourism Development Thailand, Phuket Airport Immigration and C9 Hotelworks Market Research

Hotel Supply vs. Demand Forecast



Midscale hotels forecasted to outperform broad market

Source: C9 Hotelworks Market Research

- Medium term outlook for tourism demand is highly leveraged on market ability to register sustainable year on year growth. However volatile trading conditions are expected to be prevalent.

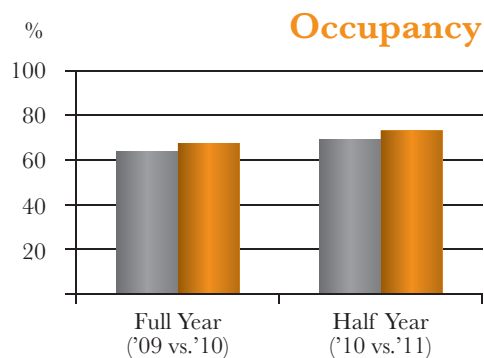
HOTEL MARKET

Hotel Benchmark

- A surge in occupancy for the island to nearly 73%, stimulating extraordinary RevPAR growth.
- Leading the trend was the budget & economy segment, followed by midscale properties. Luxury and upscale tiers showed a return to growth after bottoming out in 2010.
- Anticipation of hyper-growth of China and India travelers to the island due to continued expansion of their economies and evolving improvements in airlift. Hotels will have to adjust and respond to fundamental changes in seasonal trading patterns and guests' needs.

Hotel Performance

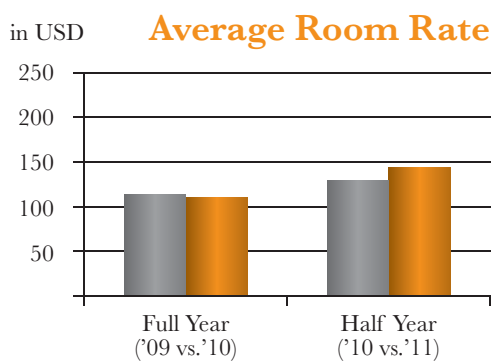
By Tier



Source: C9 Hotelworks Market Research

Change		
Luxury	▲	1%
Upscale	▲	3%
Midscale	▲	5%
Budget & Economy	▲	7%

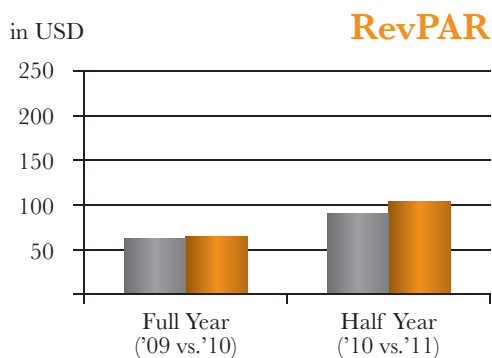
Bottom-up occupancy surge demonstrated changes in chain scale demand



Source: C9 Hotelworks Market Research

Change		
Luxury	▲	9%
Upscale	▲	9%
Midscale	▲	13%
Budget & Economy	▲	10%

Depreciation of US dollar distorting historical rate growth comparison as Thai baht ADR's remained flat



Source: C9 Hotelworks Market Research

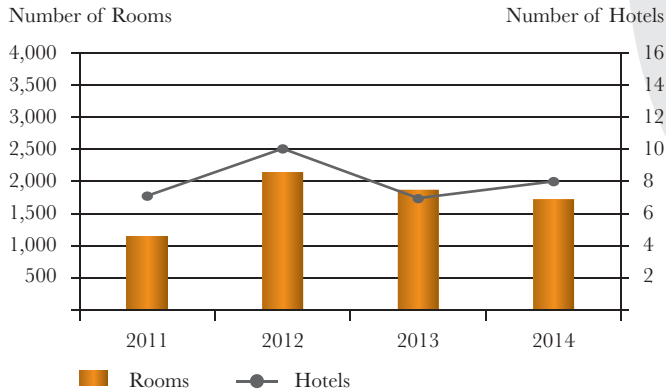
Change		
Luxury	▲	12%
Upscale	▲	15%
Midscale	▲	20%
Budget & Economy	▲	22%

Highest recorded RevPAR for island post 2008 global financial crises

Development Insight

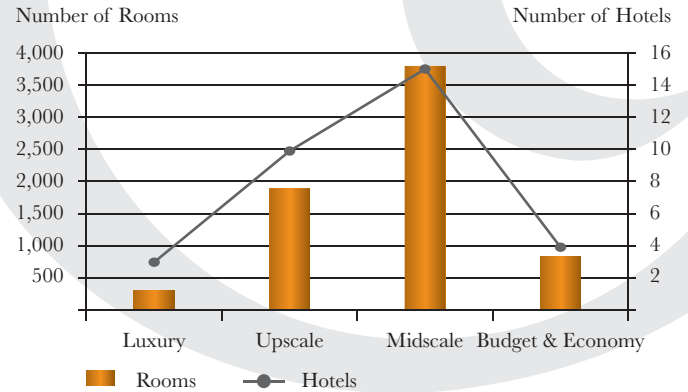
- New supply line of 6,968 rooms representing an increase of 16% are expected to open by 2014.
- 56% of total pipeline are midscale hotels, followed by upscale and budget & economy tiers at 27% and 12% respectively.

By Opening Year



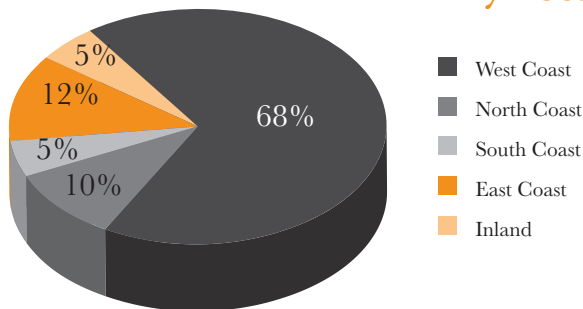
Source: C9 Hotelworks Market Research

By Tier



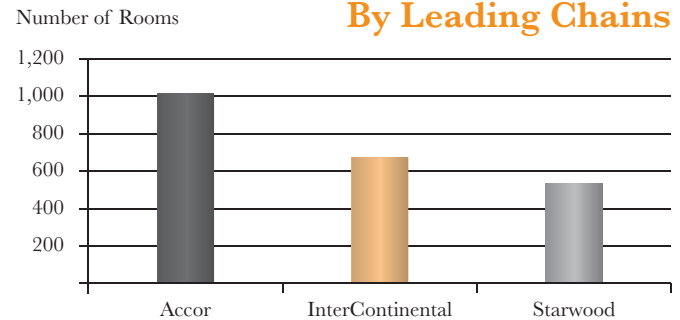
Source: C9 Hotelworks Market Research

By Location



Source: C9 Hotelworks Market Research

By Leading Chains



Source: C9 Hotelworks Market Research

Major Rebranding and Renovations

Hotel Name	Scope of Work	Location	Rooms	Reopening Date
Indigo Pearl	Upgrading portion of guest rooms which will decrease total inventory from 260 to 177 keys	Nai Yang	177	Sep 2011
Sheraton Grande Laguna	Extensive upgrading and reflagging as Angsana Laguna Phuket	Bangtao	409	Dec 2011
Palm Beach Club	Branding as Möevenpick Residences Bangtao Beach	Bangtao	40	N/A
The Chedi	Guest room renovation and renaming to The Surin	Surin	108	Nov 2011
B-Lay Tong	Management change to Accor as part of the MGallery Collection	Patong	123	Aug 2011
South Sea Karon Resort	Room renovation and chain affiliation as Ramada Phuket South Sea	Karon	152	Jun 2011
Hilton Phuket Arcadia Resort & Spa	One of the hotel's seven accommodation blocks is closed for refurbishment	Karon	676	Nov 2011
Boathouse	Refurbishment of guest rooms and restaurant as well as building new beachfront bar	Kata	38	Oct 2011
Six Senses Hideaway Yao Noi	Conversion of hilltop villa into a feature resort pool and restaurant complex	Koh Yao Noi	56	Jul 2011
Six Senses Sanctuary Naka Yai	Change of operator to The Starwood Luxury Collection	Koh Naka Yai	61	Nov 2011

Source: C9 Hotelworks Market Research

Hotel Openings

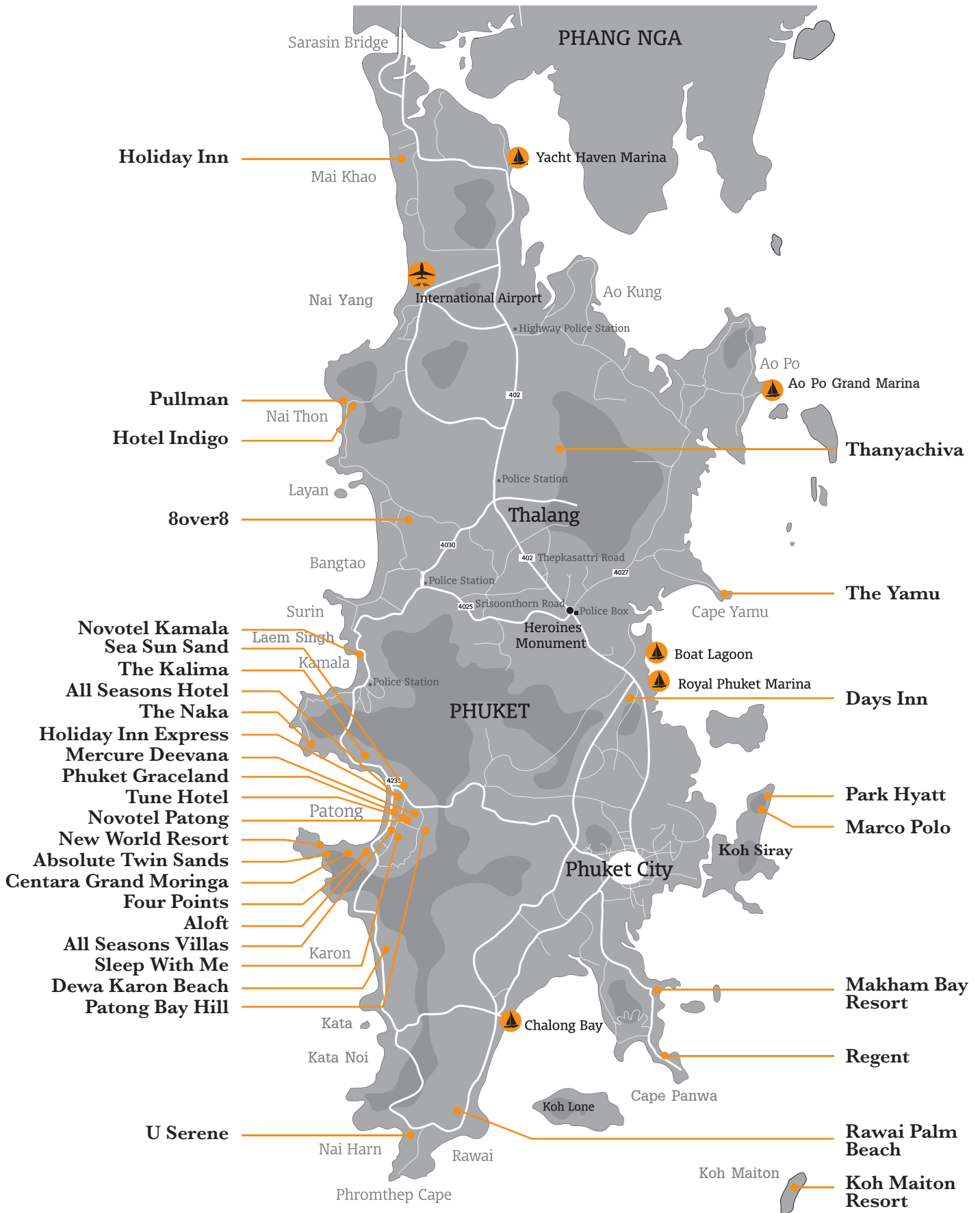
- As of June 2011, there were 43,571 rooms in registered accommodation establishments in Phuket. The west coast dominated existing supply on the island with 33,306 rooms representing 76% of total inventory.
- Patong accounts for 61% of the total additions to supply. The emerging destinations on the east coast including Koh Siray, Cape Panwa and Cape Yamu total 12% with 851 keys.
- The maturation of the development cycle in Phuket is increasingly marked by conversion, renovation, rebranding and transaction activity.

Hotel Name	Location	Rooms	Opening Date
PHUKET			
Holiday Inn Phuket Mai Khao Beach Resort	Mai Khao	276	Sep 2011
Pullman Phuket Arcadia Nai Thon Beach	Nai Thon	281	Q4 2012
Hotel Indigo Phuket	Nai Thon	130	Q3 2014
The 8over8 by Castlewood	Bangtao	150	Q1 2013
Thanyachiva Lifestyle Resort	Thalang	77	Nov 2011
The Naka	Kamala	90	Q2 2012
Novotel Phuket Kamala Bay	Kamala	168	Q1 2013
The Kalima Resort and Spa	Kalim	185	Aug 2012
Sea Sun Sand Resort & Spa	Patong	250	Dec 2011
Phuket Graceland Resort & Spa (Expansion)	Patong	150	Feb 2012
Novotel Phuket Dahlia Hotel	Patong	305	Q1 2012
Tune Hotel Patong	Patong	150	Oct 2012
Holiday Inn Express Phuket Patong Beach Central	Patong	280	Dec 2012
All Seasons Phuket Patong Beach	Patong	250	Q3 2012
The Centara Grand Moringa Resort & Spa Phuket	Patong	350	Q4 2012
Sleep With Me Hotel	Patong	286	Mar 2013
All Seasons Phuket Patong Resort & Villas	Patong	318	Q2 2013
The Patong Bay Hill Hotel & Resort	Patong	744	Q3 2013
Four Points by Sheraton Phuket, Patong	Patong	290	Jan 2014
Luxury Resort by New World Group	Patong	113	Q1 2014
Aloft Phuket Patong	Patong	250	Jul 2014
Mercure Phuket Deevana	Patong	508	Q4 2014
Dewa Karon Beach	Karon	49	Nov 2011
Days Inn Hotel Phuket Town	Phuket City	129	Apr 2013
U Serene Phuket	Nai Harn	140	Aug 2012
Rawai Palm Beach Resort	Rawai	198	Nov 2011
Regent Phuket Cape Panwa	Cape Panwa	106	Q4 2011
Makham Bay Resort	Cape Panwa	200	Q4 2011
The Yamu	Cape Yamu	102	2013
Marco Polo Resort Phuket	Koh Siray	294	Q1 2014
Park Hyatt Phuket	Koh Siray	70	2014
Koh Maiton Resort	Koh Maiton	79	2014
PHANG NGA*			
Beyond Resort Khao Lak	Khao Lak	153	Nov 2011
Wyndham Resort Khao Lak	Khao Lak	205	Jan 2012
Sentido Graceland Khao Lak	Khao Lak	316	Q2 2012
Mai Khao Lak Beach Resort and Spa	Khao Lak	200	Oct 2012
KRABI*			
Mercure Krabi Deevana	Ao Nang	230	Q4 2011
Ibis Krabi Ao Nang	Ao Nang	200	2013
Beyond Resort Krabi	Klong Muang	138	Nov 2011
Centara Grand Lanta Island	Koh Lanta	233	2012

* Phang Nga and Krabi projects depicted for information purposes only and not included in Phuket data.

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**

With key competencies including 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 26 years of experience in Asia Pacific, the firm is well positioned to serve an increasingly demanding marketplace.



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