



HOSPITALITY CONSULTING

Si Racha

Serviced Apartment Market Update

September 2016

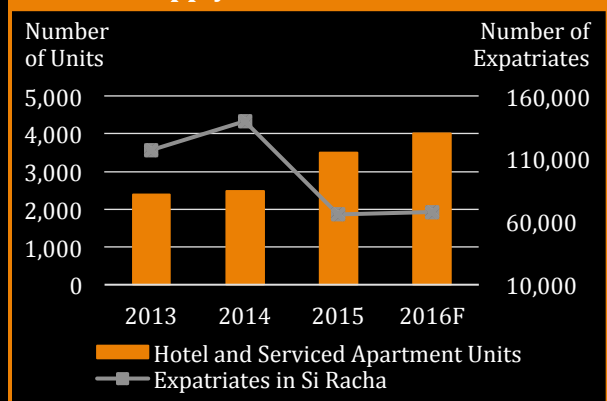
Surging pipeline projects override supply and demand equilibrium in Japanese-centered market

Industrial sector remains the key feeder of room nights

“Si Racha emerged as an industrial town that has attracted many large-scale companies investing in the manufacturing sector. With this came a rapid growth of the expatriate population, which has previously pushed robust demand for short and extended stay accommodations. As a result, developers were drawn to the investment opportunities in the hospitality sector, and in turn catalyzed the expansion of midscale to upscale hotels and serviced apartments.

Over the past few years, Si Racha experienced a sharp rise in accommodation supply of 46% between 2013 to 2015. Looking at the existing and pipeline projects, we see a surging market competition that looks to have a decisive impact on forward trading. A growing residential condominium supply also poses to become predatory to hotels and serviced apartments.

Supply vs. Demand Trend



Source: C9 Hotelworks Market Research

Additionally, the slowdown of foreign direct investment (FDI) in the industrial sector is forcing a drop in demand for serviced apartments as the number of expatriates is seeing a slight reversal. This phenomenon will leave the destination with no choice but to target a broader market by revisiting the geographic sources.”

Bill Barnett, Managing Director, C9 Hotelworks

Trends

- One-bedroom configuration accounts for nearly 70% of total units in serviced apartment inventory with high demand for single use rooms from unmarried expatriates.
- Mainstream hotels and serviced apartments in Si Racha consist of 3,503 units, which are mostly clustered on Sukhumvit, Jerm Jompon and Surasak roads.
- High dependency on Japanese labor force for occupancy has caused concerns for hotels due to the continuous weakening Yen in recent years.

Forward Outlook

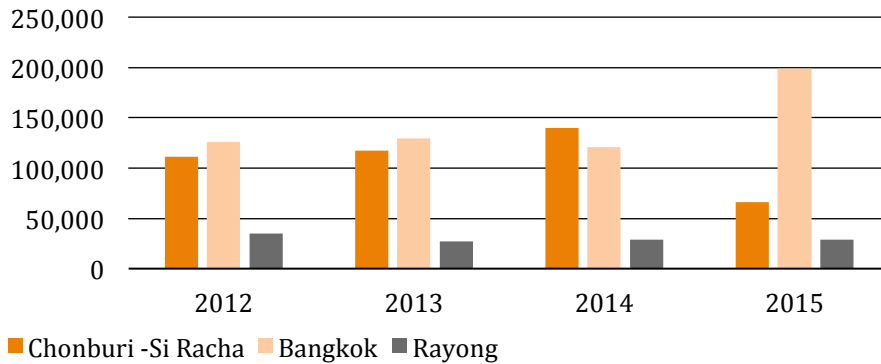
- Development of a high-speed rail that connects Bangkok to the Eastern Seaboard is pending for environmental approval and projected to start in the next two years.
- Addition of internationally branded and managed hotel chains in the pipeline is expected to put pressure on rates and occupancy on the market and raise the standard of product offerings.
- Decline in foreign direct investment in Thailand last year is creating a domino effect for industrial properties in Chonburi – Si Racha.

MARKET DEMAND OVERVIEW

- In 2015, Japan represented 39% of the total foreign direct investment projects in Thailand, followed by Singapore and China at 12% and 7% respectively.

Expatriate Workers by Province

Number of Work Permits

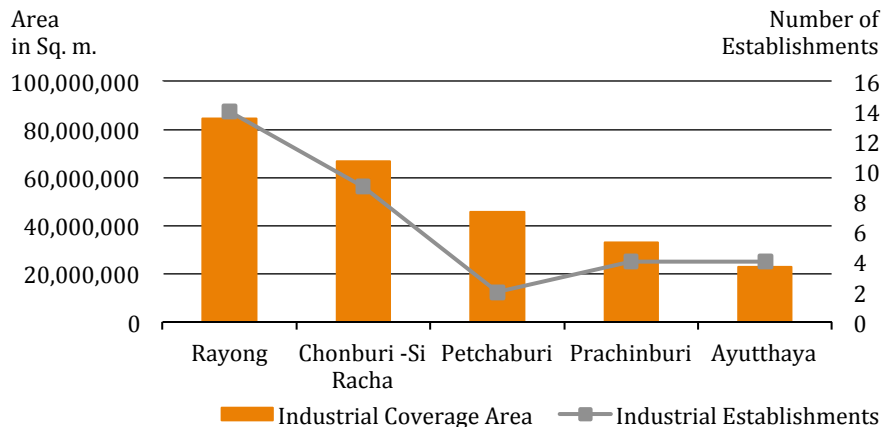


Annual work permits issued in Chonburi -Si Racha shrank by 53% last year as a result of pullbacks in FDI

Source: Thailand Ministry of Labor and C9 Hotelworks Market Research

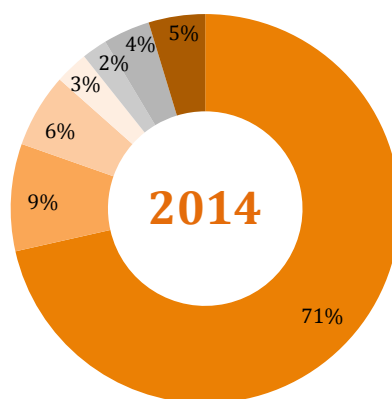
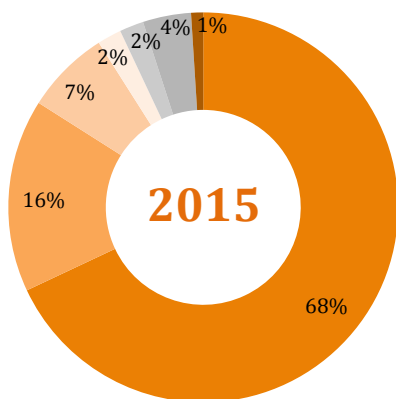
Top 5 Provinces by Industrial Estate Scale

Si Racha is the second largest industrial area, covering 21% of combined estates in Thailand, only 5% behind Rayong



Source: Thailand Board of Investment (BOI) and C9 Hotelworks Market Research

Key Geographic Source Markets



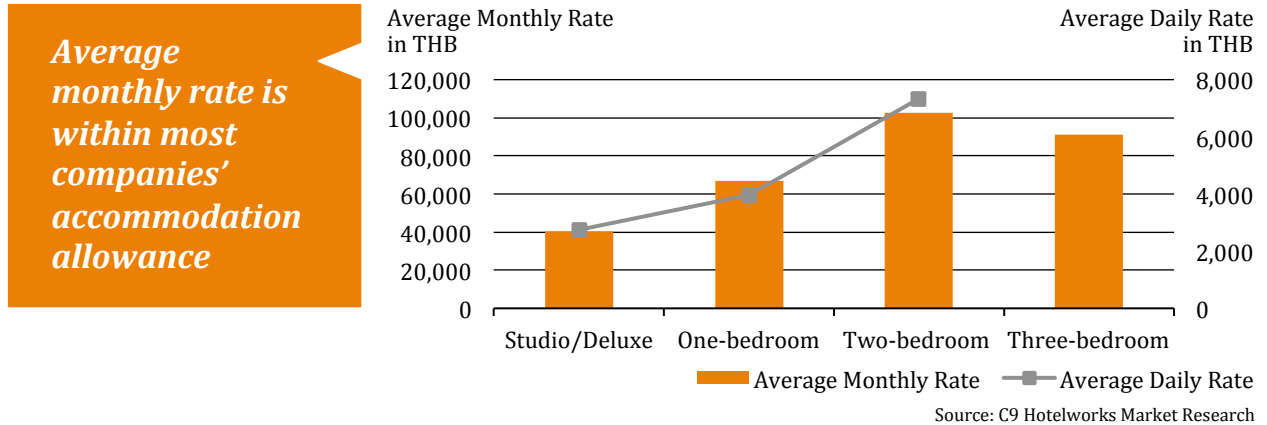
Source: Amata Nakorn Industrial Estate and C9 Hotelworks Market Research

Japanese expatriates remain highly influential in the demand market, and are expected to continue in the coming years

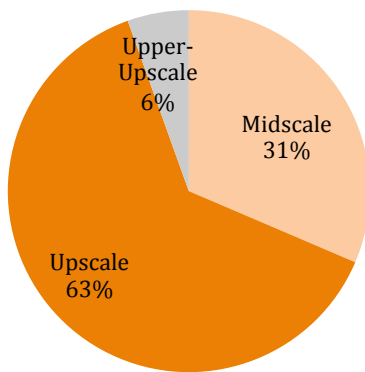
MARKET SUPPLY OVERVIEW

- Expatriates who seek long-term stays are the key source of business that serviced apartments in Si Racha leverage on. Apart from the daily rates hotels normally offer, serviced apartments also offer monthly rates which are comparatively lower than the hotels' average daily rates, allowing them to secure a strong clientele base for long stay guests.

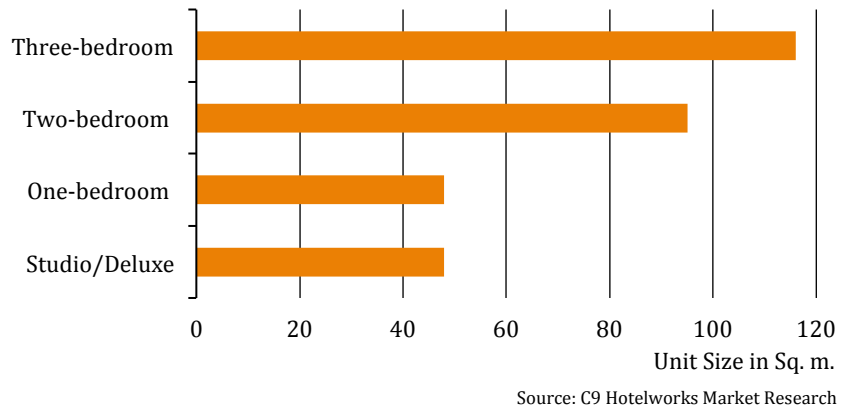
Average Monthly Rate vs. Average Daily Rate



Supply by Tier



Median Unit Size



Serviced Apartment & Hotel Pipeline

- It is anticipated that 8 projects representing 2,239 keys will enter the accommodation supply by 2018. A number of these pipeline properties are mixed-use developments with hotel, residential and retail components.

Project Name	Location	Keys	Opening Date
Novotel Sriracha Marina Bay	Jerm Jompon	281	Q4 2018
Atara Hotel Sriracha	Si Racha Nakhon 8	N/A	2018
Balcony Seaside Hotel and Serviced Apartments*	Sukhumvit	100	Jul-16
Citi Resort Sriracha	Sukhumvit	379	Sep-16
Nusa Sriracha Condotel	Sukhumvit	1,166	2018
Karabuning Resort and Residence*	Surasak	30	Aug-16
Centara Sonrisa Residence and Suites Sriracha	Thetsaban 1	150	Q4 2017
Somerset Harbourview Sriracha	Thetsaban 3	133	2018

*Additional keys for existing serviced apartments and hotels

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



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