More branded serviced apartment operators to enter expat-oriented Thonglor market

Demand shifts to short-stay due to surging leisure market and lagging number of Japanese expatriates

“For at least a decade, Thonglor has been known to be Bangkok’s trendiest neighborhood. However, what really makes the area unique is the perfect combination of urban peace and chic nightlife, which is not commonly found in Sathorn or Asoke.

Thonglor today though is an expat-oriented district in contrast with the past when it was Japanese-centric. Thus, the demand of serviced apartments has been driven by expatriates, the majority of which are Asian. Japanese residents once accounted for 90% of the market while their share today has reduced to 65% according to our market research. Many serviced apartments, therefore, have adjusted their business model and designs to short/leisure-stay transient focused guests versus the traditional Japanese long-stay business client.

Two notable projects in the pipeline to keep an eye on are Ascott Thonglor and Staybridge Suites. With a total of 753 units entering the market, competition is ramping up. Moving forward, we expect a slower growth in supply of serviced apartments challenged by a scarcity of land and higher development costs.”

Bill Barnett, Managing Director, C9 Hotelworks

**Trends**

- Besides Japanese, other key long-term sources are Europe and Singapore, while short-stay guests are from South Korea and China.

- Despite a 2.2% drop in occupancy, serviced apartment average rates bumped up 3.8% in 2017 and rose another 1.2% in Q1 2018.

- Thonglor remains a preferable location for expatriate families with children who seek quality of life, with many renowned international schools and hospitals in the area.

**Forward Outlook**

- Upscale condominium projects are becoming serviced apartments’ major competitors by offering lower rates in prime locations via Airbnb.

- More independent serviced apartments are expected to use affiliate with international operators as competition intensifies.

- With a significant number of large stand-alone houses and land belonging to high-net-worth individuals, rising acquisition costs and barriers to entry may push development to other areas.
**Demand & Supply**

**Bangkok Expatriates**

Positive trend is seen in number of Bangkok expatriates since 2013, with five-year CAGR recorded at 22%.

Source: Department of Employment and C9 Hotelworks Market Research

**Key Geographic Source Markets**

Number of Japanese expatriates slowly grew at 0.3% in 2017, while Indian expatriates surged by 8%.

Source: Department of Employment and C9 Hotelworks Market Research

**Bangkok Serviced Apartment Cumulative Supply**

Serviced apartment supply in Bangkok expected to grow gradually on rising leisure market.

Source: C9 Hotelworks Market Research
Thonglor’s serviced apartment occupancy remains well over 80%.

Short-stay ratio increased to 62% while long-stays dropped dramatically to 38% in 2017.

Asian market is dominant with Japanese guests ranking first with 65% share.

MARKET OVERVIEW

Performance Comparison

Source: C9 Hotelworks Market Research

Market Segmentation

Source: C9 Hotelworks Market Research

Nationality Mix

Source: C9 Hotelworks Market Research

Pipeline

There are three confirmed properties or 1,053 units in the area’s pipeline, with all being branded.

<table>
<thead>
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<th>Name</th>
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<tbody>
<tr>
<td>Ascott Thonglor Bangkok</td>
<td>Sukhumvit 59</td>
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<td>Hotel Nikko Bangkok</td>
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<td>StayBridge Suites Bangkok Thonglor</td>
<td>Thonglor Soi 5</td>
<td>303</td>
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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 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.

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