



asset management
& hospitality consulting

Phuket

2012 Hotel Market Update

Mid-Year Edition August 2012

Long-term vision needed for Phuket's tourism development

All eyes focused on island's mounting infrastructure dilemma

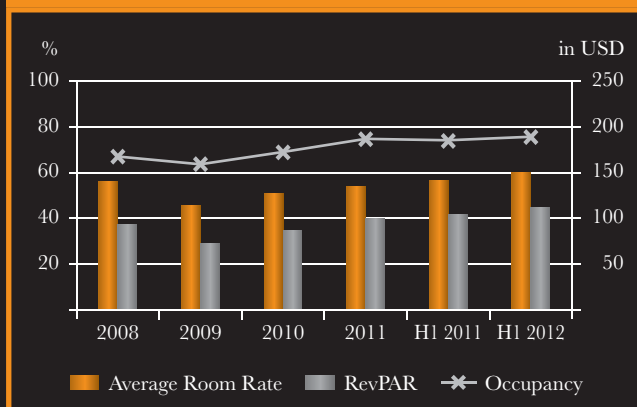
“The onset of the island’s tourism story can be traced back to the early 1980s when it started gaining international prominence. Three decades later, Phuket has established itself as one of the leading resort destinations in Asia. It has become an economic role model and object of desire for other leisure emerging markets. Now as mass tourism takes hold with an urban resort landscape unfolding, many are asking has the island come too far, too fast?”

For the first six months of 2012, total airport passenger arrivals registered 4.74 million. Full year traffic is forecasted to exceed stated capacity by 43%. With the upgrading plan expected to complete by 2015, assuming an average annual growth rate of 5%, the expanded airport would hit capacity by the end of 2017. Essentially this equates to a scenario of the new facility being dead on arrival.

2012 Mid Year

- Passenger arrivals at Phuket International Airport for the first six months registered at 2.32 million, an 11% growth vs. the first half of 2011. International sector weighed in with a 13% increase vs. a 9% rise in domestic arrivals.
- Strong market-wide performance with occupancy of 75%. Average room rates and RevPAR spiked upwards by 5% and 8% respectively.
- Active hotel investment climate across the industry with total transactions valued at US\$170 million in H1 2012.

Hotel Performance Trend



Source: C9 Hotelworks Market Research

While the island’s economic fundamentals remain strong, it is time that a long-term plan for Phuket’s development become part and parcel of a national agenda. Mass tourism is the elephant in the room of every major resort destination in Asia, but it’s high time for the island to get in front of the game instead of acting after the fact.”

Bill Barnett, Managing Director, C9 Hotelworks

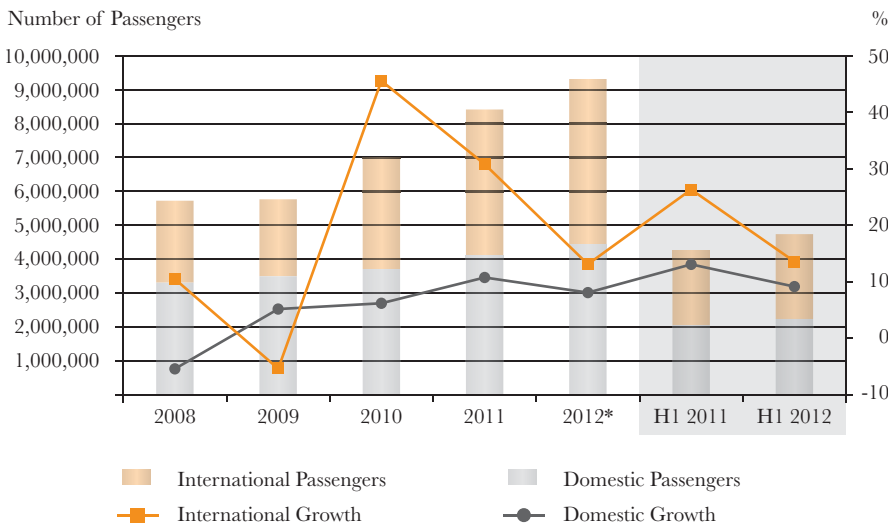
Forward Outlook

- Increased destination self sufficiency of ‘Brand Phuket’ driven by sustained growth in direct airlift. Niche segments of weddings, health and sports tourism continue to redefine demand generation.
- Hotel transaction volume in 2012 expected to top US\$315 million. Owners of older hotels faced with mounting renovation costs may opt to sell.
- Delay in major infrastructure improvements will possibly mute sustainable growth potential.

Airline Indicators

- Phuket International Airport (PIA) recorded continued growth with total traffic up 11% to 4.74 million passengers for the first half 2012. It is on track to achieve its annual target.
- As Phuket attracts greater mass tourism demand from Mainland China and Russia, direct flights from these countries are reacting by adding capacity. This is demonstrated with the 11% growth in international inbound flights in H1 2012 as compared to the same period last year. The domestic sector recorded static growth.
- A US\$180 million planned airport expansion, which was scheduled to commence construction by mid year has been delayed due to contractor selection. The bidding process and appointment is expected to be finalized by the end of 2012.

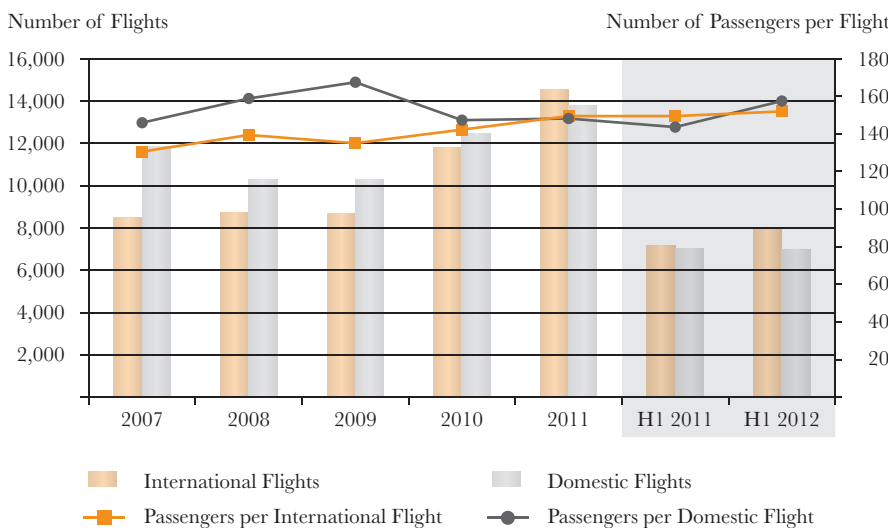
Total Passengers at PIA



Total passengers at PIA for full year 2012 forecast to hit 9.3 million

*Forecast Source: Phuket International Airport and C9 Hotelworks Market Research

Average Load for Inbound Flights to Phuket



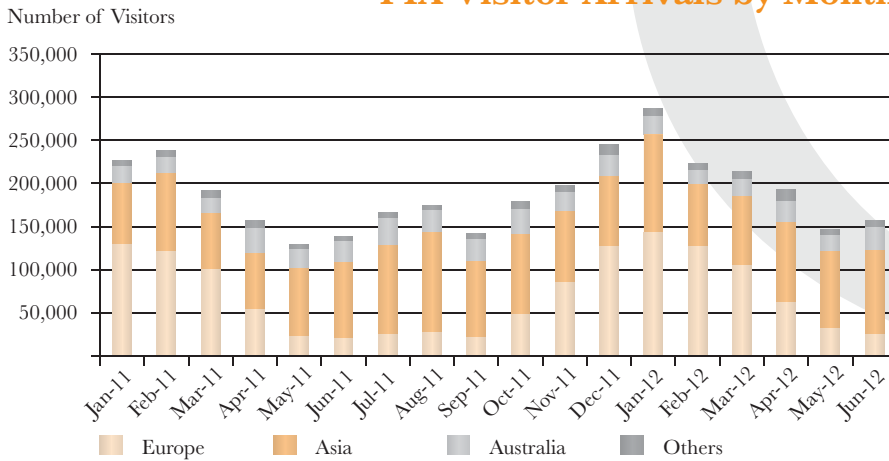
Domestic load factor grew 10% in H1 2011 year-on-year reflecting rise in domestic and connecting traffic

Source: Phuket International Airport and C9 Hotelworks Market Research

Tourism Indicators

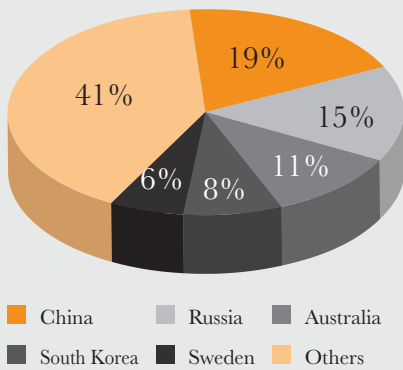
- The historically strong Western European segment were displaced by travelers from Mainland China and Russia with a combined share of 34% in H1 2012 as compared to 25% in H1 2011.
- Top growth markets consisted of Mainland China, Eastern Europe and Malaysia growing at 66%, 33% and 17% respectively over the first half of last year.
- Demand for Meetings, Incentives, Conventions and Exhibitions (MICE) rose during the second quarter with key numbers from Mainland China.

PIA Visitor Arrivals by Month

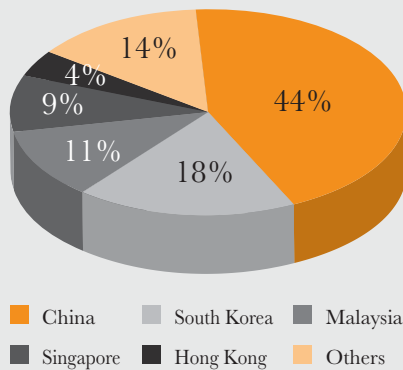


Market growth driven by strong number of Asian visitors

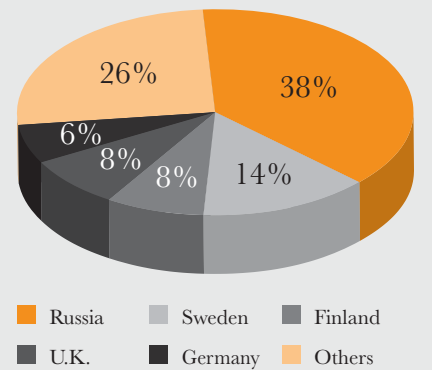
Top 5 Source Markets



Top 5 Asian Markets

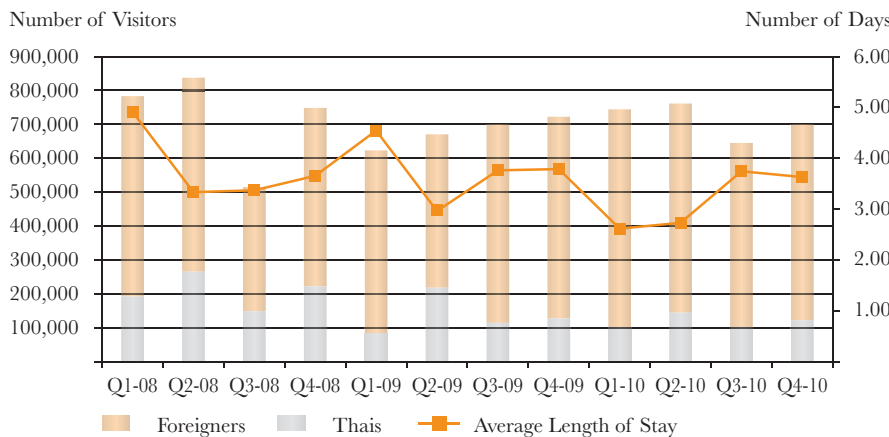


Top 5 European Markets



Source: Phuket Airport Immigration, Office of Commercial Affairs Phuket and C9 Hotelworks Market Research

Average Length of Stay (ALOS)



Declining ALOS mainly attributed to the geographic shift away from long-haul Western European tourists

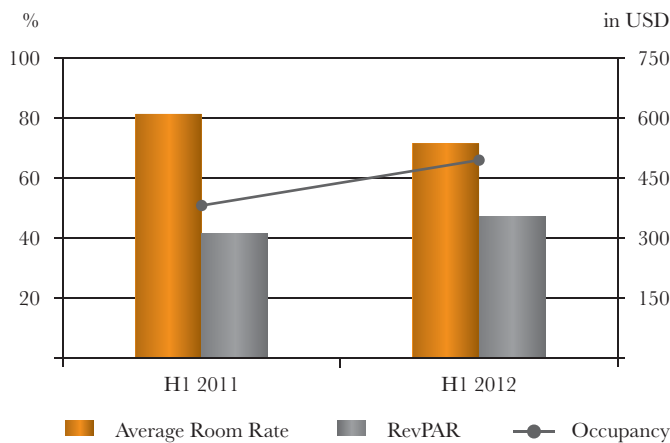
Source: The Ministry of Tourism and Sports, Thailand and C9 Hotelworks Market Research

HOTEL MARKET

Hotel Benchmark

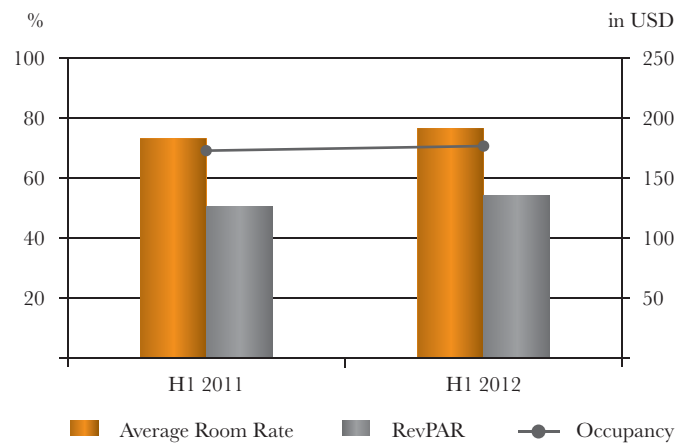
- Strengthening demand from Asian travelers has elevated overall market performance in the wake of falling European guests and the ongoing Eurozone economic crisis.
- Market-wide occupancy levels recorded a new high of 75% in H1 2012. Marked increases of 5% and 8% in average room rates and RevPAR were attained for the period compared to the first half 2011.
- Midscale hotels recorded the highest room rate growth at 10%, followed by the budget and economy sector with 8%.

Luxury



Source: C9 Hotelworks Market Research

Upscale

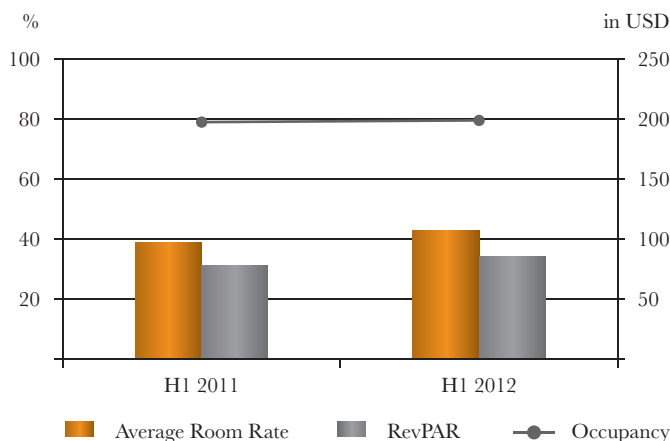


Source: C9 Hotelworks Market Research

Occupancy growth in tier was spurred by 15% decrease in average rate

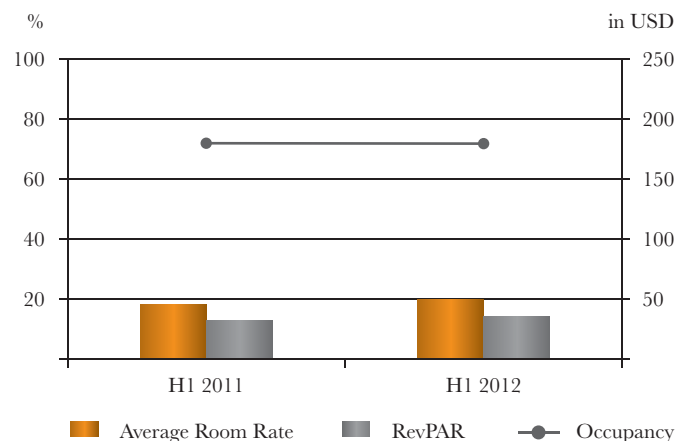
Strong demand for lower-end products gave hoteliers ability to boost revenue

Midscale



Source: C9 Hotelworks Market Research

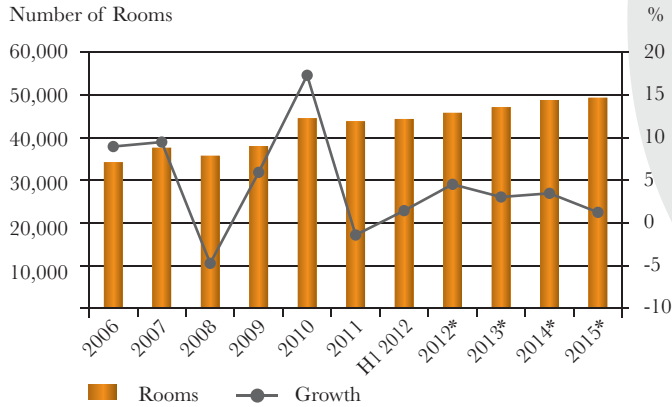
Budget & Economy



Source: C9 Hotelworks Market Research

Supply Trend 2006 - 2015

- Total supply of Phuket's registered accommodation establishments was recorded at 42,498 rooms as of March 2011.



From 2006 to 2015 the island's hotel rooms grew at 4% CAGR

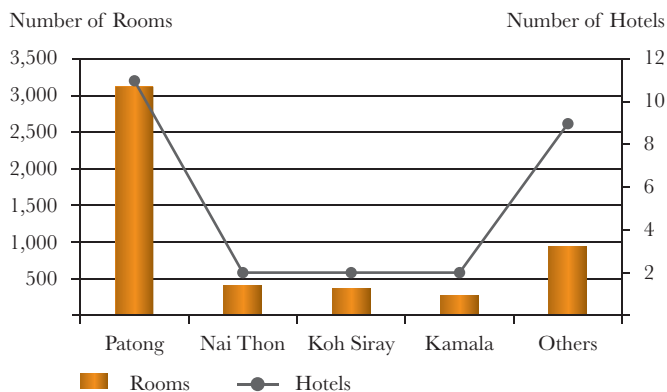
CAGR - Compound Annual Growth Rate

*Forecast Source: The Ministry of Tourism and Sports, Thailand and C9 Hotelworks Market Research

Development Insight

- A total of 5,080 rooms are forecasted to enter into the market by 2015, equivalent to an increase of 11% of the existing inventory.
- Notable additions to supply in the first half of 2012 included the 228 key Crowne Plaza Phuket Panwa Beach Resort and 303 room Novotel Phuket Vintage Park Resort.

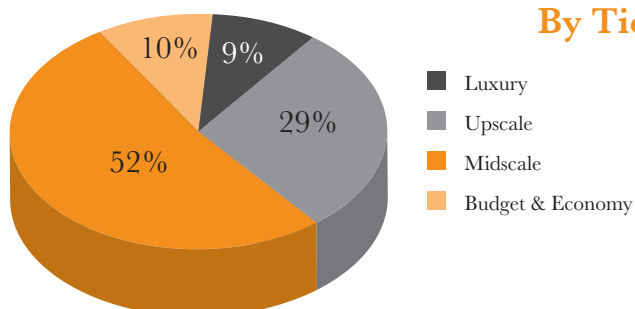
By Location



Source: C9 Hotelworks Market Research

Potential oversupply concerns for Patong given the lapse in transportation and support infrastructure

By Tier



Source: C9 Hotelworks Market Research

Development activity in the midscale sector reflects a domestic investment trend into hospitality assets

Hotel Openings

- With 3,125 rooms in the Patong pipeline, inventory in the catchment area is expected to grow by 20%. Of these numbers, approximately 80% will be midscale and budget/economy properties.
- The east coast is evolving into an upscale destination with branded high-end hotels lining up in the development stage.

Hotel Name	Location	Rooms	Opening Date
Pullman Phuket Arcadia Nai Thon Beach	Nai Thon	262	Nov 2012
Hotel Indigo Phuket	Nai Thon	130	2015
The Nikki Beach Hotel and Spa, Phuket	Bangtao	174	2013
Thanyapura Sports Hotel	Thalang	77	Nov 2012
Phuket Grandville Resort	Thalang	105	2014
The Naka	Kamala	94	Dec 2012
Novotel Phuket Kamala Bay	Kamala	168	Q1 2013
Avista Hideaway Resort and Spa	Patong	150	Nov 2012
All Seasons Phuket Patong Beach	Patong	250	Q3 2012
Tune Hotel Patong	Patong	150	Dec 2012
Holiday Inn Express Phuket Patong Beach Central	Patong	280	Dec 2012
The Patong Bay Hill Hotel & Resort	Patong	744	Q4 2013
Grand Mercure Phuket Patong	Patong	318	Q1 2014
Centara Grand Moringa Resort & Spa Phuket	Patong	350	Q1 2014
Four Points by Sheraton Phuket, Patong	Patong	290	Jan 2014
Sleep With Me Hotel	Patong	230	H2 2014
Aloft Phuket Patong	Patong	250	Jul 2014
Luxury Resort by New World Group	Patong	113	2015
Kata Rocks	Kata	34	Apr 2013
The Hermitage	Kata	80	Q1 2014
Days Inn Hotel Phuket Town	Phuket City	120	Q4 2013
Regent Phuket Cape Panwa	Cape Panwa	105	Oct 2012
U Sunsuri Phuket	Nai Harn	133	Nov 2012
Point Yamu by COMO	Cape Yamu	109	2013
Marco Polo Resort	Koh Siray	294	Q1 2015
Park Hyatt Phuket	Koh Siray	70	2015

Source: C9 Hotelworks Market Research

Recent Hotel Transactions

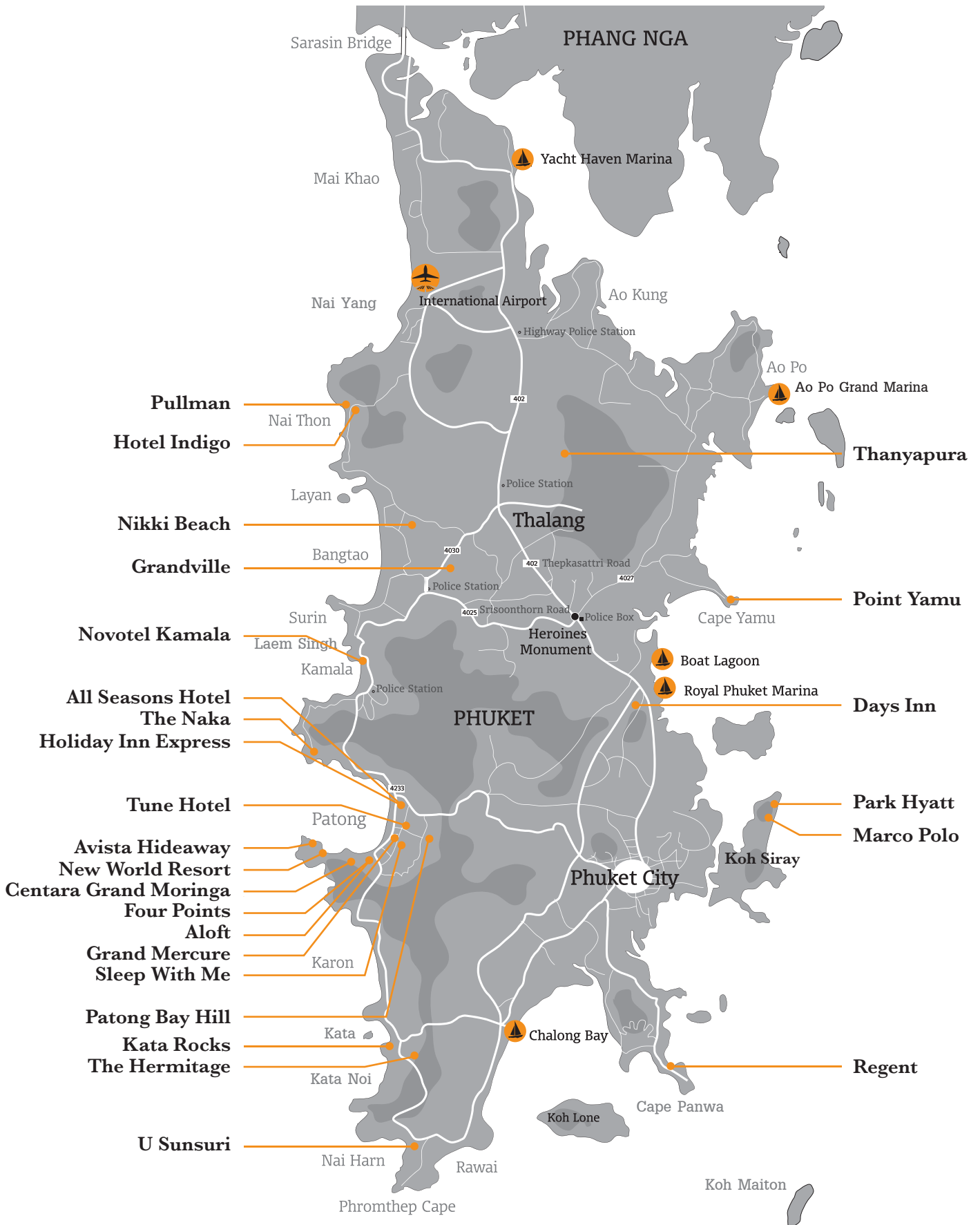
- Phuket has been making headlines in the financial press since market sentiment shifted two years ago when Dusit Thani Laguna was traded at approximately US\$87 million in 2010, followed by Laguna Beach Resort in 2011.
- The latter has been put under contract to be resold upon completion of a significant upgrade in Q1 2013 by private equity firm Real Estate Equity Partners (RECAP) to Hawaiian based hotel group Outrigger Hotels and Resorts.

Hotel Name	Location	Transaction Period	Rooms	Approximate Price (US\$)	Price per Key (US\$)	Buyer
Mövenpick Resort & Spa Karon Beach	Karon	Apr 2012	368	US\$90 million	US\$267,000	Malaysian based TA Global Berhad
Evason Phuket and Bon Island Resort	Rawai	May 2012	260	US\$45 million	US\$170,000	Singaporean based Lum Chang
Bundarika Villas & Suites Resort	Bangtao	Jun 2012	77	US\$35 million	US\$461,000	Thai based Minor Hotel Group
Laguna Beach Resort	Bangtao	Jul 2012	254	TBA	TBA	Hawaiian based Outrigger Group

* To Be Announced

Source: Jones Lang LaSalle Hotels and 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 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 27 years of experience in Asia Pacific, the firm is well positioned to serve an increasingly demanding marketplace.



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