

How Thailand's domesticated tourism market fell in love with Khao Lak in a pandemic

Four-lane road expansion has created seamless travel link to Greater Phuket

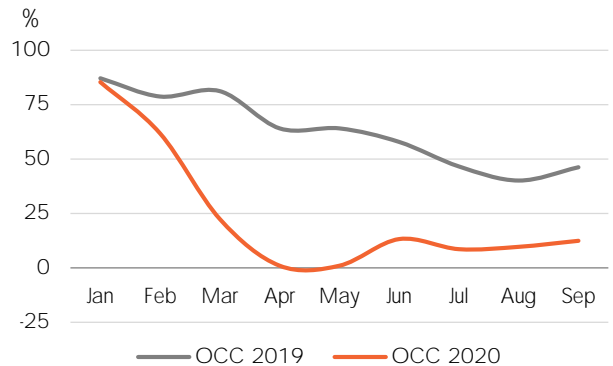
"Khao Lak's tourism industry has historically been laser focused on leisure destination demand from international travelers. The market has a seasonal legacy in the wholesale segment, driven primarily by European visitors. Nevertheless, in recent years Asian visitation has picked up noticeably but with a significant absence of Thai travelers.

In the first two months of this year hotel occupancies in Khao Lak and Phang Nga province soared above 80 percent. With the COVID-19 lockdowns occupancy plunged in April and May. But as domestic travel re-started mid-year on the back of government initiated travel subsidies the destination has slowly but surely gained traction from both fly and drive Thai markets.

Khao Lak's surf scene has become a national social-media sensation with Pakarang Beach and Memories Beach Bar the epicenter of a photo tourism movement. In the midst of a summer season Khao Lak has been able to return to the map for Thai travelers. This has been bolstered by some notable Instagram favorite hotels, Michelin Guide Southern-Thai restaurants and the renewed appreciation of Takua Pa Old Town.

Looking at the remainder of this year and on into 2021 the key trigger to sustain the current decided muted level of demand lays in the potential renewal of Thailand's travel incentive that are set to expire at the end of January.

Phang Nga Hotel Occupancy 2020 vs 2019



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

Looking ahead, the current northwards expansion of Khao Lak's strip of destination beach resorts is expected to usher in a new cycle of market maturity.

As post Covid-19 travel commences, it's Khao Lak and Phang Nga are well positioned as a destination given a unique sense of space, nature and emergence of sports and cultural tourism elements."

Bill Barnett, Managing Director, C9 Hotelworks

Trends

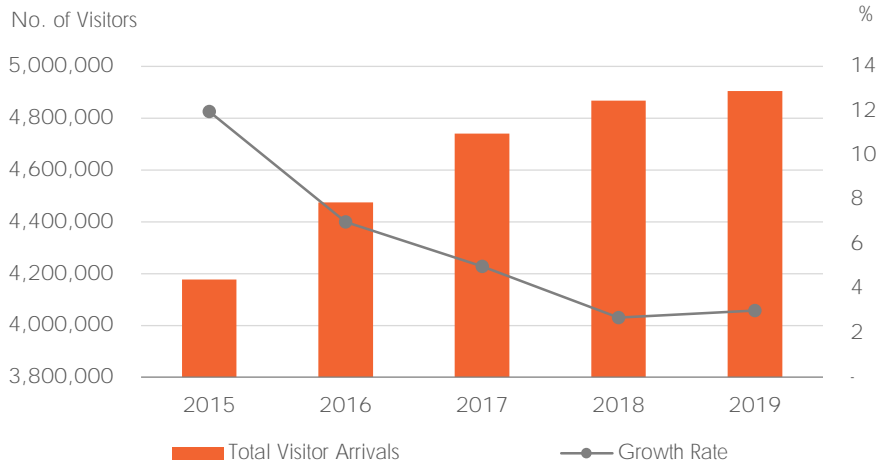
- Domestic-centric visitor market for destination focused properties resulting in mono source of income. This has creating financial stress not only for hotel owners but across entire tourism sector.
- Government sponsored 'We Travel Together' domestic tourism subsidy program that started in mid-July remains key driver of hotel demand.
- Instagram and Facebook fronting social media has been key tool to reach travelers in a shift away from reliance on traditional distribution.

Forward Outlook

- There is a sustainable trajectory of new Khao Lak hotel development pushing North given larger land parcels, which is expected to create micro markets and decentralize commercial areas.
- Project delays in a number of properties in the pipeline project due to the present situation is pushing out many openings to 2022-2023.
- Completion for the four-lane highway in the Northern part of Khao Lak to Takua Pa is expected to finish in 2021.

TOURISM – PHANG NGA

Total Visitors - 2015 through 2019

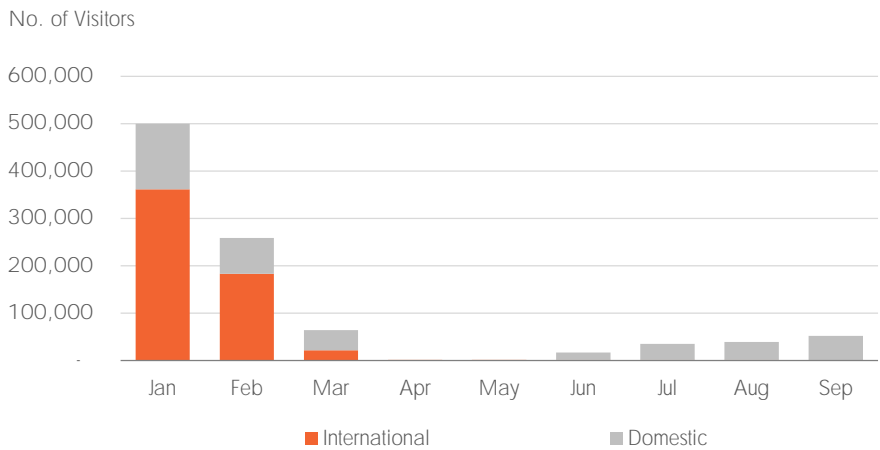


Compound Average Growth Rate

5-year CAGR: **6%**

10-year CAGR: **21%**

Total Visitors - 2020

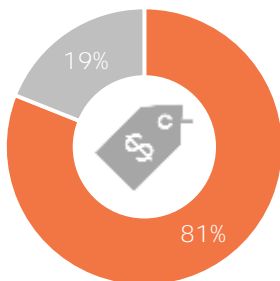


Visitors during Jan - Sep 2020

571,442 international visitors

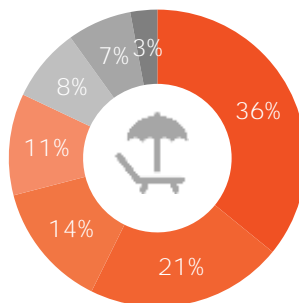
395,008 domestic visitors

Tourism Receipts - 2020



81% international visitors

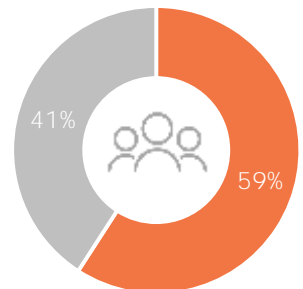
Tourism Expenditure - 2019



36% of total expenditure on accommodation

- Accommodation
- F&B
- Shopping
- Entertainment
- Services
- Transportation
- Others

Total Visitors - 2020

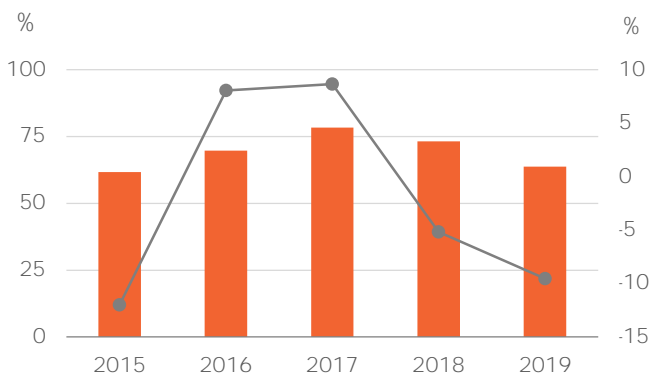


59% international segment

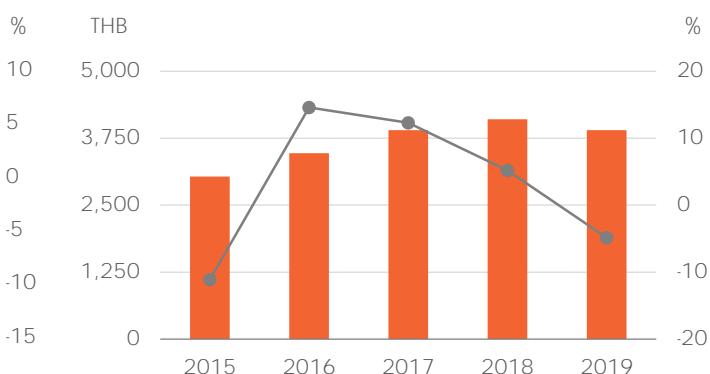
Source: Thailand Ministry of Tourism and Sports and C9 Hotelworks Market Research

HOTEL MARKET – KHAO LAK

Occupancy



Average Daily Rate (ADR)

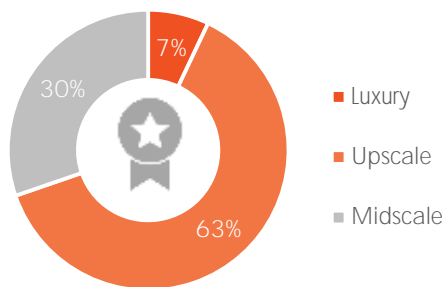


Source: Thailand Ministry of Tourism and Sports, STR, and C9 Hotelworks Market Research

Hotel supply growth led to lower room night demand of **63.7%** last year.

With competition growing, market-wide average rate of THB**3,901** declined by **5%** in 2019

Hotel Development Insight

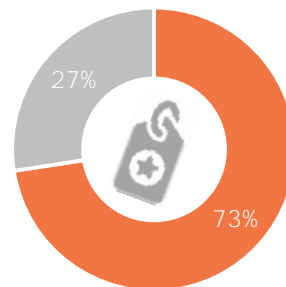


63% are concentrated in **Upscale** segment



100% have direct beach access

Branded vs. Non-branded



73% are branded

Khao Lak Hotel Pipeline

There are 9,542 keys among Khao Lak's 114 registered tourism establishments. The incoming pipeline below is 2,283 keys, which is a 21% increase over in current supply.

Hotel Name	Location	Keys	Opening Year
Pullman Khao Lak Resort (Phase 1)	Bang Muang	112	Dec 2020
Grand Mercure Khao Lak	Bang Sak	195	Dec 2020
Pullman Khao Lak Resort (Phase 2)	Bang Muang	141	Q2 2021
JW Marriott Khao Lak Resort & Spa*	Khuk Kak	180	Q3 2021
Avani Khao Lak	Bang Sak	328	Q4 2021
Sheraton Khao Lak	Nam Kaem	252	2023
Khao Lak Marriott Resort & Spa	Bang Muang	300	2023
Holiday Inn Resort Khao Lak	Pakarang Cape	350	2023
Katathani Group (Unnamed)	Nang Thong	119	TBA
S Khao Lak	Nam Kaem	306	TBA
Total		2,283	

*Additional keys for the existing hotel

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.