



asset management  
& hospitality consulting

# Phuket

## 2011 Hotel Market Update

February 2012

# Stress test for island as 9 million passengers forecast

## Phuket market-wide occupancy hits 75% milestone in 2011

“In a year underscored by international media attention in Bangkok, Brand Phuket has continued to swim upstream with a remarkable sense of destination agility.

Direct flights to the island continue to create a paradoxical pathway in the numbers game. As airport passenger traffic exceeded it's stated capacity by 30% or 8.4 million in total for 2011, the government has reignited expansion momentum within the past few months.

A parallel journey for Phuket and Bali, two of Asia's leading leisure islands is posing challenges on transitioning into urban resort models. Can local culture, social and economic pressure be effectively taken in mass doses? Effective destination management rather than marketing is at the heart of the matter.”

Bill Barnett, Managing Director, C9 Hotelworks

### Major Phuket Infrastructure Projects



Source: C9 Hotelworks Market Research

## 2011 Performance

- Total airport passengers between 2007 to 2011 grew at a 10% compound annual growth rate. International traffic increased 18% vs. domestic at 4%.
- Top 3 international hotel source markets were Australia, Eastern Europe and China with 32% combined share.
- Key hotel metrics hit highest level during the past five years with US\$135 average room rate and US\$101 RevPAR.
- 77% of planned midscale hotels are located in the Patong district.

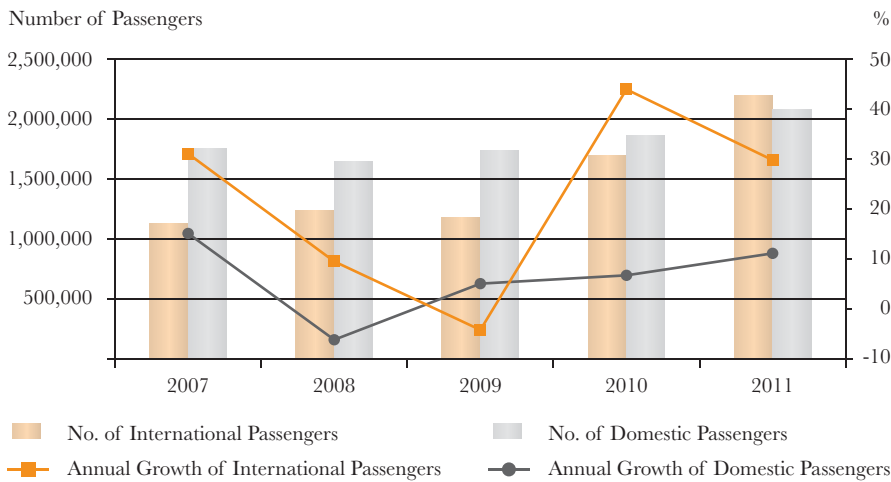
## 2012 Outlook

- Airports of Thailand (AoT) forecasts a 7% year-on-year growth in 2012 to approximately 9 million passengers at Phuket International Airport (PIA).
- A replay of the Don Muang airport transition saga is anticipated to occur at PIA during 2012 – 2015 until the new facilities are complete.
- Russian tourist numbers have been hit by domestic sentiment which is expected for muted demand in H1.
- A national government agenda for Phuket is urgently needed to address growing transportation, rising crime and regulatory issues.

## Airline Indicators

- Phuket International Airport (PIA) recorded a high of 4.2 million passenger arrivals for the year.
- Spearheading the trend was the international sector with 30% growth over 2010, while domestic arrivals increased by 11%. Total passenger volume surged 20% vs. 2010.
- PIA outperformed the major airports of Thailand, i.e. Suvarnabhumi, Chiang Mai, Samui and Krabi with a compound annual growth rate (CAGR) of 10% between 2007 to 2011 as compared to 4% CAGR of the other airports combined during the same period.
- Phuket's gateway airport continued to lead market share among Thailand's second-tier airports of Chiang Mai, Krabi and Samui with 57% in 2011, which is up from 51% in 2007.

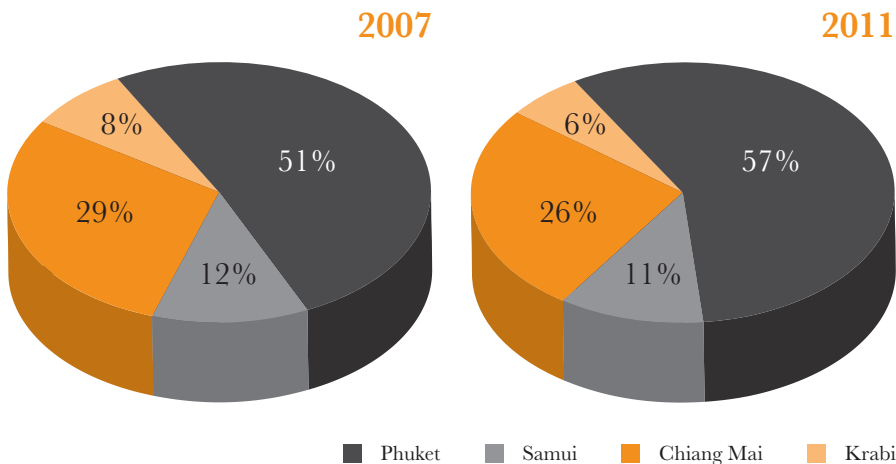
### Airport Visitor Arrivals



*Historical first as international arrivals eclipse domestic*

Source: Phuket International Airport and C9 Hotelworks Market Research

### Second-Tier Airport Comparison



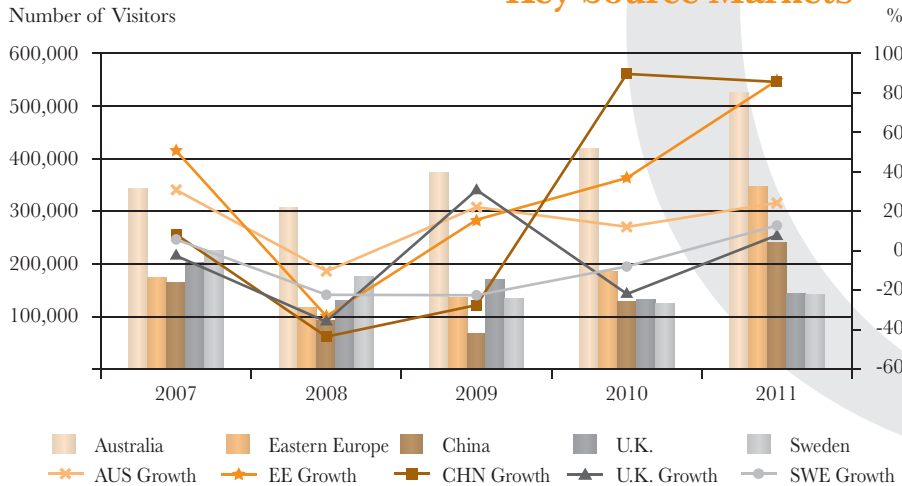
*Over the last 5 years Phuket has grown while other destinations have lost market share*

Source: Airports of Thailand, Department of Civil Aviation and C9 Hotelworks Market Research

# Tourism Indicators

- Australia remained the island's top international source with 15% market share and 24% growth vs. 2010.
- The emerging markets of Eastern Europe showed the strongest five-year CAGR of 19%, followed by Australia and China at 11% and 10% respectively.

## Key Source Markets



*U.K. and Sweden are key source market losers with negative CAGR of -8% and -11% between 2007 and 2011 respectively*

### Top 5 Source Markets

1. Australia	15%
2. Eastern Europe	10%
3. China	7%
4. U.K.	4%
5. Sweden	4%

### Top 5 Growth Markets

1. Eastern Europe	86%
2. China	86%
3. Taiwan	61%
4. New Zealand	60%
5. Malaysia	28%

### Top 5 Eastern European Markets

1. Russia	84%
2. Hungary	2%
3. Ukraine	2%
4. Estonia	1%
5. Poland	1%

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

# Infrastructure Developments

Project	Key Project Description	Project Status	Target Completion
1. Phuket Airport Upgrade Budget: US\$180 million	<ul style="list-style-type: none"> <li>• New international terminal building, runway extension, multi-storey car park</li> <li>• Double existing capacity to 12.5 million passengers per annum</li> </ul>	Airport's design will be finalized by Feb 2012 with construction planned to commence mid 2012	March 2015
2. Mai Khao Convention Center Budget: US\$87 million	<ul style="list-style-type: none"> <li>• Phuket's convention center with 5,000 seat capacity</li> </ul>	An Environmental Impact Assessment (EIA) is currently under review	TBA*
3. Underpass at Central Festival intersection Budget: US\$20 million	<ul style="list-style-type: none"> <li>• 600 meter underpass to reduce increasingly congested traffic in Phuket City</li> </ul>	The project has been approved with construction to commence by June 2012	2014
4. Patong Tunnel Budget: US\$117 million	<ul style="list-style-type: none"> <li>• Two one-way tunnels: one 1.55 km and one 1.53 km length</li> </ul>	In process of government budget approval	TBA*
5. Deep Sea Port Budget: US\$5.8 million	<ul style="list-style-type: none"> <li>• Expand the port by adding new passenger terminal</li> </ul>	Pending EIA approval	TBA*

\* To Be Announced

Source: C9 Hotelworks Market Research

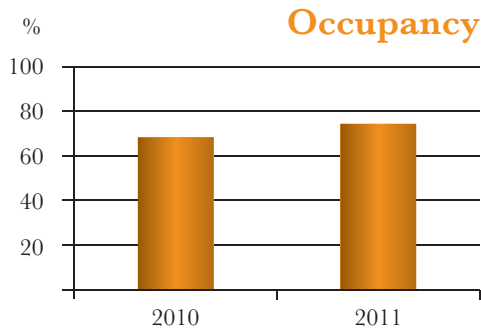
# HOTEL MARKET

## Hotel Benchmark

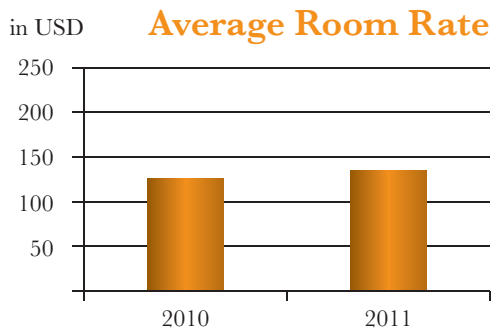
- Market-wide occupancy registered 75%, a 6% increase from 2010 with Patong properties and west coast luxury resorts propelling the trend.
- Hotels' strategies to cope with mass tourism proved to be successful with average room rates rising by 6% vs. 2010. The resulting RevPAR was significantly up by 15%.
- Some luxury and upscale properties shifted to aggressive pricing strategies to gain market share.

## Hotel Performance

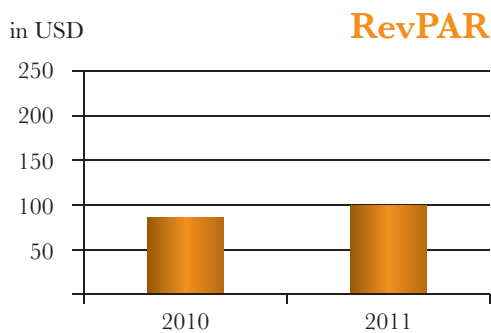
### By Tier



Source: C9 Hotelworks Market Research



Source: C9 Hotelworks Market Research



Source: C9 Hotelworks Market Research

Change		
Luxury	▲	8%
Upscale	▲	7%
Midscale	▲	5%
Budget & Economy	▲	5%

*Key Asian markets leveraged destination seasonality with substantially higher demand throughout the year*

Change		
Luxury	▲	12%
Upscale	◀▶	0%
Midscale	▲	6%
Budget & Economy	▲	4%

*Volatile currency exchange rates distorted rate growth picture*

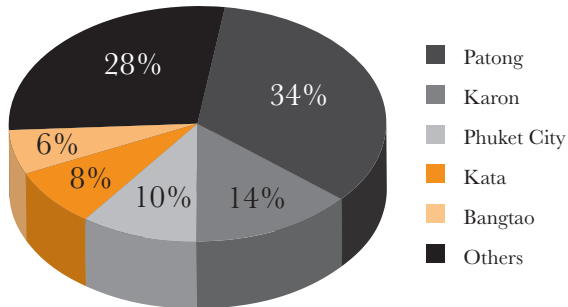
Change		
Luxury	▲	30%
Upscale	▲	10%
Midscale	▲	14%
Budget & Economy	▲	11%

*Rate and occupancy increases spur RevPAR in all chain scales*

## Existing Supply

- As of December 2011, there were 43,759 rooms in Phuket's registered accommodation establishments.
- The west coast dominated existing supply on the island with 33,319 rooms accounting for 76% of total inventory.

### Top 5 Supply by Area



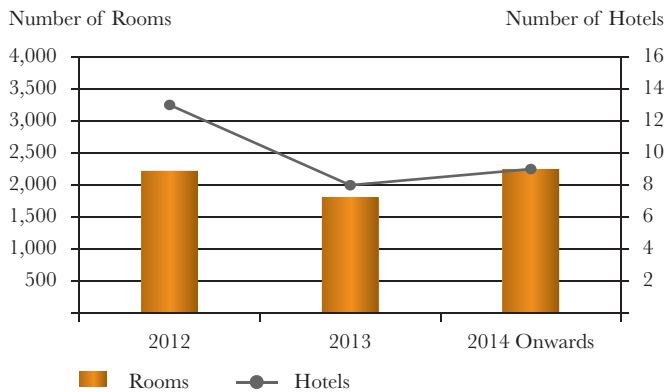
Source: Tourism Authority of Thailand, Phuket Office and C9 Hotelworks Market Research

*Condo hotels and villas increasingly cut into traditional hotel market*

## Development Insight

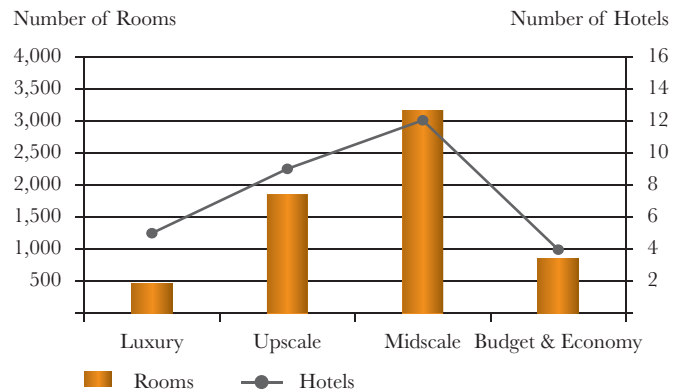
- Total incoming supply pipeline of 6,272 rooms represent a 14% increase to existing inventory.
- Midscale hotels dominate new developments with over 50% being in this tier. The majority of these properties will be located in the prime west coast area of Patong.

### By Opening Year



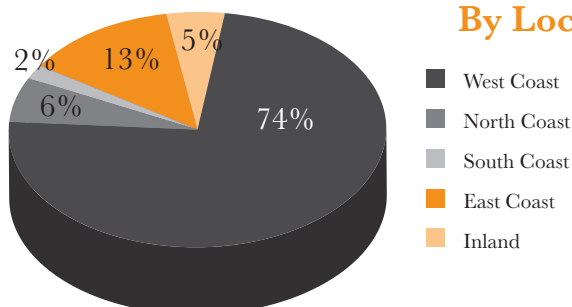
Source: C9 Hotelworks Market Research

### By Tier



Source: C9 Hotelworks Market Research

### By Location



Source: C9 Hotelworks Market Research

*By 2015 the total number of rooms on the island is forecasted to be 50,031*

# Hotel Openings

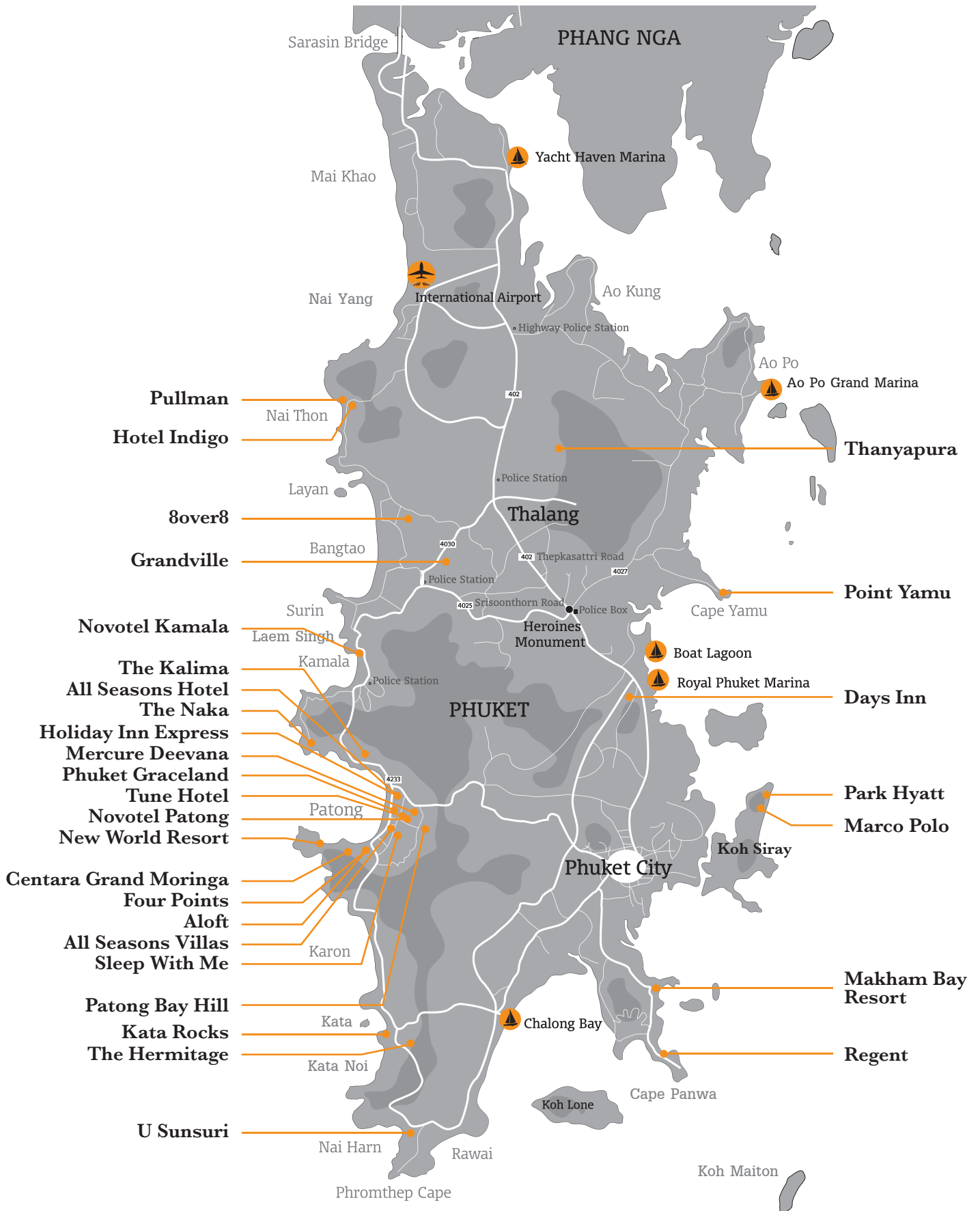
- Three Courtyard by Marriott properties in Patong, Surin and Kamala saw separation between the chain and hotel ownership early 2012.
- Hotel transaction activity is expected to increase as evidenced by the 334 key Möevenpick Resort and Spa - Karon Beach, former 383 key Courtyard by Marriott Patong and 260 key Evason Phuket and Bon island currently up for sale.

Hotel Name	Location	Rooms	Opening Date
<b>PHUKET</b>			
Pullman Phuket Arcadia Nai Thon Beach	Nai Thon	262	Q3 2012
Hotel Indigo Phuket	Nai Thon	130	Q3 2014
The 8over8 by Castlewood	Bangtao	151	Q3 2013
Thanyapura Resort	Thalang	77	Q3 2012
Phuket Grandville Resort	Thalang	105	2013
The Naka	Kamala	94	Jun 2012
Novotel Phuket Kamala Bay	Kamala	168	Q1 2013
The Kalima Resort and Spa	Kalim	185	Aug 2012
Novotel Phuket Vintage Park Resort	Patong	303	Mar 2012
Phuket Graceland Resort & Spa (Expansion)	Patong	140	Apr 2012
All Seasons Phuket Patong Beach	Patong	250	Q3 2012
Tune Hotel Patong	Patong	150	Nov 2012
Holiday Inn Express Phuket Patong Beach Central	Patong	280	Dec 2012
The Patong Bay Hill Hotel & Resort	Patong	744	Q3 2013
All Seasons Phuket Patong Resort & Villas	Patong	318	Q4 2013
The 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	Mar 2014
Luxury Resort by New World Group	Patong	113	Q2 2014
Aloft Phuket Patong	Patong	250	Jul 2014
Mercure Phuket Deevana	Patong	508	Q4 2014
Kata Rocks	Kata	34	Dec 2012
The Hermitage	Kata	80	Q4 2013
Days Inn Hotel Phuket Town	Phuket City	120	Apr 2013
Makham Bay Resort	Cape Panwa	228	May 2012
Regent Phuket Cape Panwa	Cape Panwa	106	Jun 2012
U Sunsuri Phuket	Nai Harn	133	Aug 2012
Point Yamu by COMO	Cape Yamu	109	2013
Marco Polo Resort	Koh Siray	294	Q1 2014
Park Hyatt Phuket	Koh Siray	70	2015
<b>PHANG NGA*</b>			
Sentido Graceland Khao Lak	Khao Lak	316	Aug 2012
Mai Khao Lak Beach Resort and Spa	Khao Lak	200	Nov 2012
The Sands Khao Lak	Khao Lak	350	Nov 2012
Wyndham Resort Khao Lak	Khao Lak	205	2012
<b>KRABI*</b>			
Ibis Krabi Ao Nang	Ao Nang	200	2013
Beyond Resort Krabi	Klong Muang	138	Mar 2012
Centara Grand Lanta Island	Koh Lanta	233	2014

\* 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 27 years of experience in Asia Pacific, the firm is well positioned to serve an increasingly demanding marketplace.



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