



asset management
& hospitality consulting

Phuket

2014 Hotel Market Update

February 2015

Relative calmness under pressure as Phuket responds to external market volatility

Collateral mid-year damage restrained as growth flattens

“Unlike the soft landing from previous Thai political events during the past eight years Phuket was unable to sustain a tourism growth trajectory in 2014. That said, the destination's ability to recycle demand within a four-month period and favorable performance compared to key markets in the country was a silent victory.

Grabbing headlines during the second half of the year was the government's pragmatic great beach clearance which saw the wholesale demolition of illegal beach structures, removal of out-of-control sunlounger creep and a mass effort to control beachfront commerce on public land.

One marked trend that highlighted the slowdown is the Chinese and Russian markets which have been volume feeders since 2011, with a four-year CAGR of 53% and 39%. In 2014, growth rates were



Source: Phuket International Airport and C9 Hotelworks Market Research

mutated at 6% and 4% versus 2013. Russia's ongoing currency crisis has cast a shadow over short-term prospects.

Going forward, 2015 is likely to see domestic and international geopolitics as a toxic twin which is likely to cause hotel owners and operators sleepless nights. As for the ongoing Phuket sunlounger debate, the industry is likely to be on opposite ends over cause-and-effect.”

Bill Barnett, Managing Director, C9 Hotelworks

2014 Trends

- In 2014, Phuket International Airport played host to 5,680,339 passenger arrivals which was a marginal increase over 5,666,373 in 2013.
- Year-on-year hotel performance declined in all hotel tiers. In terms of key metrics lower occupancy of 6% had a knock-on effect for RevPAR which retracted by 9%. Average room rates registered a slight 1% decrease.
- As strong hotel development greenfield sites diminish, the transaction market remains vibrant as does existing upgrading or adding additional keys.

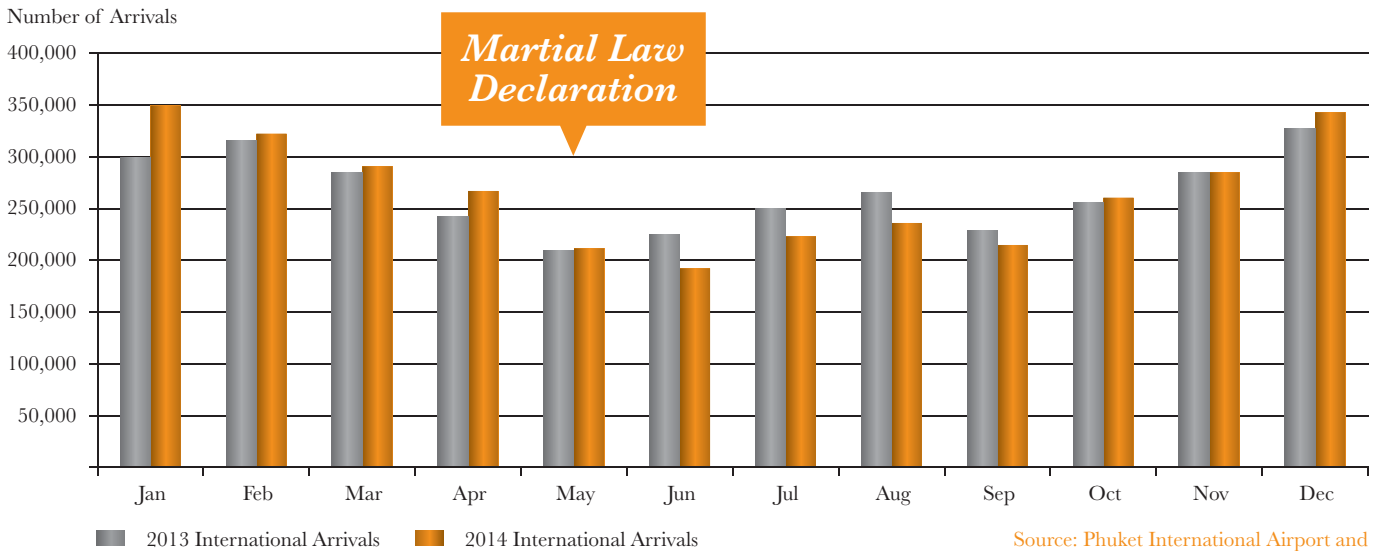
Forward Outlook

- Hotel trading in 2015 is expected to be volatile given the Russian ruble depreciation and broader external geopolitical events impacting key source markets.
- The island's pipeline of 32 new hotel projects coming on stream between 2015 and 2018 is set to increase total supply by 10%. Patong leads development, though a broader geographic spread is starting to take hold.
- Completion of the Phuket International Airport expansion has been delayed to mid-2016. Government is addressing long-term infrastructure improvements.

Airline Indicators

- With the declaration of Martial Law in May 2014, the most pronounced contraction in year-on-year international and domestic passenger arrivals was registered in June with -14%. Market recovery occurred at the onset of the tradition high tourist season in October, and December experienced 2% and 5% year-on-year growth, respectively.

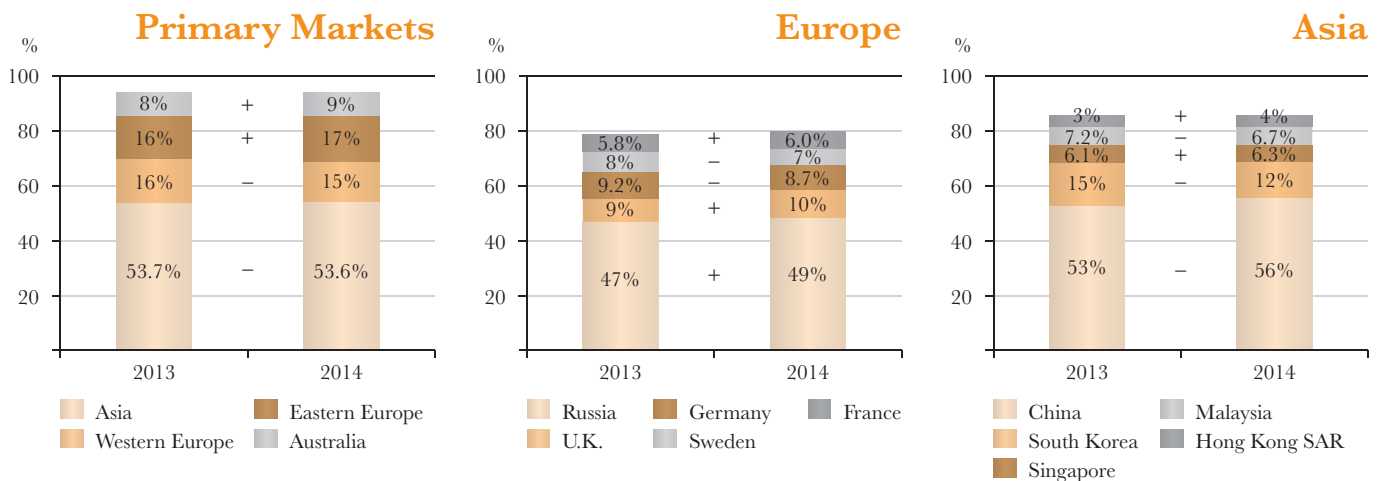
Phuket Airport International Arrivals by Month



Tourism Indicators

- Top geographic markets for year-on-year growth were Hong Kong SAR (+20%), U.K. (+17%), Japan (+9%) and Singapore at (+5%).
- Substantial decreases were experienced for two European nations, namely the Netherlands (-58%) and Norway (-30%). On the regional front Taiwan (-56%), South Korea (-18%) and India (-17%) all experienced double-digit declines.

Key Geographic Source Market Share

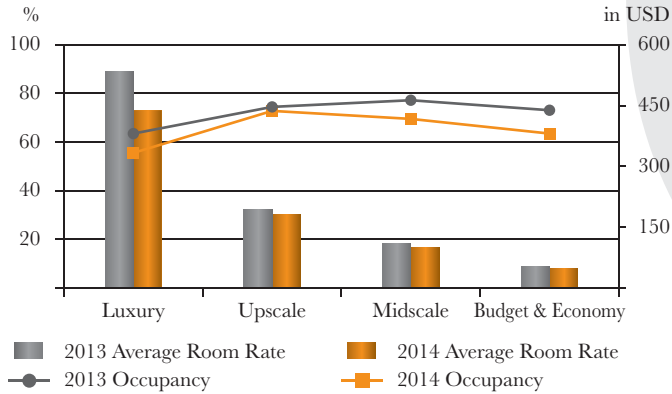


Source: Phuket Airport Immigration, Phuket Provincial Commercial Office, and C9 Hotelworks Market Research

Hotel Performance

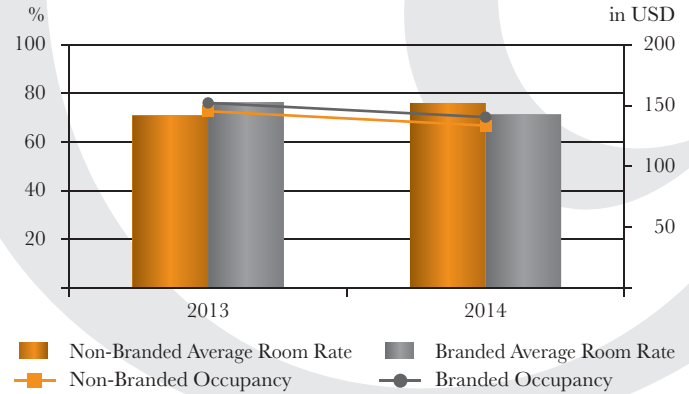
- Market-wide occupancy tallied in at 69% in 2014 compared to 74% in the previous year. Consolidated average room rates achieved US\$146 versus US\$147 in 2013 as the Thai Baht depreciated 6% versus the US Dollar.

Performance by Tier



Source: C9 Hotelworks Market Research

Branded vs. Non-Branded Hotels



Source: C9 Hotelworks Market Research

Hotel Supply

- Phuket currently has 46,803 keys as registered accommodation in 750 licensed establishments. The pipeline for the period 2015-2018 will see a further 4,727 keys enter the supply side.

Hotel Name	Location	Keys	Opening Date
Mai Khao Dream Resort & Spa Natai (extension)	Natai, Phang Nga	50*	Apr 2015
Baba Beach Club	Natai, Phang Nga	142	2017
Phuket Marriott Resort & Spa (conversion and extension of Imperial Adamas)	Nai Yang	85*	Q3 2016
The Pavilions Phuket (extension)	Layan	36*	Jul 2015
Nikki Beach Hotel & Spa	Bangtao	174	Jul 2015
Cassia Phuket (Phase 1)	Bangtao	229	Q3 2015
Centra Bangtao Resort Phuket	Bangtao	160	2016
Manathai Surin Phuket (extension)	Surin	15*	Oct 2015
Keemala	Kamala	38	Aug 2015
X2 Kamala Residences	Kamala	2	Q3 2015
Sheraton Phuket Kalim Beach Resort	Kalim	230	Jan 2018
Fisherman Harbour Luxury Hotel & Spa	Patong	390	Jun 2015
Ramada Phuket Deevana	Patong	206	Jul 2015
X2 Vibe Phuket Patong	Patong	116	Q2 2015
Patong Bay Hill Hotel & Resort	Patong	367	Oct 2015
Hyatt Place Phuket	Patong	161	Q2 2016
Four Points by Sheraton	Patong	290	2018
Centara Grand Moringa Resort & Spa Phuket	Patong	350	TBA**
Andakira Crest Tri Trang Resort & Spa Pool Villas	Tri Trang	153	Dec 2015
Rosewood Phuket	Tri Trang	80	Q4 2016
Nook-Dee Resort	Kata	76	Q4 2015
The Hermitage Resort	Kata	12	Q4 2015
Foto Moken Hotel	Koh Kaew	128	Q4 2017
ibis Styles Phuket Town	Phuket City	120	Q3 2015
Novotel Phuket Town	Phuket City	180	Q3 2015
Park Hyatt Phuket	Koh Siray	85	2017
Bandara Beach Phuket	Yon Bay	116	Mar 2015
Sri Panwa (extension)	Cape Panwa	30*	Nov 2015
Best Western The Beachfront	Chalong Bay	220	Q2 2016
Courtyard by Marriott Phuket at Chalong Bay	Chalong Bay	277	Dec 2016
JW Marriott Phuket Resort & Spa Chalong Bay	Chalong Bay	189	Dec 2016
The Royal Phuket Yacht Club (extension)	Nai Harn	20*	Oct 2015

*Additional Keys for Existing Hotels; **To Be Announced

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 increasingly demanding marketplace.



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