



asset management
& hospitality consulting

Phuket

2015 Hotel Market Update

Mid-Year Edition September 2015

Room rates impede Phuket's growth strategy

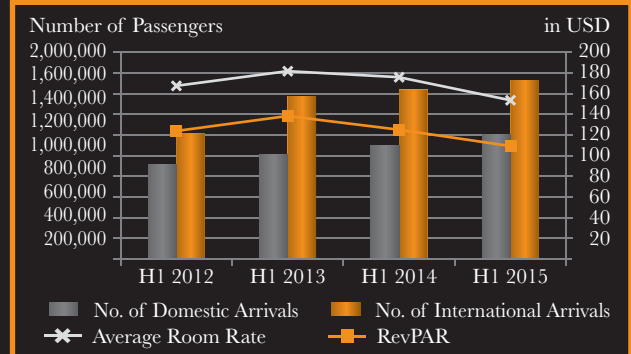
Average room rates hit despite passenger arrival gains

“During the first six months of 2015 passenger arrivals at Phuket International Airport posted a year-on-year gain with double digit growth. Much of the traffic was from Mainland China through direct flights. Despite the rising numbers, the volume has not translated to higher room rates and lead hotel metric RevPAR suffered.

Phuket has experienced a sustained decline in room rates driven by the shifted sands of geographic demand. A decided overweighting in the wholesale segment is broadly attributed to the trend.

As China and the larger world experience economic uncertainty, the island has returned to more defined seasonal trading patterns. The upcoming high period winter season will be the first without a significant Eastern European contingent and will be the start of

Impact of Passenger Arrivals on Hotel Performance



Sources: Airports of Thailand and C9 Hotelworks Market Research

a new business cycle. Phuket's favorable location to the Mainland remains a critical advantage.

Despite concerns over China and Bangkok, it's likely that Phuket will continue to see a relatively high volume or redirected tourists visiting in the 2015/2016 high season. Unfortunately the ability of the market to drive rates upward remains the missing link.”

Bill Barnett, Managing Director, C9 Hotelworks

2015 Mid Year

- Passenger arrivals at Phuket International Airport rose by 11% from 2.8 million in the first half of 2014 to 3.1 million in H1 2015.
- During the first half of 2015, downward performance was experienced among all hotel tiers as annualized RevPAR slumped by 10%, resonating declines in occupancy and average room rate by 1% and 9%.
- Among the island's top five geographic source markets of Mainland China, Russia, Australia, South Korea and U.K., China was the leader with double digit growth of 37%, while the other four moved backwards.

Forward Outlook

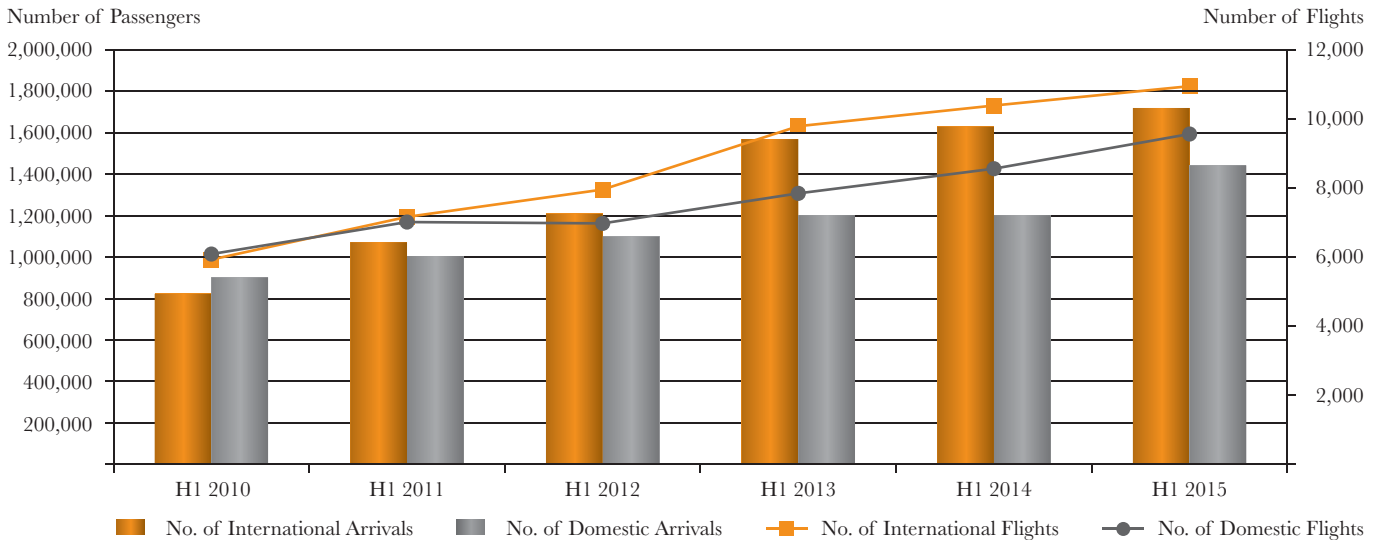
- With the continued impact of the Russian ruble depreciation and safety concerns, hotel trading in second half of the year is forecasted to remain volatile.
- There are 27 new hotel projects coming on stream between 2015 and 2018. A large proportion is scheduled to open in the second half of 2017. Patong has the highest concentration of incoming 1,613 keys.
- There are 13 major public projects and nine large private projects coming up between now and 2023, aimed to improve long-term infrastructure of the island, especially transportation and communications.

TOURISM

Airline Indicators

- Phuket international inbound passengers and flight arrivals have sustainably increased year-on-year growth since 2010 with a five-year compound annual growth rate (CAGR) of 16% and 13%, respectively.
- During H1 2015, Phuket hosted 1,730,404 international passenger arrivals and 11,020 direct overseas flights, equated to a 6% increase compared to the same period last year.

Phuket Airport Arrivals

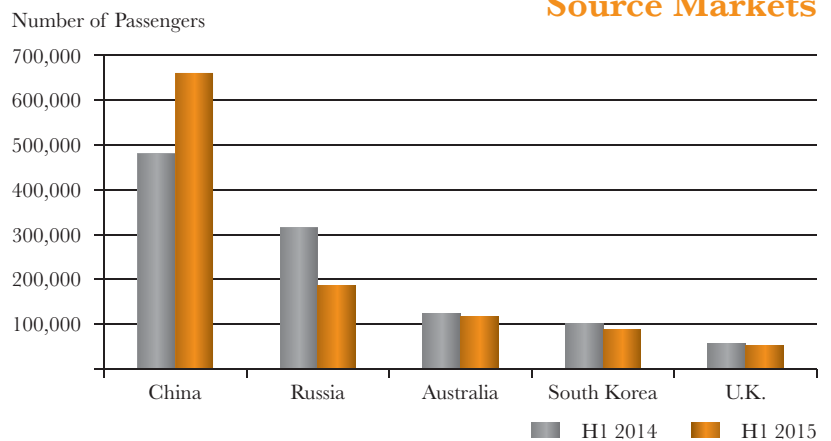


Sources: Airports of Thailand and C9 Hotelworks Market Research

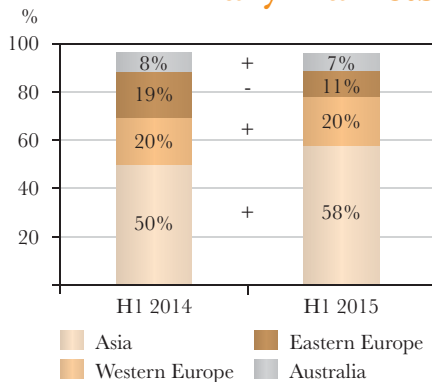
Tourism Indicators

Top 5 Key Geographic Source Markets

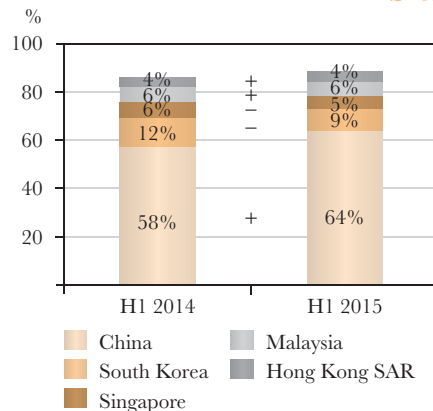
Chinese market continued momentum with 37% growth, while Russia contracted by 41%



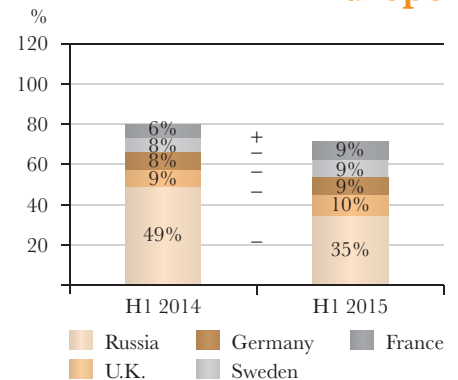
Primary Markets



Asia



Europe

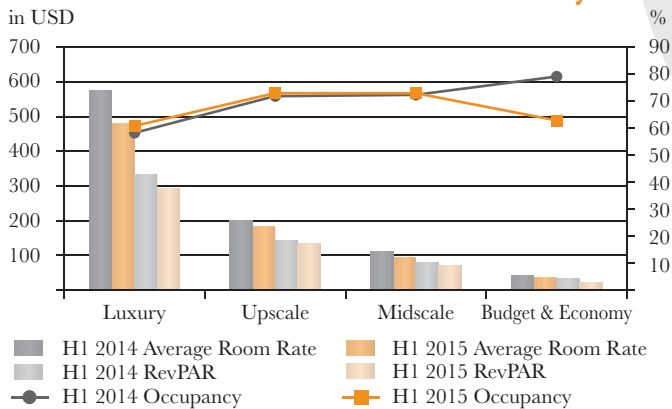


Sources: Phuket Airport Immigration and C9 Hotelworks Market Research

Hotel Performance

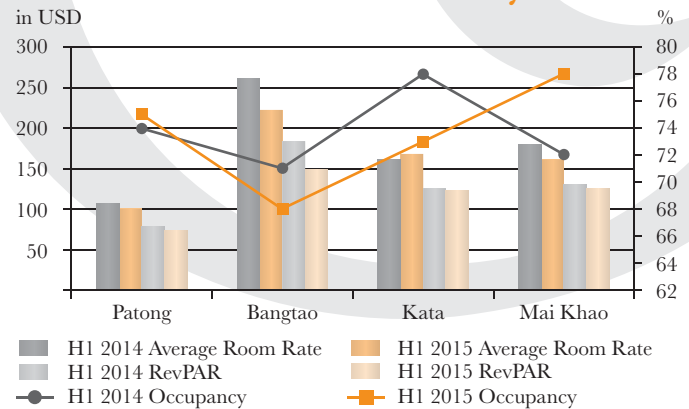
- Operating performance in all hotel tiers slide downwards in H1 2015 versus the same period in 2014, more notably in budget & economy. In terms of market-wide numbers, occupancy was down slightly at 71% as average room rates decreased from US\$175 to US\$154, resulting in a significant drop in revenue per available room (RevPAR) from US\$126 to US\$109.
- The trend of location has shifted from Kata to Mai Khao as the occupancy marked 6% growth, increasing from 72% to 78%; however, overall performance remained negative.

Performance by Tier



Source: C9 Hotelworks Market Research

Performance by Location



Source: C9 Hotelworks Market Research

Hotel Supply

- Phuket has 752 licensed lodging establishments with the total of 47,475 keys. Between the second half of 2015 and the beginning of 2018, there are 4,400 keys planned to enter the market, of which 173 keys or just 3.9% are part of existing hotels' expansion projects.

Hotel Name	Location	Keys	Opening Date
Baba Beach Club	Natai, Phang Nga	162	Q4 2017
Phuket Marriott Resort & Spa Nai Yang Beach	Nai Yang	85*	Q3 2016
The Pavilions Phuket	Layan	44*	Q4 2015
Dream Phuket Hotel & Spa	Bangtao	174	Dec 2015
Cassia Phuket (Phase 1)	Bangtao	229	Q4 2015
Centra Bangtao Resort Phuket	Bangtao	170	2017
Manathai Surin Phuket	Surin	14	Sep 2015
Keemala	Kamala	38	Q4 2015
X2 Kamala Residences	Kamala	2	Q3 2015
Patong Bay Hill Hotel & Resort	Patong	336	Dec 2015
X2 Vibe Phuket Patong	Patong	116	Q4 2015
Hyatt Place Phuket	Patong	161	Q1 2016
Premier Inn Phuket Nanai	Patong	350	Q4 2017
Hilton Phuket Patong Resort	Patong	300	Q1 2018
Centara Grand Moringa Resort & Spa Phuket	Patong	350	TBA**
Sheraton Phuket Kalim Beach Resort	Kalim	230	Jan 2018
Andakira Crest Tri Trang Resort & Spa Pool Villas	Tri Trang	153	Jan 2016
Rosewood Phuket	Tri Trang	80	2017
Nook-Dee Resort	Kata	68	Nov 2015
The Hermitage Resort	Kata	79	Q2 2016
Foto Moken Hotel	Koh Kaew	138	Q1 2018
Recenta Suites Phuket Suanluang	Phuket Town	48	Dec 2015
Recenta Phuket Suanluang	Phuket Town	66	Nov 2015
ibis Styles Phuket Town	Phuket Town	130	Q2 2016
Novotel Phuket Town	Phuket Town	180	Q2 2016
Park Hyatt Phuket	Koh Siray	85	2017
Bandara Beach Phuket	Yon Bay	116	Mar 2016
Sri Panwa	Cape Panwa	30*	Dec 2015
Courtyard by Marriott Phuket at Chalong Bay	Chalong	277	Q2 2017
JW Marriott Phuket Resort & Spa Chalong Bay	Chalong	189	Q2 2017

*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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