



HOSPITALITY CONSULTING

Phuket

Hotel Market Update

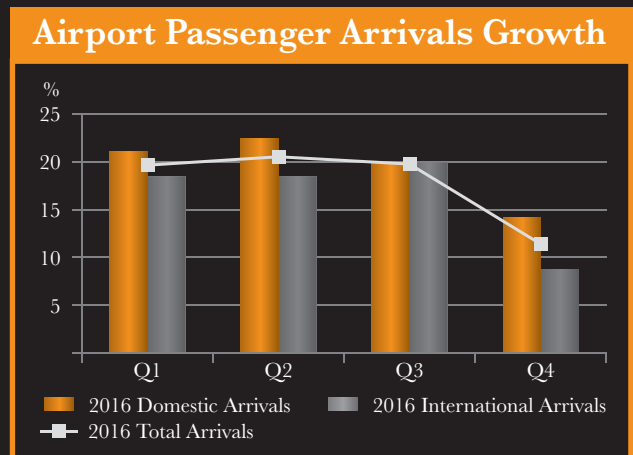
February 2017

Russian arrivals back to pre-financial crisis level, as zero-baht tourism curbs Q4 growth rate

Independent properties shift to chains with 6 hotels branded

“With total airport arrivals to Phuket surpassing 7.5 million passengers, the Province experienced a higher year-on-year growth rate in 2016 of 18% compared to 13% the previous year. This is largely attributed to the resurgence of the Russian source market, which increased by 51% last year. The rebound was prompted by the strengthening of the Ruble against the Thai Baht, and political volatility in the Middle East that redirected Russian tourists to the island during high season.

Another notable source market is Mainland China, whose arrivals were substantially affected after a nationwide government crackdown on zero-baht tourism in September of last year. The growth rate of Chinese travelers for FY2016 was down to 11% versus 35% in the previous year. However, the impact from the new enforcement is expected to soften in early



Source: Phuket International Airport and C9 Hotelworks Market Research

2017 with more Chinese FIT’s arriving during Chinese New Year.

The balance between two major source markets ended the year on a positive note as hotels’ market-wide RevPAR rose by 4%. We see the industry continuing to attract new developments with more brand affiliated properties. Currently, a total of 5,584 keys are expected to come on stream by 2020.”

Bill Barnett, Managing Director, C9 Hotelworks

Trends

- South Korea and the United Kingdom both moved in the top 5 international source markets, with an increase of 21% and 20% in passenger arrivals, respectively.
- Growth of inbound domestic flights almost doubled that of international routes, with y-o-y achieving 20% compared to 11%.
- Hotel pipeline has a strong trend towards branded properties, with approximately 79% of total keys in new developments brand-affiliated and 21% independent.

Forward Outlook

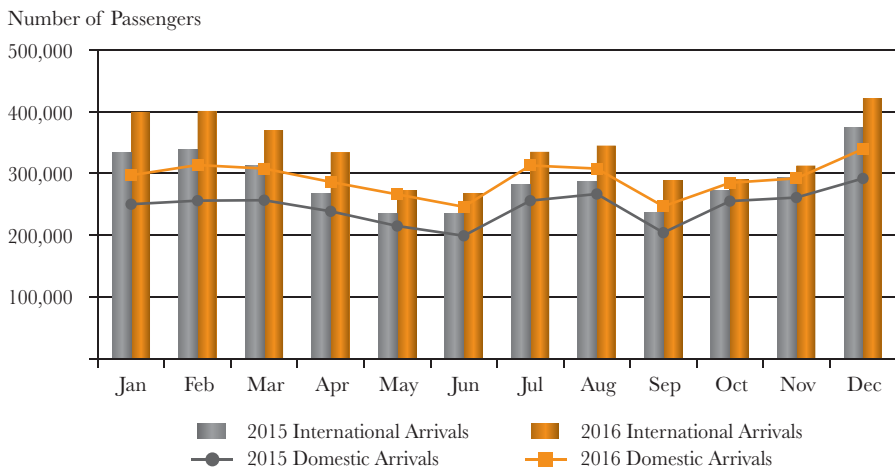
- Renovation of Phuket International Airport’s domestic terminal, scheduled to be completed in Q4 2017, will link the international and domestic terminals and ease passenger traffic.
- Ultimatum for unregistered hotels to obtain a hotel license in 2017 will help push Phuket’s lower-tier hotels to a higher operating standard.
- Mega projects such as the Central Festival expansion, Blu Pearl luxury mall, multiple underpasses and planned light rail project are redefining the broader tourism market.

TOURISM

Airline Indicators

- In 2016, Phuket International Airport hosted a total of 7,549,346 inbound passengers, with 46% coming from domestic arrivals and 54% from international flights.

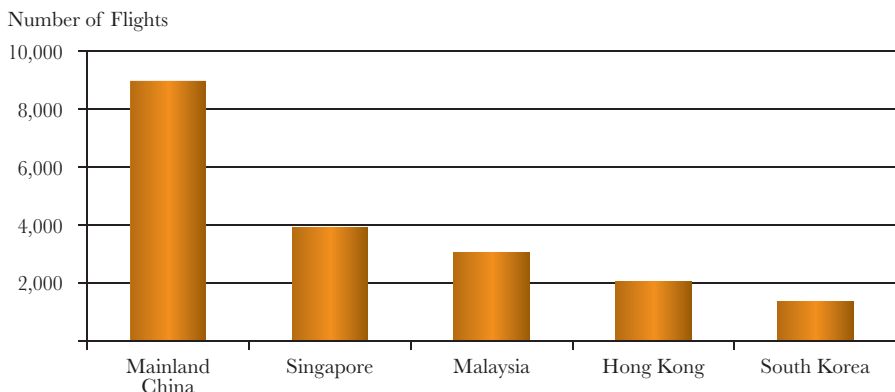
Phuket Airport International & Domestic Passenger Arrivals



Source: Phuket Airport Immigration and C9 Hotelworks Market Research

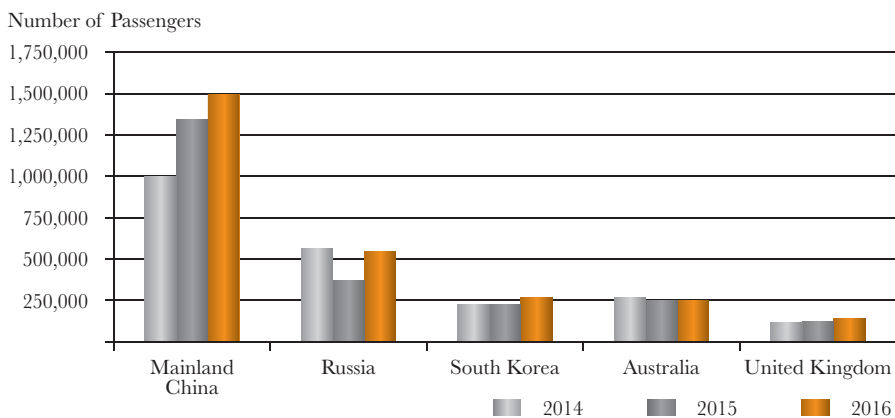
Domestic sector had stronger y-o-y growth rate of 19% last year compared to 16% for international passengers

Top 5 Destinations for International Scheduled Flight Arrivals



The top 5 account for 81% of total international scheduled flight arrivals to the island

Top 5 Key Geographic Source Market Trend

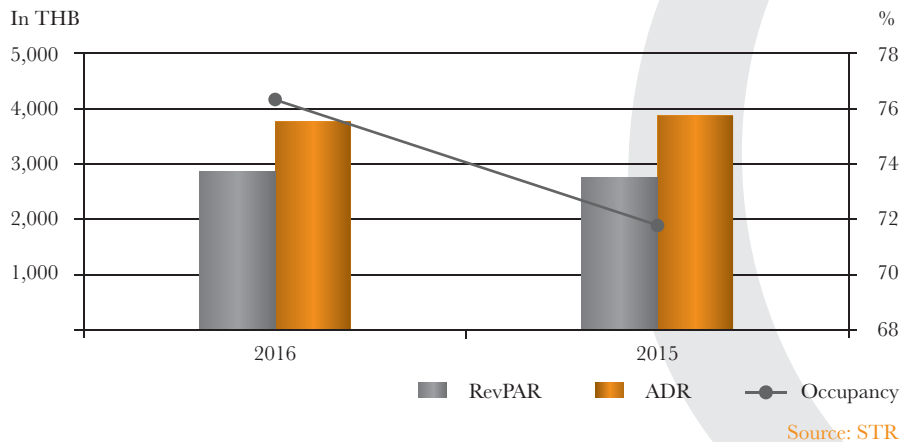


Source: Phuket Airport Immigration and C9 Hotelworks Market Research

Mainland China is the biggest overseas source market despite dropping 2%, as Russia grew to 13% of market share

HOTEL OVERVIEW

Performance Comparison 2016 vs. 2015



RevPAR growth was pushed by an uptick in occupancy of 6.28% last year, while ADR averaged THB3,804

Hotel Supply

- Thailand's Ministry of Tourism and Sports' hotel supply data was amended to include both registered and unregistered tourist accommodations in 2016. Phuket currently has a total of 81,727 keys in 1,744 establishments. There are 32 hotels in the island's pipeline.

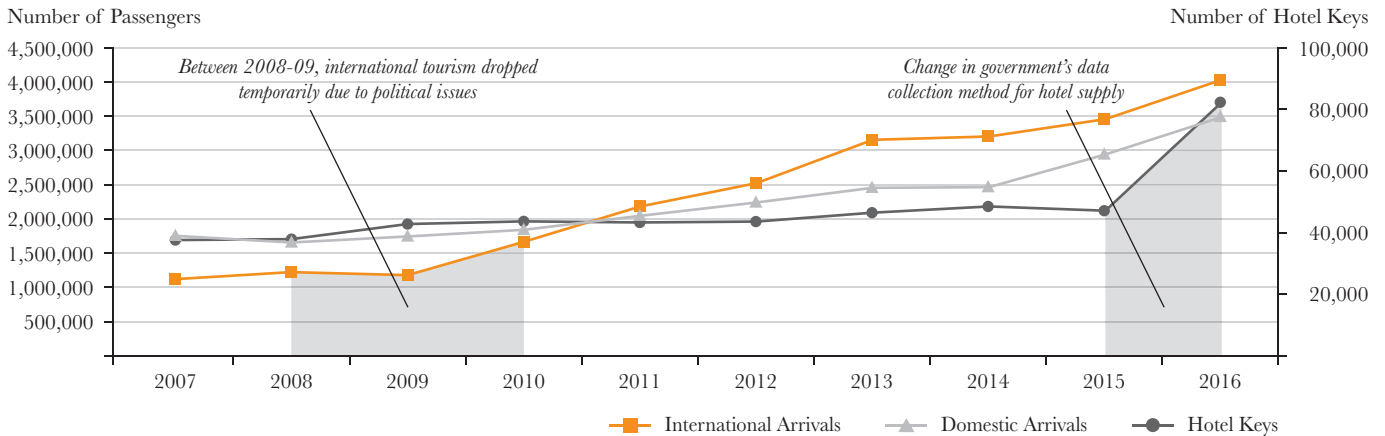
Hotel Name	Location	Keys	Opening Date
Sheraton Phuket Grand Bay Resort & Residences	Ao Por	269	Jan 2019
Cassia Phuket (Phase 2)	Bangtao	105*	2017
X2 Vibe Phuket Bangtao Residence	Bangtao	85	2017
Parida Resort	Bangtao	24	Jan 2017
Yoskarn Kalliste Phuket Wellness Resort & Spa	Cape Panwa	40	Q2 2017
Courtyard by Marriott Phuket	Chalong Bay	277	TBA
JW Marriott Phuket Resort & Spa	Chalong Bay	189	TBA
Noku Roxy Phuket	Chalong Bay	95	2018
Sheraton Phuket Kalim Beach Resort	Kalim	230	TBA
Best Western Premier Himalai Resort	Kamala	402	2019
InterContinental Phuket Resort	Kamala	200	2019
Twinpalms Residences MontAzure	Kamala	75	Q1 2019
Radisson Phuket Karon	Karon	150	Q1 2019
The 137 Pillars Resort Phuket	Kata	66	2019
The Hermitage Resort	Kata	78	Jun 2017
The SIS Resort	Kata	124	Apr 2017
Kempinski Hotel Phuket	Koh Siray	85	2018
Park Hyatt Phuket	Koh Siray	85	TBA
Royal Lee The Terminal (unnamed)	Layan	320	TBA
Mai Khao Palm Beach Resort	Mai Khao	225	Q1 2017
Movenpick Resort Mai Khao Phuket	Mai Khao	106*	Jul 2017
Anantara Vacation Club Mai Khao	Mai Khao	98*	Q3 2018
Boutique Sai 3 Patong Hotel	Patong	200	May 2017
Hilton Phuket Patong Resort	Patong	300	Q3 2019
Hotel Indigo Phuket	Patong	180	2018
Absolute Twin Sands (Phase 3)	Patong	89*	Apr 2018
Four Points by Sheraton Patong Beach	Patong	560	Jan 2019
Kata Group (unnamed)	Patong	170	Q3 2017
Ramada ChaoFa Phuket	Phuket City	260	Q4 2017
Best Western The Beachfront	Rawai	216	Q1 2017
Dusit D2 Phuket Aria	Surin	210	Q2 2020
Rosewood Phuket	Tri Trang	71	Q2 2017

*Additional keys for existing hotels

Source: C9 Hotelworks Market Research

Phuket's Tourism: A 10 Year Perspective (2007-2016)

10 Year Growth in Passenger Arrivals & Hotel Supply



Supply and Demand Compound Annual Growth



How does Phuket compare to other select global beach destinations?



Data refers to airport passenger arrivals



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