



HOSPITALITY CONSULTING

Phuket

Hotel Market Update

March 2019

Tourism growth slows as hotel demand flattens and concerns raised over supply-demand imbalance

India became fastest growing source market last year with more direct flights in 2019

"In 2018, Phuket tourism experienced volatile trading. While the first half year achieved a record high 4.8 million passenger arrivals, the second half year dropped unexpectedly due to the impact of the boat accident in July.

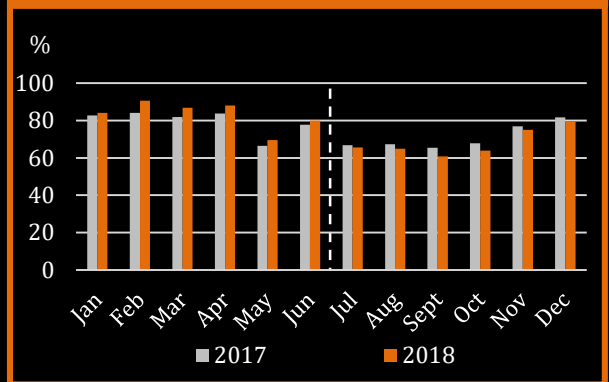
Looking at annualized figures, Phuket airport hosted over 9 million passenger arrivals last year, representing an 8% year-on-year increase. However, growth was driven by the first two quarters of 2018, which rose by 17% y-o-y compared to H1 2017. Passenger arrivals dropped slightly in H2 2018 compared to the previous year for the first time since 2015. Hotel demand slowed with market-wide occupancy declining by 4%.

Mainland China was the most impacted source market which had a sluggish pace of -3% in H2 2018 versus a strong growth rate of 45% in H1 2018. In contrast, India with a 56% y-o-y increase, was the highest amongst international source markets in 2018.

Trends

- According to the China National Tourism Administration (CNTA), Mainland Chinese have shifted to other Asian destinations such as Japan, Singapore, and Vietnam.
- Top 5 growth source markets last year were India (56%) Hong Kong (41%), Malaysia (24%), Russia (21%) and USA (20%).
- Inbound Indian travelers are benefiting from increased direct flights (launched in 2018) to Phuket. Currently, there are direct flights from New Delhi, Mumbai and Bengaluru.

Monthly Hotel Occupancy 2017 vs. 2018



Source: Phuket's Provincial Administration Office and C9 Hotelworks Market Research

Moving forward Phuket is seeking to expand through more diverse markets and demand segments. There remains concern over the impact of a large hotel pipeline, coupled with increased competition of unlicensed accommodation. Notwithstanding, we expect Phuket tourism will remain stable in the long term."

Bill Barnett, Managing Director, C9 Hotelworks

Forward Outlook

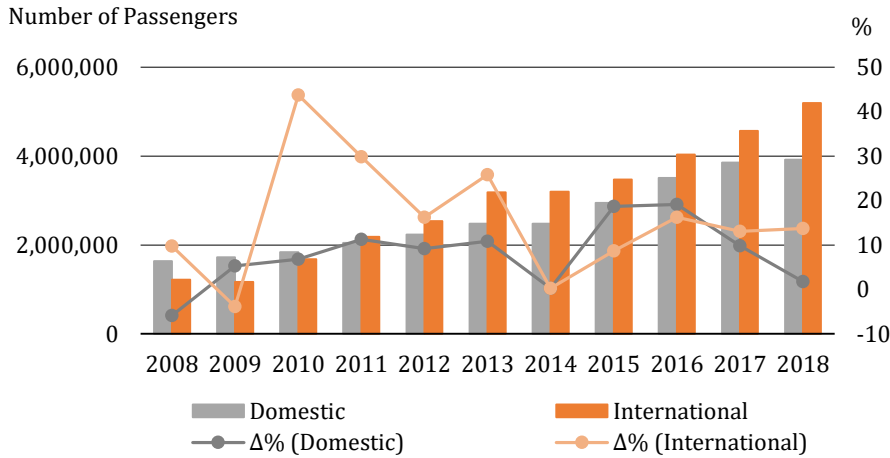
- After the north section of Phuket International Airport was completed in June 2018, the second phase of airport expansion commenced and will be completed by 2022.
- There are a total of 7,918 keys in the hotel pipeline presently, representing an aggregate 9% increase over the existing hotel supply.
- Direct flights from Guiyang to Phuket recently commenced operated by 9 Air. Moreover, GoAir will add another seven direct flights from Delhi, Mumbai, and Bengaluru to Phuket by Q4 2019.

TOURISM

Demand Indicators

Tourism demand slowed, as passenger arrivals posted an 8% y-o-y increase in 2018. This was the lowest growth rate since 2015.

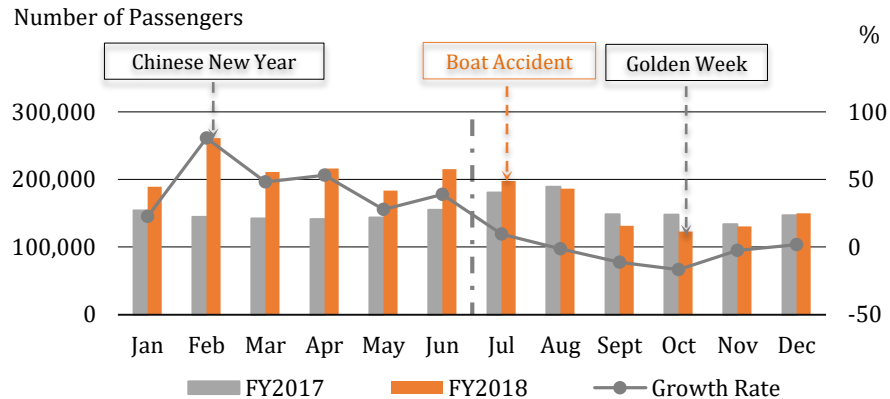
Phuket International Airport Arrivals



Source: Phuket International Airport and C9 Hotelworks Market Research

International arrivals rose 14%, while domestic arrivals only grew 2% in 2018, compared to the previous year

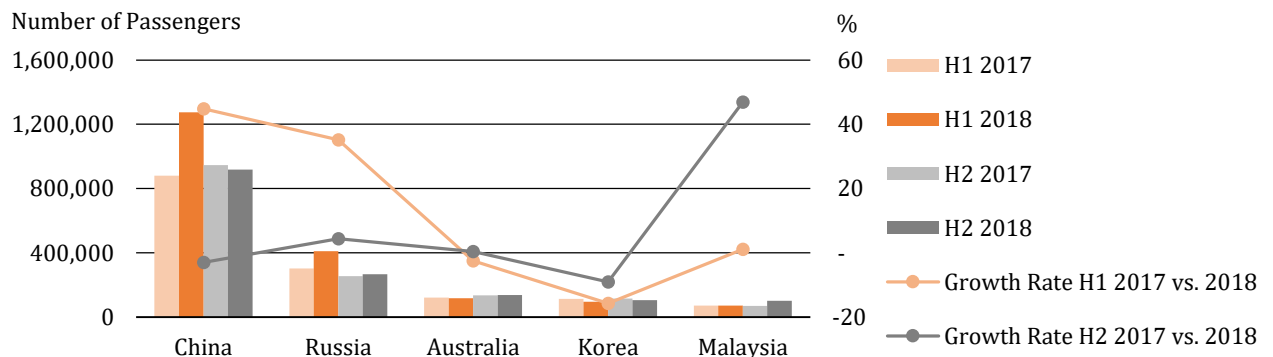
Mainland Chinese Arrivals Trend



Source: Phuket International Airport and C9 Hotelworks Market Research

As of H2 2018, Chinese travelers substantially declined, with the largest y-o-y losses in October

Top 5 Key Geographic Source Market Trend - H1 vs. H2

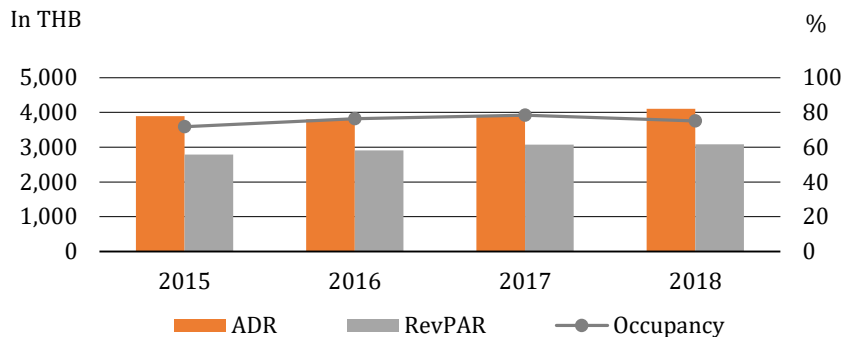


Source: Phuket Airport Immigration and C9 Hotelworks Market Research

HOTEL OVERVIEW

Market-wide Hotel Performance

Market-wide RevPAR marginally increased due to room rate growth, despite lower occupancy



Source: STR

Hotel Pipeline

Hotel Name	Location	Keys	Opening Year
Best Western The Beachfront	Rawai	186	Q2 2019
Movenpick Myth Hotel Patong Phuket	Patong	231	Q1 2019
Zenseana Hotel Patong	Patong	166	Q1 2019
Burasari Island Resort Koh Mapraow	Koh Mapraow	220	Q2 2019
OZO Kata Phuket	Kata	255	Q2 2019
Twinpalms Residences MontAzure	Kamala	75	Q3 2019
Best Western Premier Himalai Resort	Kamala	427	Q4 2019
Oceanfront Kalim	Kalim	200	Q4 2019
The Empire Karon	Karon	164	Q4 2019
Anantara Vacation Club Mai Khao*	Mai Khao	98	2020
Anayara Luxx Panwa Resort	Cape Panwa	44	2020
Courtyard by Marriott Phuket	Chalong Bay	277	2020
Four Points by Sheraton Patong Beach	Patong	600	2020
Grand West Sands Resort and Villas Phuket*	Mai Khao	42	2020
Hilton Garden Inn Phuket Bang Tao	Bangtao	177	2020
InterContinental Phuket Resort	Kamala	170	2020
JW Marriott Phuket Resort & Spa Chalong Bay	Chalong Bay	189	2020
Noku Roxy Phuket	Chalong Bay	91	2020
Phuket Water World Resort (Phase 1)	Bangtao	469	2020
Travelodge Phuket Town	Phuket City	159	2020
Pamooko Pamooka	Kata	500	2020
Ramada Plaza Grand Himalai Resort	Kamala	426	2021
The 137 Pillars Estate Phuket	Kata	66	2021
Holiday Inn Vana Nava Phuket	Kathu	255	2021
Centra Central Phuket	Kathu	200	2021
COSI Central Phuket	Kathu	150	2021
Novotel Phuket Naiharn	Nai Harn	600	2021
Meliá Phuket Mai Khao	Mai Khao	164	2021
Hilton Phuket Maikhao Resort and Spa	Mai Khao	252	2021
Hilton Phuket Patong Resort	Patong	300	2022
Holiday Inn Express Phuket Kata	Kata	300	2023
Park Hyatt Phuket	Koh Siray	85	TBA

*Additional keys for 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.



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