

# Phuket Luxury & Upscale Hotel Market Overview, 2021





Number of luxury & upscale hotel rooms by 2021

**23,565**



New supply of luxury & upscale rooms 2021

**741**



Average daily rate (ADR) in 2021

**THB 2,442**  
( -35% Y-o-Y )



Hotel occupancy rate in 2021

**12%**  
( -14 p.p. )

## OVERVIEW

Phuket's inbound tourism dropped further in 2021, since the collapse in 2020 due to the travel restrictions under the Covid-19 pandemic. The number of international passenger arrivals reached a peak of 5.3 million in 2019 and dropped by 80% YoY to only 1.1 million in 2020. The Airport of Thailand recorded just under 190,000 international passengers in 2021, a plunge of 83% YoY, despite the increase in arrivals in the second

half of the year as a result of both the "Phuket Sandbox" scheme in July 2021, and the 'Test & Go' scheme in November 2021.

Phuket was the first destination in Thailand to allow international visitors without quarantine requirements through the 'Phuket Sandbox' program in July 2021. An average of 15,200 foreign visitor arrivals per month were recorded

under this program, a significant increase from a three-digit figure during the first half of the year. Foreign arrivals quadrupled after the government introduced the 'Test & Go' program, a quarantine-free entry into Thailand, in November 2021, just before suspending it after seven weeks due to the threat of the Omicron variant.

## SUPPLY AND DEMAND

Hotels in Phuket are traditionally highly reliant on international tourists. Amid the devastating market situation and absence of foreign visitor arrivals, especially in the first half of 2021, some hotels remained temporarily closed, and other hotel operators readjusted their business models and switch their focus to domestic travelers, launching various promotions, including dining and accommodation discounts, and campaigns on social media.

The ADR of luxury and upscale hotels plunged by 35% YoY to THB 2,442, and the average occupancy

rate dropped 14 p.p. YoY to 12%, in 2021. Yet, hotel performance indicators improved in the second half of the year, doubling the occupancy rate and increasing the ADR by 8% compared to the first half, as a result of the quarantine-free programs instated by the government.

At the end of 2021, the overall supply of luxury and upscale hotels reached 23,565 guest rooms, up 3% YoY, indicating that hotel investors and operators are still confident in the recovery of the hospitality industry of the island. New hotel

openings in the luxury and upscale segment in 2021 included Avani+ Mai Khao Phuket (100 rooms), Melia Phuket Mai Khao (164 rooms), Hilton Garden Inn Phuket Bang Tao (177 rooms), and Holiday Inn Vana Nava Phuket (300 rooms). Some hotels delayed the opening to 2022 as the market remains weak. Circa 5,000 new rooms are planned to open in Phuket in 2022.

The largest supply of hotel rooms in Phuket is located in Patong beach (25%), followed by Karon (18%), Bang Tao (12%), Kata (11%), and Kamala (11%).

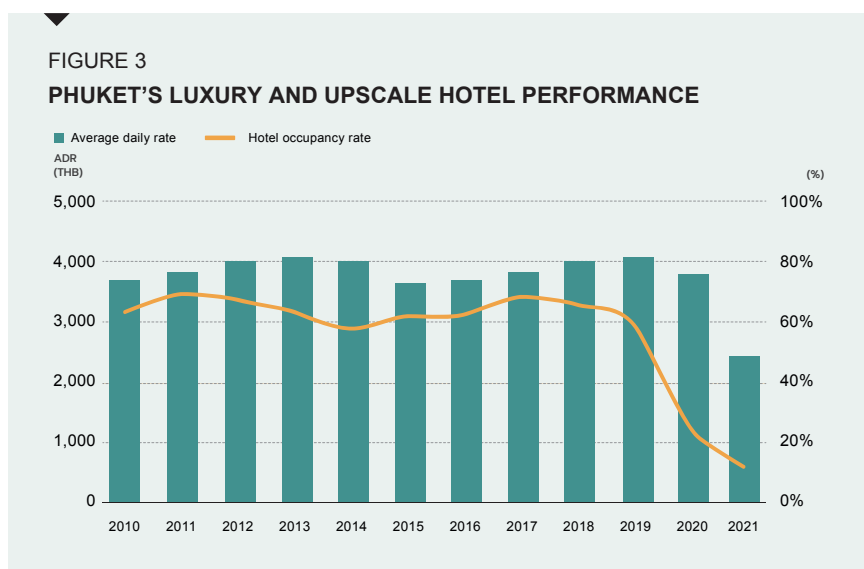
# OUTLOOK

The recovery momentum during the high season in the last two months of 2021 with the implementation of the quarantine-free 'Test & Go' program was disrupted amid the threat of a fifth surge of Covid-19 cases, particularly the Omicron variant. The daily number of foreign visitors in Phuket increased from an average of 500 after the implementation of the 'Phuket Sandbox' program in July 2021 to 1,200 in November reaching a peak at 2,800 in December during the 'Test & Go' scheme, but still far from the average of 14,800 in 2019, pre-Covid.

Foreign visitors represented 74% of the total number of visitors in the pre-pandemic period. Key source markets in pre-Covid included China with 32% of total foreign visitors, Europe (29%), and far behind Russia (9%) and Oceania (6%). Across Phuket's key source markets, the main engine, China, has been absent since early 2020 and probably will continue to be so in 2022 due to its outbound travel restrictions under its zero-Covid policy.

Furthermore, the continuous short notice changes and unclear quarantine rules do not help to restore the traveler's confidence, especially long-haul travelers from Europe that generally plan their trips a few months in advance. Thus, in the first half of the year, domestic tourism is expected to remain the main driving force behind Phuket's hospitality industry.

We are cautiously optimistic about the gradual recovery of Phuket's hotel industry as the pandemic situation continues highly unpredictable. There remain various positive factors though, including the widespread vaccination coverage in Thailand and the main source markets, the mild symptoms experienced by most infected people allowing for self-isolation, the pent-up demand for travel, and the government support including the 'Phuket Sandbox' program and several phases of subsidized travel schemes to boost the number of domestic tourists.





In 2022, the average occupancy rate of luxury and upscale hotels might increase to a range between 20%-30%, if travel restrictions are relaxed early in the first half of 2022. The slow gradual recovery is due to the limited demand from China, a major key market feeder, and the expected

increase in the number of hotel rooms by the reopening of existing hotels, and opening of new ones.

**We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.**



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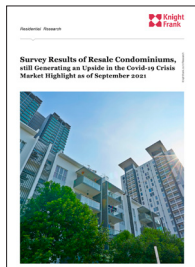


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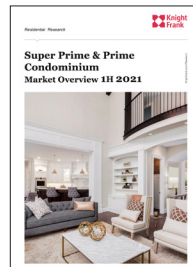
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