



1H 2010 HOTEL MARKET Semi-annually

Knight Frank

HIGHLIGHTS

- By the situation of the Thailand's hotel industry in 1H 2010, a number of international tourists were dropped in first five months of 2010 as the result of political situation in Thailand 1H 2010 that dropped the confidence of tourists in terms of the security in Thailand.
- Demands in 5-star hotel and 4-star hotel were slowdown from the period of 1H 2010 as the situation of the political uncertainty and the announcement of state of emergency.
- Due to the hotel industry has directly affected by the political uncertainty, the high competitions in the market and Baht currency appreciation, some hotels have reduced the room rate to stimulate the occupancy rate in 2010 to keep their occupancy rate. As the result, the room rate of 5-star hotel and 4-star hotel has dropped the room rate in 1H 2010.
- However, the affective of hotel industry by the political situation is a short term. In long term period, we expect that the hotel industry will be recovery in terms of ADR and occupancy rate if the situation in Thailand has been cleared.

HOTEL MARKET OVERVIEW

THE DECREASING OF THE INTERNATIONAL ARRIVALS WAS CAUSED BY THE CONFIDENT OF SECURITY IN THE GOVERNMENT PROTESTORS IN THE CITY ON APRIL TO MAY 2010.

Figure 1

Tourist Situation in Bangkok in First 5 Months of 2010

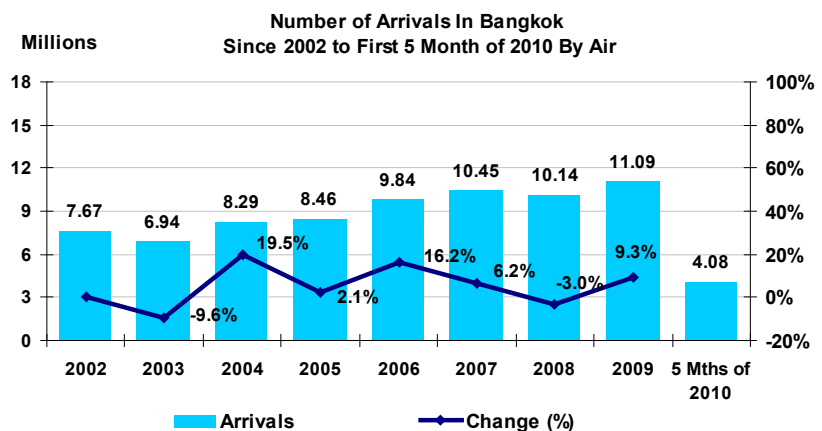


Source: Knight Frank Thailand Research and TAT

- A number of International arrivals in Thailand in first 5 months of 2010 have totalled 6.95 million people which have dropped from the 1H 2010 (y-o-y) due to the political uncertainty especially in April to May 2010.
- The decreasing of the international arrivals was caused by the confident of security in the government protestors in the city on April to May 2010.
- TAT has expected a number of international arrivals in Thailand at 15.34 million for whole 2010 (4.6% increase) if the situation of political have been cleared.

Figure 2

Number of Arrivals in Bangkok



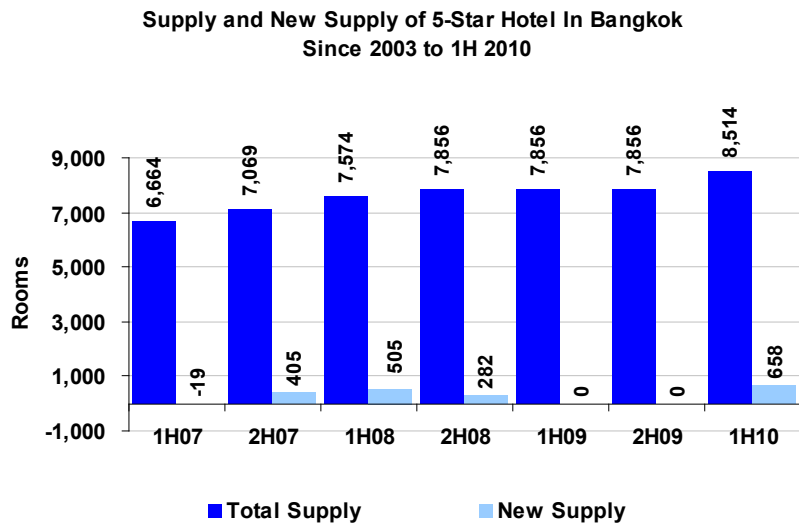
Source: Knight Frank Thailand Research and TAT



AS BANGKOK IS STILL BEING THE TARGET OF INTERNATIONAL HOTEL, MOST OF NEW LAUNCHED HOTEL IS A BRANDING HOTEL SUCH AS SIAM KEMPINSKI AT RAMA I ROAD, RENAISSANCE AT RATCHAPRASONG AREA.

- A number of arrivals to Bangkok in 5 months of 2010 have recorded at 4.08 million people.
- The political uncertainty in Bangkok is the main cause that was reduced the confident of tourists in many countries such as Japan, Australia, Europe countries in terms of the security including the announcement of state of emergency in Bangkok since April 2010 to the present.

Figure 3
Hotel Market Analysis

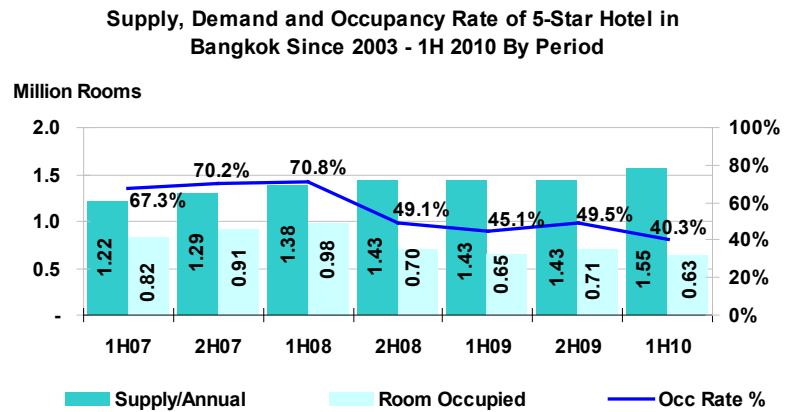


Source: Knight Frank Thailand Research

- A total supply of 5-star hotel was found at 8,517 rooms in 1H 2010 that increased of 658 rooms or about 8.4% of total supply in 2009, the new launched supply of 5-star hotels was totalling 658 rooms since the beginning of 2010.
- New supply has mostly launched in 1Q of 2010 as the market seems recover. However, the new launched hotels have held and slowdown in Q2 2010 as the political crisis in the centre of Bangkok.
- As Bangkok is still being the target of international hotel, most of new launched hotel is a branding hotel such as Siam Kempinski at Rama I Road, Renaissance at Ratchaprasong area.

IF THE POLITICAL IS CERTAIN-
TY, THE HOTEL
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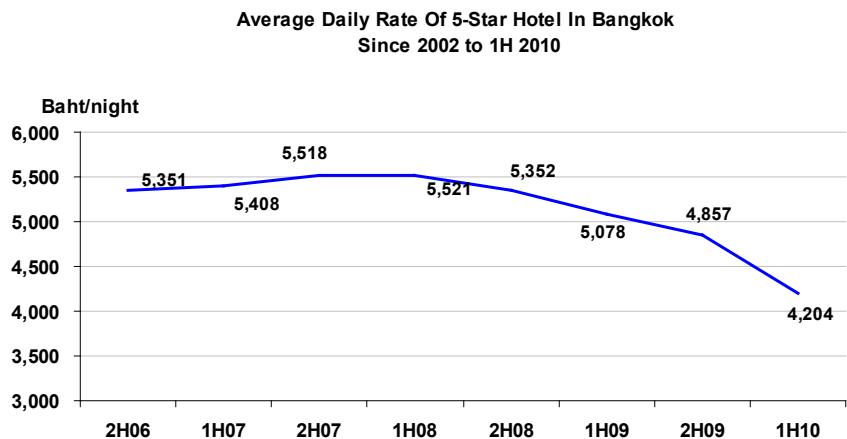
Figure 4
Demand of 5-Star Hotel In Bangkok



Source: Knight Frank Thailand Research

- By semi-annual basis, an average occupancy rate in 1H 2010 was dropped to 40.3% from 49.5% in 2H 2009 as the political crisis and the announcement of state of emergency in Bangkok that dropped a number of tourists in Bangkok. Furthermore, some hotels have direct affected from the political crisis that closed hotels for their guest's security.
- By historical, the hotel industry seems improve in the 2H 2009 that increased from 45.1% in 1H 2009 to 49.5% in 2H 2009. However, if the political is certainty, the hotel industry is expected to recover the occupancy in the long term period.
- If the situation has been cleared, the normal occupancy rate of 5-star hotel is in ranged of 68% - 75%.

Figure 5
Average Daily Rate of 5-Star Hotel in Bangkok



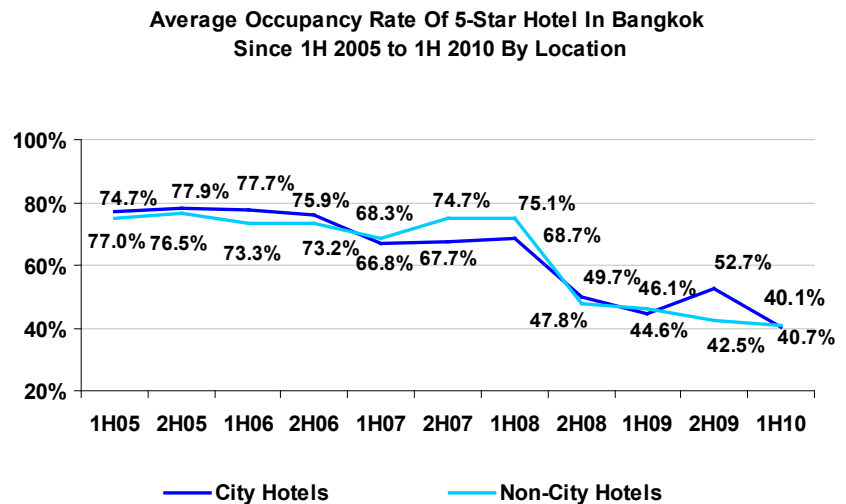
Source: Knight Frank Thailand Research



THE CAUSES OF THE HIGH COMPETITION IN HOTEL INDUSTRY, THE AFFECTIVE OF THE POLITICAL UNCERTAINTY, THAI BAHT CURRENCY APPRECIATION AND LACKS OF DEMAND DROPPED THE ADR OF 5-STAR HOTEL IN 1H 2010

- By semi-annual basis, an average room rate of 5-Star hotel in 1H 2010 was dropped from Baht 4,857 per night to Baht 4,204 per night (or about 13% dropped)
- The causes of the high competition in hotel industry, the affective of the political uncertainty, Thai Baht currency appreciation and lacks of demand dropped the ADR of 5-Star Hotel in 1H 2010
- By the normal period of the 5-star hotel, an average room rate has ranged of Baht 5,400 to Baht 5,600 per night.

Figure 6
Average Occupancy Rate In Bangkok By Location

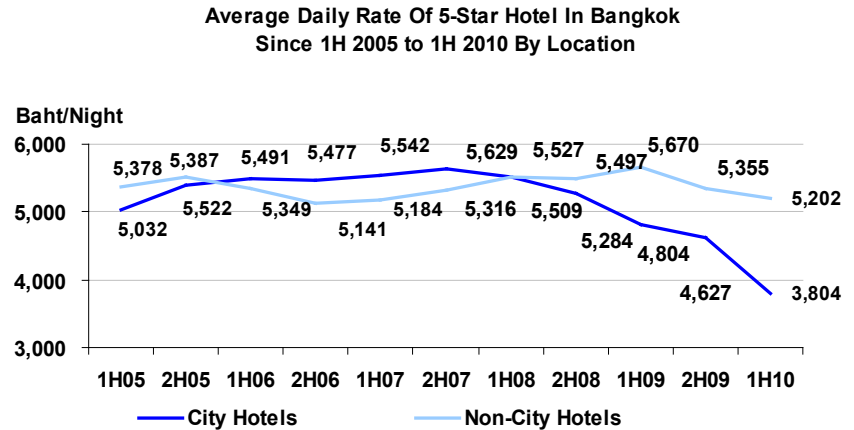


Source: Knight Frank Thailand Research

- As the cause of the political uncertainty, City hotel that having direct hit from this situation, has average occupancy rate in 1H 2010 at 40.1% which was gradually dropped from 52.7% in 2H 2009 (about 12% decreased) while Non-city hotel has average room rate in 1H 2010 at 40.7% that also dropped from 42.5% in 2H 2009 (about 21.6% increase).
- This is due to the reducing of arrivals, the situation of political uncertainty and the announcement of the emergency of state in the city of Bangkok that dropped the occupancy rate as the lacking of surety in Bangkok.

Figure 7

Average Daily Rate of 5-Star Hotel In Bangkok By Location



Source: Knight Frank Thailand Research

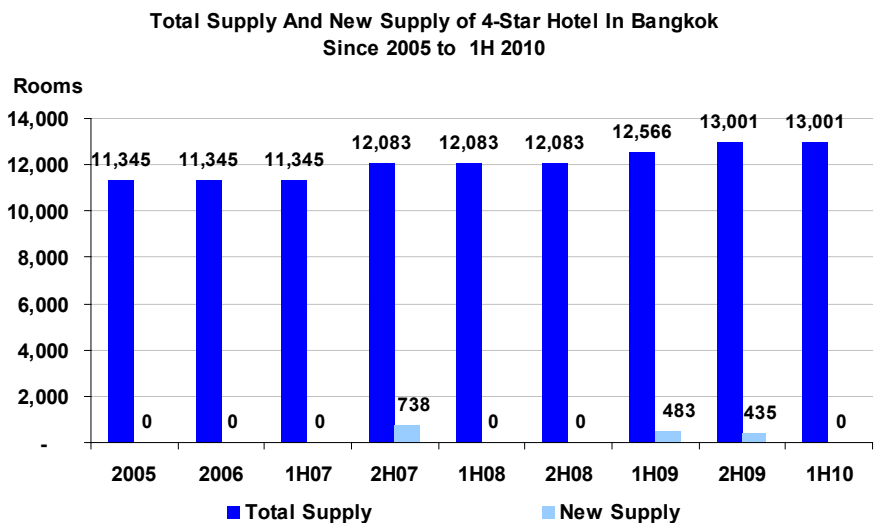
- As the result of political situation in the city of Bangkok and high completion in the hotel industry especially city hotel, the average daily rate was continuing dropped from Baht 4,627 per night to Baht 3,804 per night (about 17.4% dropped).
- There is due to the city hotels have directly hit by the political crisis in April and May 2010.
- Whilst the 5-Star hotels which located in non-city also decreased an average room rates in 1H 2010. However, the room rate was slightly dropped in 2H 2009 (about 2%).

4-STAR HOTEL ANALYSIS

NO NEW SUPPLY OF 4-STAR HOTEL COMES INTO THE MARKET IN 1H 2010

Figure 8

Supply of 4-Star Hotel In Bangkok



Source: Knight Frank Thailand Research

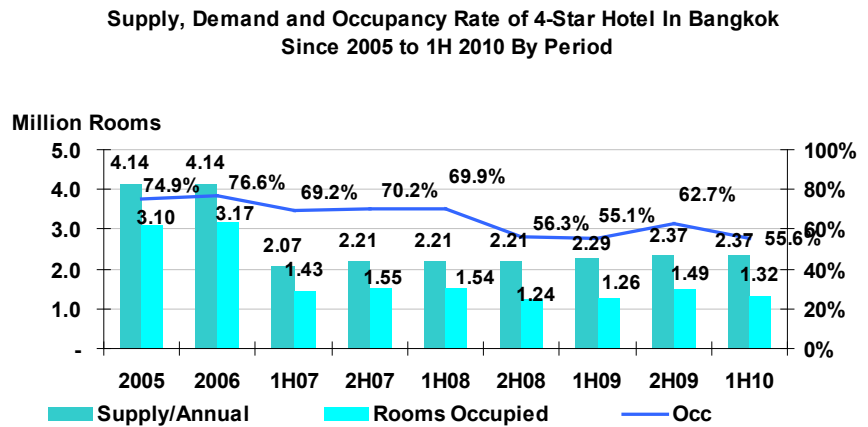


BY THE CAUSE OF THE POLITICAL UNCERTAINTY THAT DROPPED NUMBER OF ARRIVALS, THE OCCUPANCY RATE OF 4-STAR HOTEL SHOWED AT 55.6% IN 1H 2010.

- Total 4-star hotel room in Bangkok has recorded at 13,001 rooms that no new supply of 4-star hotel comes into the market in 1H 2010 as same as the 2H 2009.
- There is due to most developers have held the launched new hotel due to the situation is not stabilised in 1H 2010 by political of Thailand and Bangkok.

Figure 9

Demand of 4-Star Hotel in Bangkok

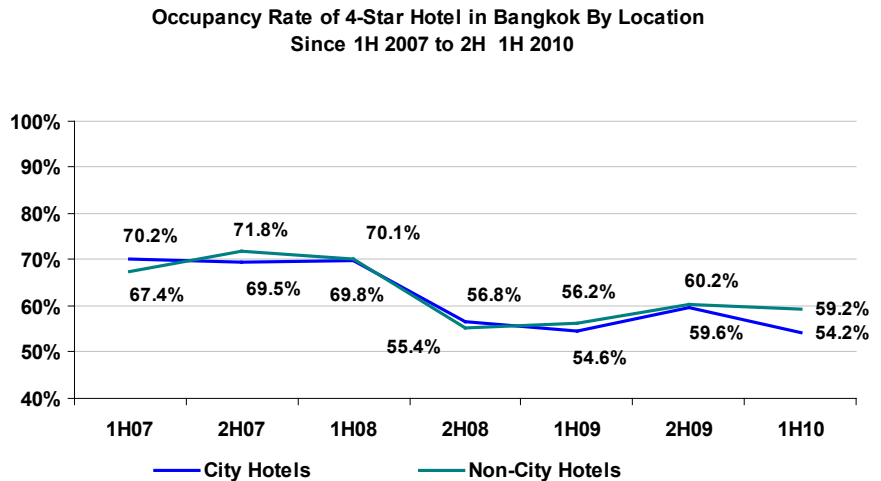


Source: Knight Frank Thailand Research

- By the cause of the political uncertainty that dropped number of arrivals, the occupancy rate of 4-Star hotel showed at 55.6% in 1H 2010.
- By semi-annual basis, an average occupancy rate has dropped from 62.7% in 2H 2009 to 55.6% in 1H 2010.
- An occupied room within 1H 2010 (6 months period) has approximately 1.32 million rooms that dropped from 1.49 million in 2H 2009, but higher than room occupied in 1H 2009 (y-o-y basic).
- An occupancy rate of the 4-star hotel in the normal situation is between 70% - 75% for the 4-star hotel in Bangkok.

BY THE LOCATION, THE OCCUPANCY RATE OF CITY HOTEL AND NON-CITY HOTEL HAS DECREASED FROM THE 2H 2009.

Figure 10
Occupancy Rate of 4-Star Hotel By Location

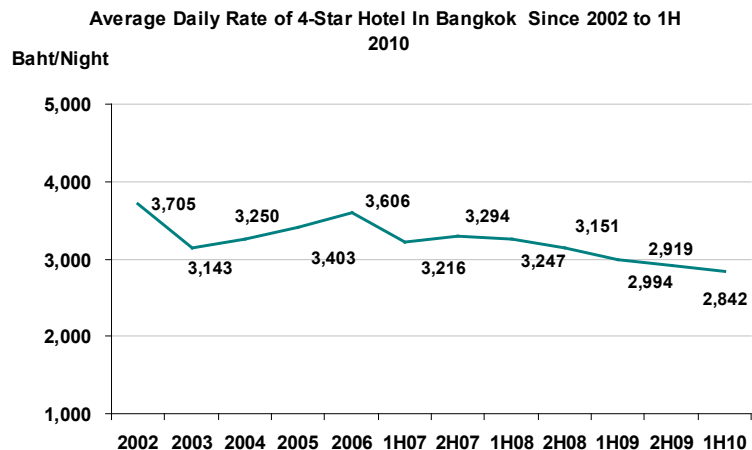


Source: Knight Frank Thailand Research

- By the location, the occupancy rate of city hotel and non-city hotel has decreased from the 2H 2009.
- Occupancy rate of 4-star city hotel in 1H 2010 has dropped to 54.2% from 59.6% in 2H 2009 while 4-star non-city hotel dropped an occupancy rate from 60.2% in 2H 2009 to 59.2% in 1H 2010.
- The decreased of occupancy rate in Bangkok was caused of the number of arrivals which was dropped by the political uncertainty is still being reduced the confidential of arrival in terms of security including the Baht appreciation in 1H 2010.

AN AVERAGE ROOM RATE WAS DROPPED FROM BAHT 3,199 PER NIGHT TO BAHT 2,956 PER NIGHT

Figure 11
Average Daily Rate



Source: Knight Frank Thailand Research

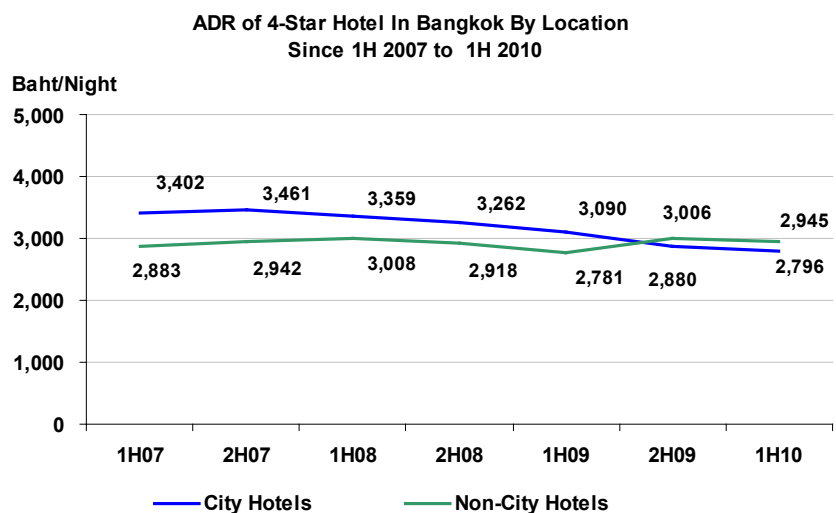


- An average room rate within 1H2010 was continuing decreased since 2008 by the affective of the internal factors and external factors. An average room rate was dropped from Baht 3,199 per night to Baht 2,956 per night or 7.6% drop.
- An average daily rate of 4-star hotel in Bangkok within 1H2010 was continuing decreased from Baht 2,919 to Baht 2,842 per night.
- This is due to the high competition in the 4-star hotel industry including the political uncertainty that some hotels have decreased their ADR to maintain the occupancy rate.
- By the way, if the normal situation of the 4-star hotel, an average room rate of the 4-star hotel is in a range of Baht 3,200 to Baht 3,600 per night.

AN AVERAGE ROOM RATE OF 4-STAR CITY HOTEL WAS DECREASED TO BAHT 2,796 PER NIGHT. HOWEVER, THE 4-STAR NON-CITY HOTEL HAS AN AVERAGE ROOM RATE INCREASED TO BAHT 2,945 PER NIGHT

Figure 12

Average Daily Rate of 4-Star Hotel By Location

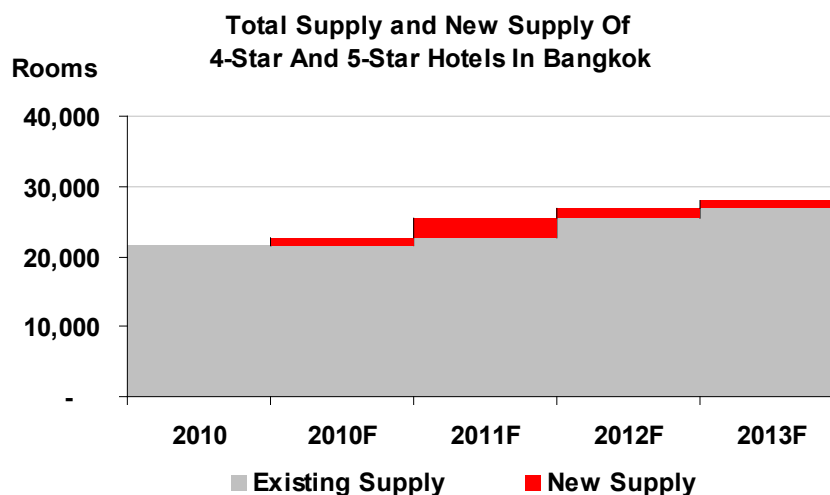


Source: Knight Frank Thailand Research

- In terms of ADR of 4-star hotel by location, we have found that the non-city hotel has the room rate higher than the city hotel due to the high competition in the city area and city hotel has directly affected by the political on the April and May 2010.
- An average room rate of 4-Star City hotel was slightly decreased from Baht 3,006 per night to Baht 2,796 per night. However, the 4-star non-city hotel has an average room rate also increased to Baht 2,945 per night as the last period at Baht 2,880 per night.
- This is due to the most new supply of 4-star hotel located in city area which comes to share the market including the unclear situation of Thailand that dropped ADR of 4-star hotel. Some tourists who do not confidence to the inner city moved the city hotel to non-city hotel.

NEW SUPPLY

Figure 10



Expected To Launch In 2010

Name	Location	No. of room	Expected launching date
Fourpoint By Sheraton	Sukhumvit 15	276	Q4 2010
Best Western @ 20	Sukhumvit 20	75	2010
Novotel Fenix Ploenchit	Ploenchit	380	2010
Ramada Encore	Sukhumvit 10	188	2010
Aloft	Silom	130	2010
Total		1,049	

Expected To Launch In 2011

Name	Location	No. of room	Expected launching date
Aloft	Sukhumvit 11	308	2011
St. Regis Bangkok	Ratchaprasong	229	2011
Royal Lancaster	Petchburi Road	230	2011
W Hotel Bangkok	Sathon	403	2011
Renaissance Bangkok	Sukhumvit	250	2011
Aloft	Sukhumvit 26	150	2011
Fourpoint By Sheraton	Sathon	436	2011
Novotel Bangkok Felix	Silom	225	2011
Le Meridien Golf and Spa Suvarnabhumi	Suvarnabhumi	214	2011
Best Western Premier Sukhumvit	Sukhumvit 1	145	2011
Sofitel Veranda Sathorn	Sathon	200	2011
Total		2,790	



Expected To Launch In 2012			
Name	Location	No. of room	Expected launching date
Langham Sukhumvit Bangkok	Nana	230	2012
Langham Place Phayathai	Phayathai	400	2012
Holiday Inn Sukhumvit	Sukhumvit 22	300	2012
Ramada Bangkok Sukhumvit	Sukhumvit 23	150	2012
Novotel Platinum Bangkok	Petchburi Road	289	2012
Total		1,369	

MARKET OUTLOOK

- A number of international tourists were dropped in first five months of 2010 as the result of political situation in Thailand 1H 2010 that dropped the confidential of tourists in terms of the security in Thailand. However, Knight Frank believes that a number of tourists in Bangkok are expected to increase as Bangkok is the one destination of tourist in South East Asia.
- A total supply of 5-star hotel within 1H 2010 was showed at 8,514 rooms that increased of 658 rooms from the 2H 2009 while 4-star hotel has totaled room supply at 13,001 rooms which was no new supply from 2H 2009.
- According to the new supply of hotel development in Bangkok, a number of 6,878 rooms of 4-star hotel and 5-star hotel are expected to come into hotel market within 2013 or about 32% increasing of existing supply in 1H 2010.
- Demand in the 5-star and 4-star hotel market was gradually dropped by the cause of political situation on April and May.
- Demand of 5-star hotel and 4-star hotel were decreased from 49.5% in 2H 2009 to 40.3% in 1H 2010 while the 4-star hotel also dropped to 55.6% from 62.7% in 2H 2009.
- However, by year to year basis, an average occupancy rate has a bit higher from 55.1% in 1H 2009 to 55.6% in 1H 2010.
- Nevertheless, high market competition, political uncertainty and Thai Baht currency appreciation are caused to influence average room rate in the market in 2010 to be at the same level or slightly increase with average room rates offered in the second half of 2009.
- Average room rate of 5-star hotel in 1H 2010 was decreased for 13.5% comparing to average room rate in 2H 2009 while the 4-star hotel in 1H 2010 was dropped at 2.6% from average room rate in 2H 2009.
- Knight Frank (Thailand) has the opinion that the positive sign of economic condition and investment at end of this year, Bangkok hotel market in 2010 will be very soft due to the large new coming supply in 2010 and 2011 with weak demand which is a direct effect from the market sharing in the market. The Occupancy rate and ADR are expected to increase as the most situations have been cleared and will be increased in a small percentage for the hotel industry.
- if the situation of political has been cleared, we also expected that the hotel industry will be recovery within next few years as the Bangkok is still be the one of tourist destination in the South-East Asia that is fully with facilities and the main hub to other areas easily.



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