

Bangkok Luxury Hotel

Market Overview, 1H 2020





Number of luxury
hotel rooms

19,346



New luxury
rooms

687



Average daily rate
(ADR)

THB 4,800
(-5.6% Y-o-Y)



Hotel
occupancy rate

35%
(-43 p.p.)

OVERVIEW

The demand for accommodation in Bangkok weakened in the first half of 2020 as the number of tourist arrivals sharply declined due to the impact of the travelling restrictions

to prevent the spread of the global COVID-19 pandemic.

The number of international tourists decreased 61% Y-o-Y from

14,757,448 to 5,781,091 in the first five months of 2020. The Chinese market, the largest market feeder, declined as the Chinese government imposed outbound travel restrictions in January 2020.

SUPPLY AND DEMAND

Early Sukhumvit area comprises the majority of the luxury hotel supply just under 40% of the total supply followed by Lumpini (22%), Silom / Sathorn (15%) and Riverside (16%).

The COVID-19 outbreak at the end of 2019 dealt a serious blow to the hotel market. The occupancy rate of luxury hotels in Bangkok was only 35% in 1H 2020. The occupancy was over 50% in the first quarter of 2020 and reached the lowest level at 25% in the second quarter as travel bans accelerated. Due to the low level of occupancy,

some hotel operations were suspended until signs of market recovery.

As at the end of 1H 2020, the Average Daily Rate (ADR) of luxury hotels fell by 5.6% to THB 4,800. This decline was affected by the discounts offered to local customers given the dropped of international travelers.

In 1H 2020, two new luxury hotels opened in Bangkok, providing an additional 687 rooms. New openings were Carlton Hotel Bangkok (338 rooms) in early Sukhumvit and Kimpton Maa-Lai

Bangkok (349 rooms) in Lumpini, both located in the CBD district. Other hotel openings totaling 1,005 rooms in the upscale and midscale segment were Staybridge Suites Bangkok Thonglor (303 rooms), Solaria Nishitetsu Hotel Bangkok (263 rooms), Oakwood Suites Bangkok (228 rooms), Villa De Pranakorn (47 rooms), The Quarter at Phrom Phong (120 rooms) and Ashley Hotel (44 rooms). Development plans for new hotels in 2020 might be delayed or revised.

There were 19,346 luxury hotel rooms in Bangkok at the end of 1H 2020.

OUTLOOK

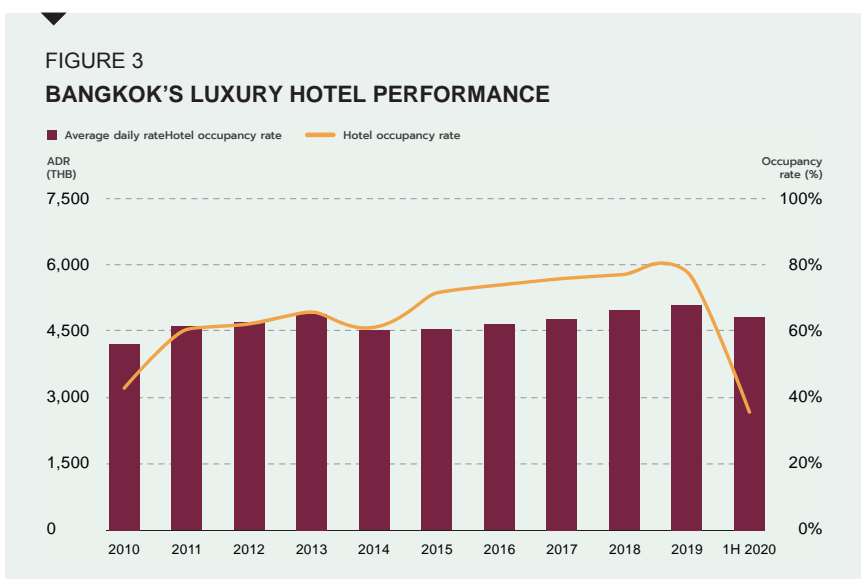
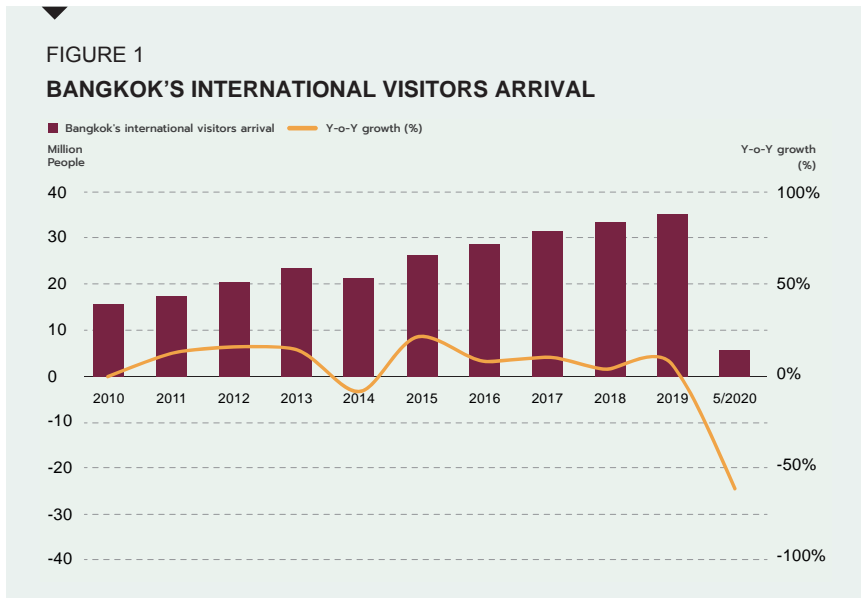
The number of visitors and business activities dropped significantly in Bangkok in the first half of 2020 because of the COVID-19 pandemic. As a result, demand for hotel rooms fell dramatically. The hospitality sector is expected to face tremendous challenges in the short term. Overall, we expect the average occupancy rate in Bangkok to decrease sharply below 50% and the ADR to drop as operators compete to attract a lower number of visitors in 2020.

Nevertheless, when compared to the first half of 2020, the average occupancy rate in Bangkok is expected to improve during the second half of the year, especially during the high season in the last quarter, as travel restrictions are lifted. We expect to see local tourism picking up in the third quarter, with international travel returning slowly in the fourth quarter.

The COVID-19 pandemic has prompted hotel operators to delay new openings. Five hotels totaling 1,575 rooms that had planned to open in 2020, however, some will likely delay their openings. These hotels include Sindhorn Midtown Hotel (475 rooms), Sindhorn Kempinski Hotel (285 rooms), Orient Express King Power Mahanakhon (154 rooms), Four Seasons hotel (301 rooms), The Capella Bangkok (101 rooms) and Steigenberger Hotel Riverside (259 rooms). The huge amount of new hotel supply will put further pressure on Bangkok's hotel market.

Some hotel operators are expected to temporarily keep their businesses suspended to reduce losses until clear signs of market recovery, especially from international visitors. They may take this opportunity to renovate their hotels, which would allow them to raise their ADR in the long term, or at least attract a higher number of customers in the Bangkok's competitive hotel market.

Bangkok, the most visited city in the world in 2019, keeps enhancing its attractiveness as a tourist destination with a growing number of attractions. Recently, the first two outlet retail malls opened near Suvarnabhumi international airport in August 2019 and June 2020.



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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