

Phuket Hotel

2024

An overview review of Phuket's Hotel market in 1H 2024 by Knight Frank Thailand

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► **Phuket's tourism is rebounding strongly, with 4.3 million arrivals in the first half of 2024, close to pre-pandemic levels. Foreign arrivals surged by 42%, while hotel occupancy reached 84%, surpassing pre-pandemic rates. Average room rates hit a record high of 6,837 baht. The second half of the year is expected to see continued growth, driven by favorable exchange rates and recovering air travel, though rising costs may limit new hotel development.**

OVERVIEW

The first half of the year saw 4.3 million arrivals in Phuket, a figure just 7% below pre-pandemic levels. However, recovery patterns differ across segments. Foreign arrivals surged to 2.6 million, a remarkable 42% year-on-year increase, bringing the numbers within 3% of pre-pandemic levels. This strong rebound highlights Phuket's enduring appeal as a premier resort destination in Thailand, particularly among international visitors.

In contrast, domestic arrivals totaled 1.7 million, with a modest 6% year-on-year growth but still 13% below pre-pandemic levels. The number of international flights to Phuket increased by 34% year-on-year,

though this remains 14% lower than pre-pandemic levels. As airlift capacity continues to recover, foreign arrivals are expected to grow further in the second half of the year.

In the first quarter, Russian tourists made up the largest group of international travelers, followed closely by Chinese tourists, who have yet to reclaim their top spot due to the weak Chinese economy. Many Chinese tourists are opting for domestic travel instead. Additionally, there has been a significant influx of tourists from India and Australia, as well as traditional short-haul markets like Malaysia and Singapore.

44,838

Number of hotel rooms in 1H 2024

423

New supply of rooms in 1H 2024

THB 6,837

Average daily rate (ADR) in 1H 2024 (+32% YoY)

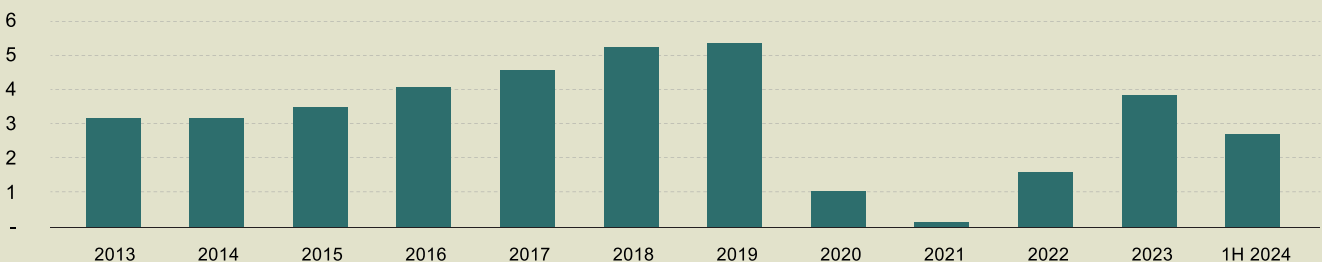
84%

Hotel occupancy rate in 1H 2024 (+3.4% p.p)

PHUKET'S INTERNATIONAL VISITORS ARRIVAL

■ Phuket's international visitors' arrival

Million People



SOURCE : KNIGHT FRANK THAILAND RESEARCH

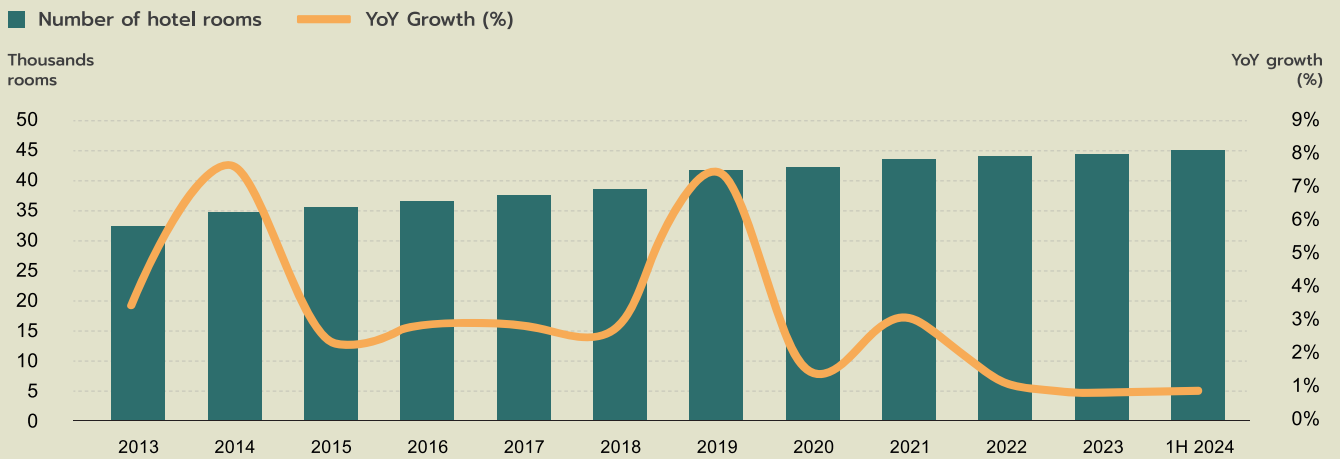
SUPPLY AND DEMAND

The increasing number of foreign arrivals in the first half of the year resulted in a significant improvement in hotel performance metrics. Occupancy levels averaged 84%, up by 3 percentage points year-on-year (YoY) and surpassing pre-pandemic levels by 2 percentage points. During the high season, occupancy exceeded 90% in January and February, but it declined to its lowest levels of 74-75% in May and June.

Interestingly, Average Room Rates (ARR) continued to rise, reaching a new high of 6,837 baht, reflecting a 32% increase YoY and a 64% increase compared to pre-pandemic levels. This growth was primarily driven by the luxury and upscale segments, while the midscale and economy segments saw relatively modest growth.

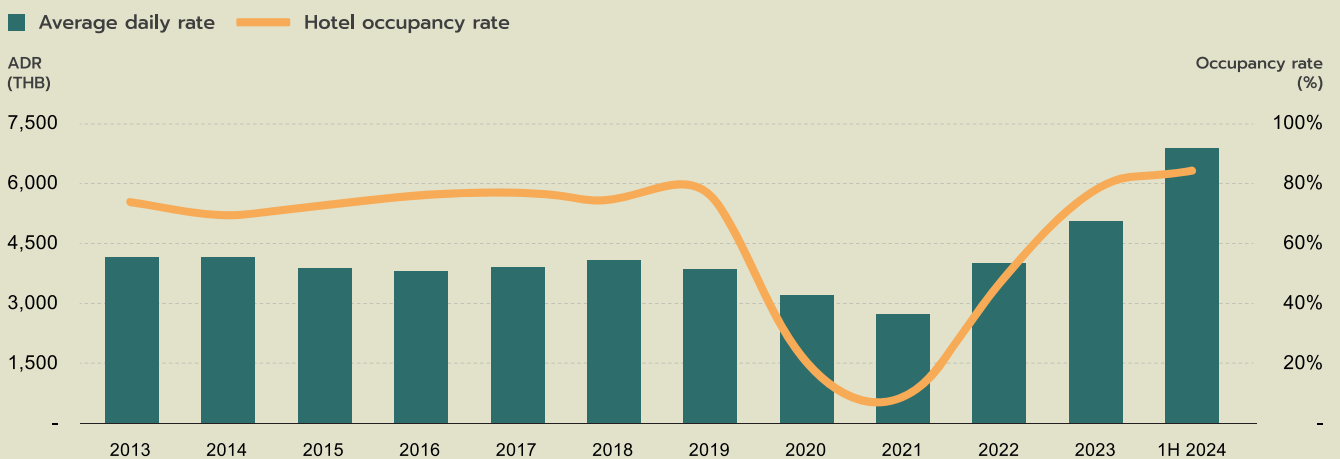
In the first half of the year, only one hotel, Homa Phuket Cherngtalay (423 keys), opened, bringing the total number of hotel rooms in Phuket to 44,838. By year-end, five additional hotels are expected to open, adding 1,117 keys, representing a 3.5% YoY increase, which surpasses the 2.5% average annual growth seen over the past decade.

PHUKET'S HOTEL STOCK



SOURCE : KNIGHT FRANK THAILAND RESEARCH

PHUKET'S HOTEL PERFORMANCE



SOURCE : KNIGHT FRANK THAILAND RESEARCH

OUTLOOK

The rebound in international arrivals, now nearing pre-pandemic levels, is expected to continue throughout the second half of the year, especially during the high season in the fourth quarter. This recovery is being driven by favorable exchange rates, the restoration of airlift capacity, and visa-free policies with key markets such as China, Russia, and India. These factors should also support the slow recovery in Chinese arrivals. Additionally, geopolitical tensions, particularly the conflict between Russia and Ukraine, have spurred a surge in Russian tourists seeking safer destinations, further boosting Phuket's tourism numbers. It is estimated that Phuket will receive between 2.5 to 2.7 million foreign arrivals in the second half of the year.

Key trends include the ongoing recovery of domestic demand, fueled by the weak Thai baht, which has increased the cost of traveling abroad. Air capacity is expected to approach full recovery, though it still lags behind pre-pandemic levels. Occupancy rates should benefit from the influx of foreign tourists, particularly during the high season. However, after a significant increase in average room rates (ARR) in a short period of time, further rate hikes are expected to be moderate in the second half of the year supported by the weak baht and favorable exchange rates.

While the hotel market is poised for growth, with new properties expected to open, the pace of development may be constrained by rising land and financing costs, driven by high interest rates and inflation. This could limit supply, potentially leading to higher occupancy levels in existing hotels.

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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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