

Phuket Hotel Market



1H 2023

We provide comprehensive strategic advice and forecasting, including real-time updates on the prevailing circumstances, covering all aspects of Phuket hotel markets, including supply, demand, occupancy, and ADR.

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Phuket Hotel Market



Number hotel rooms
by 1H 2023

44,241



New supply of
rooms in 1H 2023

217



Average daily rate (ADR)
in 1H 2023

THB 4,317
(+55% YoY)



Hotel occupancy
rate in 1H 2023

81%
(+49 p.p.)

*THIS REPORT EXCLUDES THE LUXURY VILLA RESORTS WITH AN AVERAGE ROOM RATE OF OVER 10,000 BAHT PER NIGHT.

Overview

After Thailand lifted its COVID entry restrictions, Phuket witnessed an extraordinary surge in international visitors, marking a remarkable recovery for the island's tourism industry. In the first half of 2023, an astounding 1.8 million arrivals were recorded, indicating a staggering 259% year-on-year growth, reaching an impressive 68% of pre-pandemic levels. A substantial boost to these numbers came from the 1.6 million domestic visitors who flocked to Phuket during the same period, achieving

an outstanding 82% of pre-pandemic levels and reflecting a remarkable 67% year-on-year growth.

The outlook for Phuket's tourism industry remains promising, as the Thai Hotels Association projects a total of 14 million tourists by the end of 2023, equivalent to 96% of pre-covid levels, showcasing a strong and steady recovery.

In terms of international arrivals, visitors from Russia emerged as the dominant group, closely followed by those from China, constituting the

majority of tourists in the first half of 2023. Noteworthy contributions also came from visitors from India and Australia. Of particular significance, Chinese tourist arrivals climbed to second place after their country eased travel restrictions in January 2023, a positive sign for Phuket's hotel industry, considering China was the primary source of international visitors before the pandemic. This resurgence highlights Phuket's enduring allure as a top travel destination for global tourists.

Supply and Demand

In the first half of 2023, Phuket continued experiencing a surge in international arrivals, leading to a significant rise in demand for hotel accommodations. This spike in demand is evident in the impressive occupancy rate, which reached 81%, representing a remarkable 49 percentage points year-on-year increase. The peak in average occupancy occurred in March, reaching an impressive 87%, while the lowest point was observed in May, with a still respectable 73% occupancy rate.

Furthermore, there was a remarkable recovery in the ADR

during H1 2023, with a substantial year-on-year increase of 55% to reach 4,371 baht. This figure stands 4.9% higher than the pre-pandemic level, indicating a promising rebound that has surpassed the levels seen before the pandemic.

Phuket's hotel industry has faced significant challenges due to the lack of financing from lenders, resulting in numerous projects being put on hold. As a consequence, the incoming hotel pipeline has been severely impacted. However, amidst these difficulties, there was one exception: the opening of the Phuket Emerald Beach Resort.

This luxurious upscale resort, located on the picturesque Karon Beach, boasts 217 rooms and has contributed to the island's overall supply, bringing the total number of rooms to 44,241 by the end of June 2023.

In addition to the new resort, there was another noteworthy development in the hotel landscape. Accor, one of the largest hotel groups in Phuket, took on a rebranding initiative and successfully transformed one of the most extensive and well-known beachfront resorts into Pullman Phuket Arcadia Karon Beach, now offering an impressive total of 662 rooms.

Outlook

The COVID-19 pandemic hit Phuket's tourism industry hard in early 2020, just like many other resort destinations worldwide. The number of foreign arrivals drastically dropped to less than 1.1 million in 2020, a sharp contrast to the 5.3 million visitors in the previous year. However, there are now encouraging signs of recovery. By the end of 2022, foreign arrival numbers started to bounce back, reaching 1.6 million. During the first half of the current year, this figure surged even further to 1.8 million, indicating a swift recovery trajectory and a positive outlook to approach pre-pandemic levels by the end of 2023.

During this period, the leisure demand from both independent travelers and groups is anticipated to experience continuous growth, and Chinese travelers will play a significant

role in driving this trend. As flights from China gradually increase, Chinese visitors are poised to reclaim their position as the top market source for the island.

With an optimistic view, it is anticipated that by the end of the year, occupancy levels will either reach or surpass pre-pandemic levels, particularly during the high season. The hotel industry has shown resilience with the ADR surpassing inflationary increases in various operational costs like payroll, cost of sales, and utilities. Hoteliers have adapted operations to become more efficient, thanks to the lessons learned during the pandemic. After experiencing minimal ADR growth over the past decade, the recent increase in ADR is seen as long overdue, especially considering the current inflationary pressures.

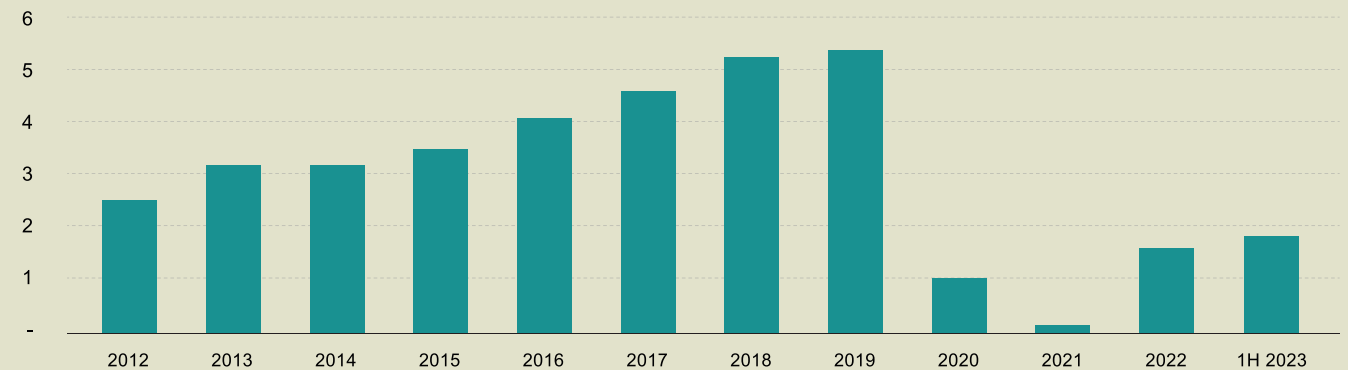
Nevertheless, a persistent challenge that hoteliers will continue to face is staff shortages, which emerged when hotels resumed operations during the recovery period in late 2022. Addressing this issue will be crucial in sustaining the recovery and providing excellent service to the growing number of visitors to Phuket.

The second half of the year is expected to witness the opening of two new upscale hotels with a total of 564 rooms. Additionally, three hotels are currently undergoing renovation and rebranding as Le Meridien Phuket Mai Khao Resort (244 rooms), Holiday Inn Resort Phuket Surin Beach (256 rooms), and Holiday Inn Resort Phuket Karon Beach (224 rooms). These developments further signal Phuket's determination to revitalize its tourism sector.

PHUKET'S INTERNATIONAL VISITOR ARRIVALS

■ Phuket's international visitors' arrival

Million People

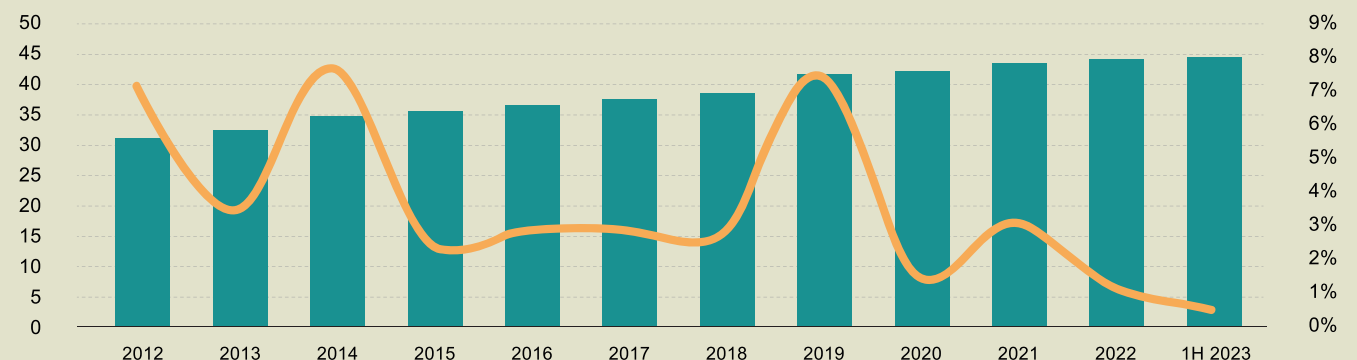


SOURCE : KNIGHT FRANK THAILAND RESEARCH

PHUKET'S HOTEL STOCK

■ Number of hotel rooms — YoY Growth (%)

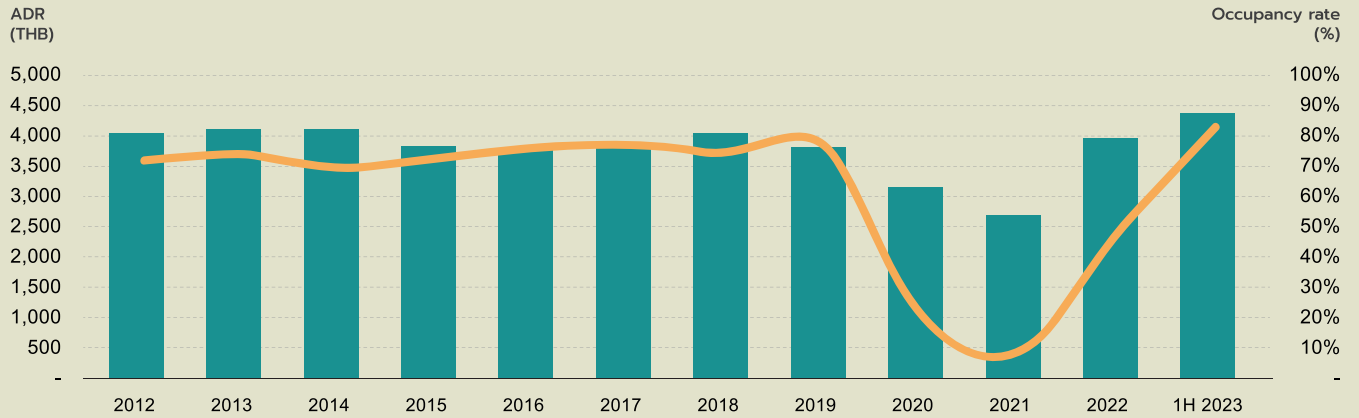
Thousands rooms



SOURCE : KNIGHT FRANK THAILAND RESEARCH

PHUKET'S HOTEL PERFORMANCE

■ Average daily rate — Hotel occupancy rate



SOURCE : KNIGHT FRANK THAILAND RESEARCH

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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