

PHUKET HOTEL

2023

An overview review of Phuket's Hotel market in 2023
by Knight Frank Thailand

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- The tourism industry experienced a strong recovery in 2023, primarily led by Russian visitors, while Chinese arrivals fell slightly below expectations. The positive trend is expected to continue into 2024, with the goal of reaching pre-pandemic levels by 2025. The gradual but steady recovery of Chinese tourists, backed by increased flight capacity, plays a crucial role. However, in 2024, the growth rate of RevPar is likely to slow compared to 2023. This deceleration is attributed to the exceptional ADR growth observed in 2023, leaving limited room for further short-term expansion. Additionally, occupancy levels have already reached pre-pandemic benchmarks.

OVERVIEW

The year 2023 concluded with a total of 3.86 million foreign arrivals, marking an encouraging 72% recovery compared to pre-pandemic levels and an impressive 139% year-over-year (YoY) growth. This robust performance suggests a sustained and positive trajectory for the island's tourism sector. Notably, the recovery gained momentum in the second half of the year, and this trend is anticipated to persist into 2024, with the ultimate goal of returning to pre-pandemic levels by 2025.

On the domestic front, the recovery was evident but at a more modest pace, with 3.15 million arrivals representing 84% of pre-pandemic levels and a 36% YoY growth.

Examining international arrivals, Russian visitors emerged as the dominant group, closely trailed by Chinese tourists, together constituting the majority of arrivals from January to October 2023, as per the latest data from the Phuket Immigration Office. Although it was anticipated that Chinese visitors would reclaim the top position in the second half of 2023, as seen in the pre-pandemic period, their growth rate did not match expectations, and they remained in the second position.

Further down the ranking, positions 3 to 4 were held by visitors from India and Australia. Additional market sources included Kazakhstan, the UK, and Germany.

44,415

Number of hotel rooms in 2023

391

New supply of rooms in 2023

THB 4,967

Average daily rate (ADR) in 2023
(+25% YoY)

78%

Hotel occupancy rate in 2023
(+31% p.p)

SUPPLY AND DEMAND

The surge in international arrivals in 2023 had a significant impact on the performance of hotels on the island, with occupancy rates averaging an impressive 78%. This marked a substantial 31 percentage point increase year-over-year, successfully reaching and even surpassing pre-pandemic levels.

Throughout 2023, the fluctuation in occupancy levels was notable, ranging from a peak of 90% in December to a low of 68% in September and October. Equally noteworthy was the remarkable uptick in Average Daily Rate (ADR), which averaged 4,967 baht. This represented a substantial

25% year-over-year growth and an impressive 30% increase over pre-pandemic levels that had remained relatively stable for a few years. The heightened ADR reflects the strengthened demand for accommodations and underscores the resilience and adaptability of the hotel sector in response to evolving market conditions.

In 2023, Phuket experienced timid growth in its hospitality sector with the inauguration of a new hotel and the rebranding of two existing ones, collectively adding 1,053 rooms to the island's accommodation offerings. This brought the total number of

hotel rooms in Phuket to 44,415 by the year's end, representing a modest yet noteworthy 0.9% year-on-year increase.

As we turn our gaze towards 2024, the momentum in the hospitality industry shows no signs of slowing down. The upcoming year is poised to witness the emergence of additional hotels, contributing an anticipated 881 rooms. This foretells a continued expansion of Phuket's vibrant hospitality landscape, reflecting the destination's enduring appeal and the industry's commitment to meeting the evolving needs of visitors.

OUTLOOK

The recovery of the tourism industry from major international market sources is generally satisfactory, with the exception of Chinese visitors, who previously held the top position pre-pandemic. Unfortunately, Chinese visitor numbers have fallen below expectations due to various factors, including the weakened Chinese economy prompting increased domestic travel and a decline in appeal among Chinese tourists in 2023 due to safety concerns.

In response, Thailand has made the strategic decision to permanently extend the visa waiver status for Chinese visitors, initially scheduled to conclude in February 2024. This extension, effective from March 2024, is anticipated to stimulate a surge in arrivals. Efforts to boost foreign tourist numbers also include extending the operating hours of entertainment venues, clubs, and karaoke bars in popular destinations, including Phuket, by two hours until 4 am. Furthermore, authorities have approved tax cuts on alcoholic beverages and entertainment venues. Anticipate an acceleration in the

number of Chinese visitors in 2024, supported by the expansion of flights and seating capacities on both new and existing routes between China and Thailand.

However, the hospitality industry is expected to continue facing challenges in 2024, with persistent staff shortages affecting operations during the pandemic recovery period and expected to persist. The tight labor market has led to increased spending on employee attraction, resulting in labor costs growing by over 8%, surpassing revenue growth. Therefore, effective cost control and operational efficiency will be vital for maintaining hotel profitability in 2024.

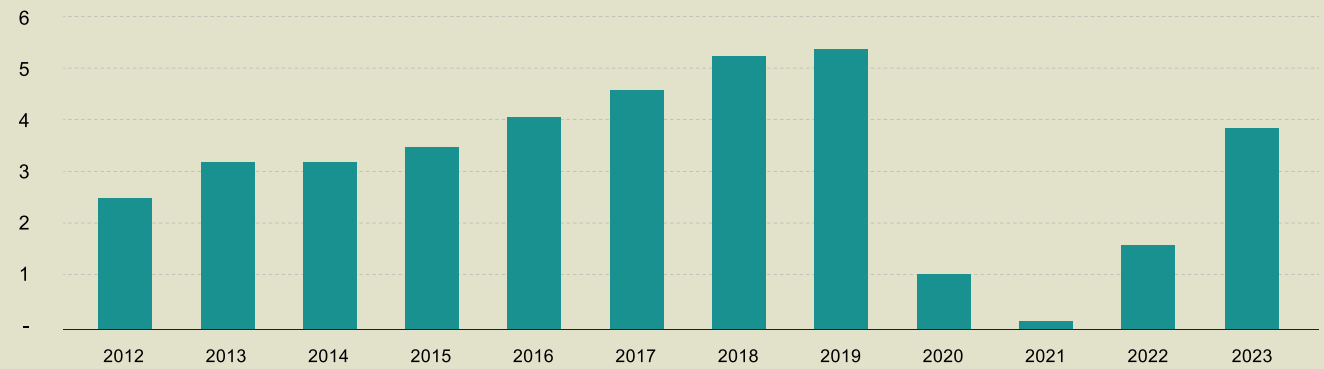
Key trends projected for 2024 include the stabilization of RevPar, which has already exceeded pre-pandemic levels. The growth rate is expected to slow compared to 2023 due to the record-high growth rate of ADR observed since the market recovery, with little room for further short-term growth, and occupancy levels already at pre-pandemic levels.

The hotel pipeline in Phuket has been significantly impacted by a lack of financing from Thai lenders, leading to numerous projects being put on hold. Consequently, new supply is expected to increase modestly by about 1.9% YoY in 2024. Despite this, investment opportunities are rising, driven by the strong demand for hotels and the weakening of the Thai baht against major currencies. Foreign and local investors are increasingly eyeing the Phuket region for their upcoming projects.

PHUKET'S INTERNATIONAL VISITORS ARRIVAL

Phuket's international visitors' arrival

Million People



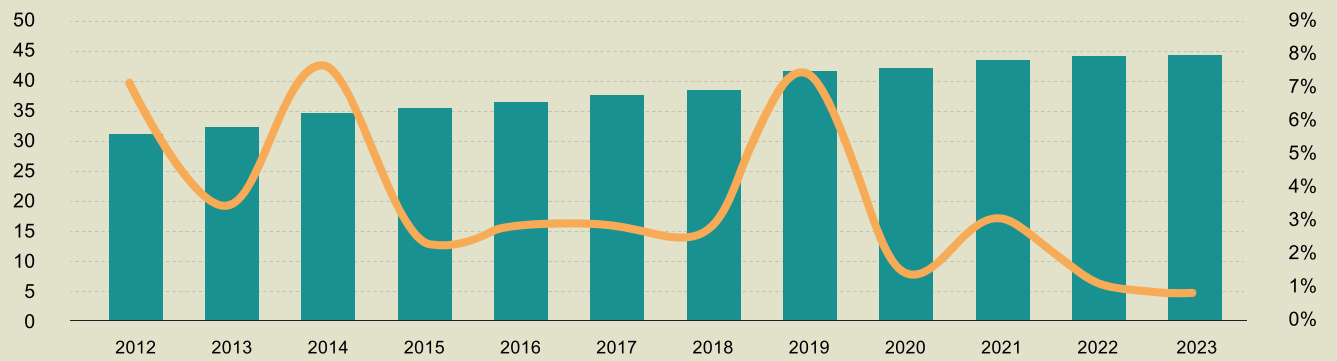
SOURCE : KNIGHT FRANK THAILAND RESEARCH

PHUKET'S HOTEL STOCK

Number of hotel rooms YoY Growth (%)

Thousands rooms

YoY growth (%)



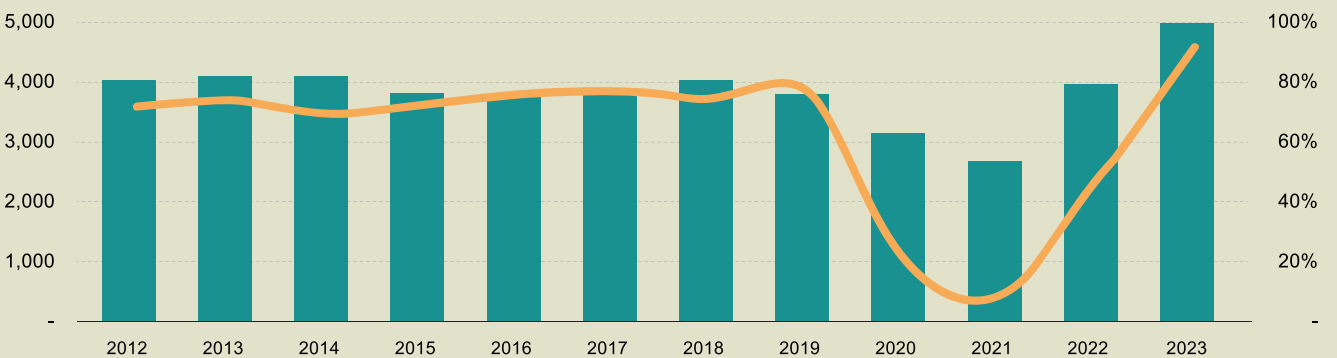
SOURCE : KNIGHT FRANK THAILAND RESEARCH

PHUKET'S HOTEL PERFORMANCE

Average daily rate Hotel occupancy rate

ADR (THB)

Occupancy rate (%)



SOURCE : KNIGHT FRANK THAILAND RESEARCH

Recent Research

Thailand Research Office

Amid rising competition, landlords are boosting their offerings with a focus on customized, built-to-suit, and ready-to-move-in solutions, gaining more prominence over the past year.

25,000 sq m

1.62 million sq m

11,000 sq m

0.2%

OFFICE PROPERTY MARKET INDICATORS	5.97M	4.68M	79.3%	\$13.1
Q1-2022	Q1-2021	Q1-2022	Q1-2022	Q1-2022
Y-o-Y	A: 5.4%	A: 5.1%	▼ 5.9% pts	▼ 5.9%
	A: 5.4%	A: 2.2%	▼ 3.2% pts	A: 1.3%

Bangkok Office Market Q3 2023

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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