



Horwath HTL

Hotel, Tourism and Leisure

MARKET REPORT

Bangkok & Phuket: Road to Recovery

MAY 2021

Road to Recovery for Bangkok & Phuket

Message to Readers

The COVID-19 pandemic caught everyone by surprise. Without much preparation, the world succumbs to the highly contagious virus and its impact has been far-reaching and long-lasting than any of the previous disasters. While frontrunners like the United States and the United Kingdom have made advance progress on mass vaccination programs to curb the spread, uncertainties loom over subsequent outbreaks as long as the majority of the world population is not immune to the disease.

In a hard time like this, we feel the travel and tourism industry needs to stay current on the situation, make a fair assessment on positive and negative factors, and form an objective opinion on the market outlook.

We hope our comprehensive study clearly presents a market direction and recovery pace setting realistic expectations and guiding business planning. More importantly, we hope the message in this report will foster collaboration between the public and private sector. The healing process takes more than individual efforts. A solid, realistic, cohesive and strategic move at a national level, together with a time-bound implementation plan, can create a far more convincing impact to the entire value chain at a global stage covering business partners and consumers.

With limited time and resources, our forecast is based on a sample of hotels, mainly affiliated with major international hotel groups and located in main districts. Bangkok and Phuket are selected to exemplify recovery paths of urban and resort destinations. Vaccination and re-opening efforts are time-consuming and complicated as they entail international agenda and interests. A major turnaround point could be expected by late 2022/2023 when the majority of the world's key sources for outbound travel are fully back in business on the back of Thailand's achieved herd immunity and readiness for returning tourist volumes.

Nonetheless, as more and more destinations reopen for business, competition will be intense and a price war seems inevitable. New projects postponed/mooted will gradually make their way back to the market, adding more pressure. Revenue per Available Room (RevPAR) measures of both Bangkok and Phuket hotel markets are not anticipated to fully return to the pre-COVID level by 2025.

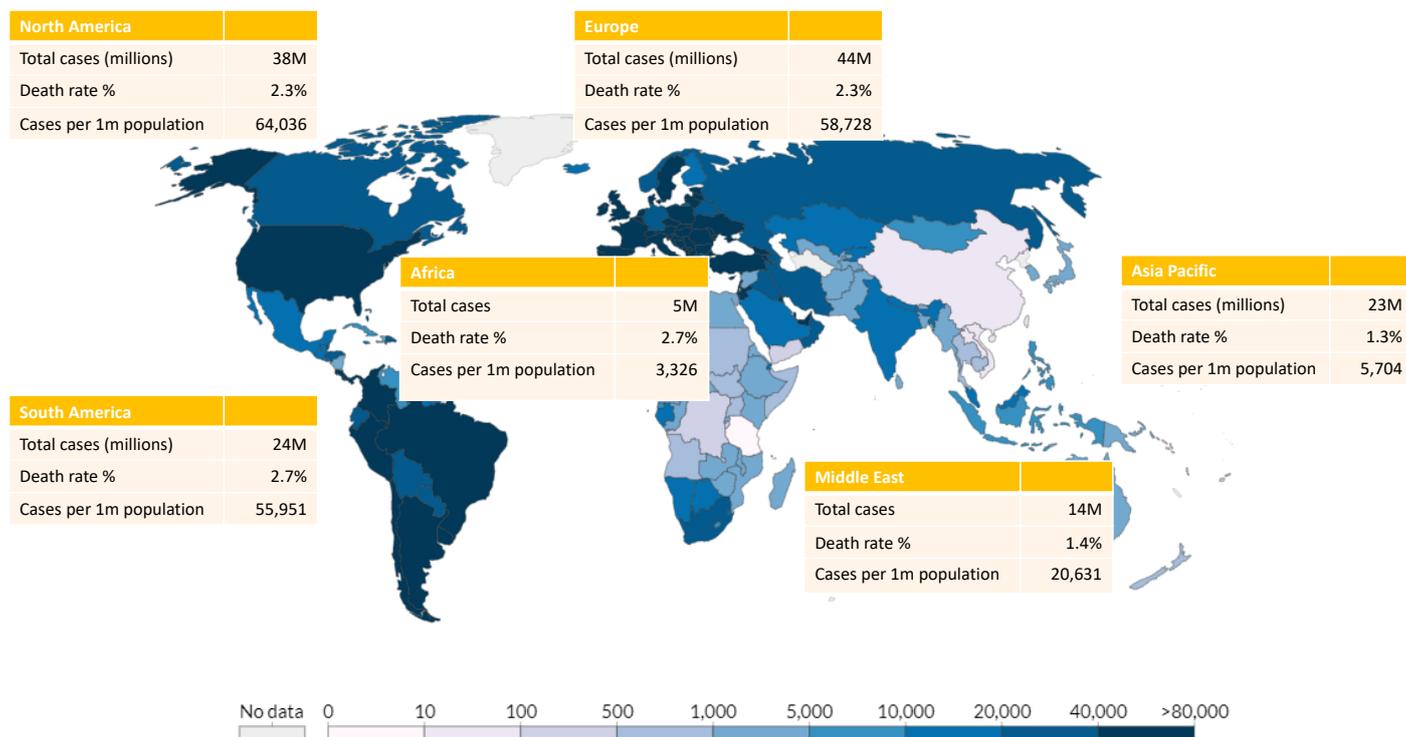
However, in every market, there are always winners and losers. Winners will by far outperform the market rebound. Meanwhile, losers will take much longer time to recover and some may not survive the pandemic.

It is a crucial time to thoroughly diagnose your property's health: What are unique selling points/competitive advantages? How have they enabled the property to compete? How is the property performing relative to the market/competitors?

"Fish where the fish are" - is an old saying that gives some useful tips for survival. Hotels must stay up-to-date and be nimble enough to respond quickly to changing demand levels and sources, on the back of volatile market conditions, until the market returns to normalcy. For every booking, hotels should ponder creative ways to increase guest spending and length of stay to generate additional cash flow.

At the same time, cost efficiency is key to margin protection amid revenue constraints. In addition to low hanging fruits such as rightsizing and spending freeze, it is good timing for radical changes to drive labor efficiency and work productivity. Clustering positions/functions, redesigning work flows and embracing technologies are tactics that can be deployed to better align resources with value propositions. Moreover, it could be inferred time and resources should be allocated to more profitable businesses within the group: getting back to basics, doing what you do best.

Global Coronavirus pandemic snapshot: cumulative confirmed cases per million people as of April 2021



Sources: COVID-19 Data Repository by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, OurWorldindata.org, Worldometers, and Horwath HTL analysis

Global coronavirus situation at a glance

Who would think a single occurrence could turn the world upside down? The COVID-19 pandemic impacts humanity on many levels, socially, politically and economically.

Since travel restrictions and social distancing rules were imposed, the travel and tourism industry became highly susceptible. Business owners and operators hit the wall and strived for alternative revenue opportunities and cost controls to stay financially afloat and retain employees.

People were expecting the virus to weaken and dissipate in 2021, but the world is struggling to keep the contagion at bay. At least 40 countries have seen a second wave of the pandemic. South Africa, India, the UK and Brazil reported new stronger variants. The virus has mutated to become more resistant or contagious.

In Asia, the number of new cases has sharply risen in several nations. India, Indonesia and the Philippines are the top three, each recording over one million total cases.

As of April 2021, there are about 148 million coronavirus cases and 3 million casualties confirmed globally. North America is the hardest hit region in terms of the number of cases per population, as well as South America and Europe.

Asia Pacific and the Middle East have learned from the previous experience of SARS, Birds Flu, MERS and are able to respond relatively better than other regions. Despite a low ratio of cumulative cases to the population, Africa has a high fatality ratio given its fragile healthcare system and limited access to medical resources in remote locations.



How does Thailand’s COVID-19 situation compare to other countries?

In April 2021, Thailand had another infection outburst expectedly from entertainment clusters in Bangkok, linked to the new fast-spreading U.K. variant. The number of new cases escalated rapidly from 200 daily cases to over 2,000 in the span of two weeks during the Songkran festival, when Thais usually visit their family or make holiday travels. Strict measures have been reinstated in greater Bangkok.

Despite the new clusters, Thailand is ranked sixteenth in the region with 57,508 cumulative cases. Due to difference in population size across the globe, it is insightful to look at two important ratios: (1) total cases per one million population and (2) the number of deaths to the cumulative confirmed cases.

Generally, a low infection rate as indicated by total cases per population correlates with low population and isolated geographical attributes. Densely populated urban areas, such as Singapore, India, and Japan are prone to contagion. The number of confirmed cases also corresponds to the extent of proactive testing as seen from Singapore’s comprehensive testing on migrant workers following the dormitory cluster outbreaks. On the contrary, Laos, Vietnam, and Cambodia registered a low number of

cumulative cases due to limited testing carried out. Given a large population size of 70 million, Thailand’s infection and death rates are below regional averages, ahead of its ASEAN peers such as Indonesia, the Philippines, and Malaysia. However, the latest major outbreak yet again tests the government’s capability to keep the virus at bay and restart the economy in a timely manner.

COVID-19 Situation in Thailand vs. Asia Pacific Region as of April 2021

Thailand*	Asia Pacific
57,508 Total Cases	22.7 million Total Cases
69.9 million Population	3.978 billion Population
822 Cases per one million people	5,704 Cases per one million people
148 Deaths	294,480 Deaths
0.3% Death rate	1.3% Death rate

*Ranked 16th in APAC by the lowest total cases per million population

COVID-19 Impact on Thailand's Travel and Tourism Industry

Thailand's travel and tourism industry makes a significant contribution to its economy, setting a record of 40 million international tourists in 2019 and accounting for 60 percent of tourism receipts. In 2020, following flight suspension and travel restrictions, the country saw a dwindled number of foreign visitors at 6.7 million, a whopping drop of 83 percent, and a resulting shortfall of 1.9 trillion Baht in tourism revenues.

Statistics from the Ministry of Tourism and Sports revealed a plunge in hotel occupancy across the board in 2020. Overall, Thailand hotels experienced a substantial occupancy decrease of 41 percentage points while Bangkok's occupancy shortfall was even larger at 54 percentage points. Bangkok hotels benefitted to some extent from quarantined guests, local business and staycations. Hotels in fly-to destinations such as Phuket, Krabi, Phang Nga and Surat Thani severely suffered from a sharp drop in international visitations and recorded occupancy in the 20 percent range.

Meanwhile, destinations popular amongst Thais were less impacted. Their occupancies hovered in the 40 percent range. After the first lock-down was lifted, domestic demand was prevalent for road trips within a three-hour drive from Bangkok. Hotels in destinations, such as Pattaya, Hua Hin, Khao Yai and Kanchanaburi, saw healthy occupancies during weekends and public holidays.

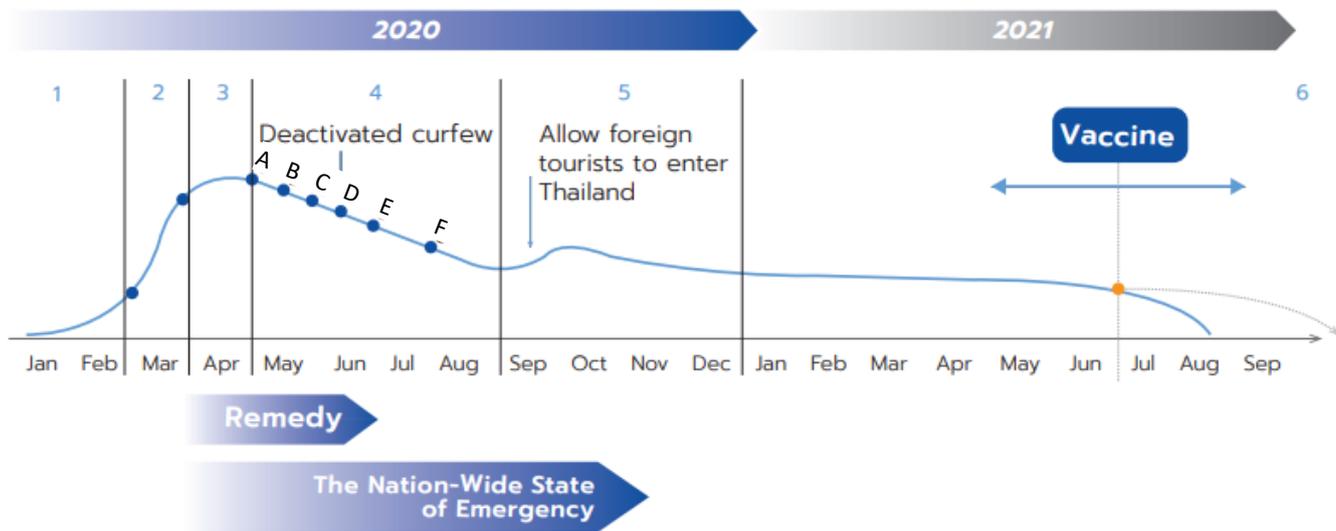
In the festive year-end season, domestic demand picked up as hotels rolled out attractive promotions on the back of the government travel subsidy campaign "Rao Tiew Duay Gun" or "We Travel Together" targeted at potential consumers in the middle-class to high-income segments who would have normally travelled overseas. Launched in July 2020, the campaign aims to support local businesses with up to 40 percent subsidy on hotels, attractions, tours, F&B, air ticket, and travel expenses. Due to the second and third waves of the pandemic in January and April 2021, the authorities are likely to extend the campaign to late 2021.

Thailand's Travel and Tourism Industry Performance

	2017	2018	2019	2020 (COVID)
International Visitors (Persons)	35,591,978	38,178,194	39,916,251	6,702,396
Increase/Decrease	-	2,586,216	1,738,057	-33,213,855
% Change	-	7%	5%	-83%
Total Tourism Receipts (In Million Baht)	2,470,744	2,752,919	2,727,904	792,534
Increase/Decrease	-	282,175	-25,015	-1,935,370
% Change	-	11%	-1%	-71%
Occupancy Rate at the Registered Accommodations (%)				
Thailand	68.9	70.9	70.1	29.5
Bangkok	79.4	81.2	82.2	28.2
Chonburi (including Pattaya)	77.6	79.4	80.4	29.0
Chiang Mai	73.9	76.0	74.3	41.8
Kanchanaburi	66.1	69.6	69.3	42.6
Krabi	67.5	69.4	68.5	18.6
Nakhon Ratchasima (including Khao Yai)	63.4	66.8	66.8	39.4
Phang Nga (including Khao Lak)	64.4	66.2	64.6	21.9
Phuket	75.2	75.7	75.3	19.5
Prachuap Khiri Khan (including Hua Hin)	64.9	66.8	64.4	35.7
Surat Thani (including Koh Samui)	70.4	72.5	68.2	20.0

Source: Thailand's Ministry of Tourism and Sports

Timeline of the COVID-19 situation in Thailand and response relating to tourism



Source: Thailand's Center of COVID-19 Situation Administration (CCSA) and Ministry of Tourism and Sports

A summary of the authorities' response to the COVID-19 pandemic relating to Thailand's tourism landscape:

- Phase 1 (Jan- Feb 2020):** In January, the first COVID case was detected in Thailand. The World Health Organization (WHO) issued official alerts of COVID-19 in February.
- Phase 2 (Mar 2020):** Thailand had the first mass infections in Bangkok from a Lumpini Boxing event. COVID-19 was escalated as a pandemic by WHO. The Thai government enforced partial international travel restrictions and the State of Emergency nationwide to curb the spread from March 26. Schools, entertainment venues, and mass gatherings were prohibited.
- Phase 3 (Apr 2020):** Temporary restriction of all flights entering Thailand was announced. Tightening measures including a curfew from 10pm to 4am, and a ban of group gathering activities was imposed.
- Phase 4 (May- Aug 2020):** Easing of lock-down measures was announced in phases:
 - 1 May - Domestic flights at 14 airports to resume
 - 3 May - Markets, restaurants, and some businesses allowed to open
 - June - Inter-provincial travel, resumption of theaters, stadiums, seminars, concerts under stipulated conditions, and allowance of alcohol consumption in restaurants
 - July - Opening of schools, bars, pubs, karaoke lounges, bathhouses, game arcades, and convenient stores
 - July - Allowance of aircrafts departing from and entering into Thailand under special conditions
 - August - School classes to fully resume
- Phase 5 (Sep-Dec 2020):** In September, the Prime Minister announced the qualifications of specific groups of foreign visitors to Thailand, the protocol of Special Tourist Visa (STV) and mandatory state quarantine requirements. In October, Oxford selected Thailand as the COVID-19 AstraZeneca vaccine production base for ASEAN.
- Phase 6 (Q2 2021):** Vaccine procurement and vaccination roll-out program



Thailand Hotel Market

Many people are wondering when the Thailand hotel market will revive and how long it will take to return to normalcy. There are talks about the country's re-opening and vaccination roll-out plans, but several factors come into play when a market outlook is forecasted.

Will the government be successful in meeting a proposed timeline to lift the country out of slump? And what challenges could derail the targets? Let's take a look at the positive contributing factors as well as the negative factors posed as challenges to the market recovery.

The table below summarizes a SWOT analysis of Thailand as a destination and its competitiveness relative to other destinations in the region. Some bullet points will be described in greater detail for the benefits of readers.

Strength

- One-stop destination catering to many business segments with multiple popular attractions
- Good value for money and hospitality services
- Repeat visitors from established reputation
- Strong public healthcare ©
- Ability to control COVID outbreak ©
- Southeast Asian manufacturing base for AstraZeneca vaccine ©

Weakness

- High reliance on the China market
- Price-cutting common for Thai hotels
- Inadequate infrastructure and tourism management
- Competition among domestic destinations and from regional destinations
- Changing directives from the government in coping with COVID situation ©
- Loose collaboration between public and private sectors and ambiguous communication with key stakeholders on re-opening and recovery plans ©

Opportunities

- Re-opening priority ©
- Pent-up travel demand ©
- Vaccination progress in key source markets ©
- New demand generators such as the expansion of Queen Sirikit National Convention Centre (QSNCC)
- Responsible tourism and increased spending
- Labor efficiency and work productivity

Threats

- Subsequent outbreaks ©
- Slow vaccine roll-out plan ©
- Vaccine effectiveness ©
- Border re-opening implementation challenges ©
- Corporate demand affected by tightening budget
- Over-tourism and over-development
- Political instability

Note: © stands for COVID-19 related factors

Strengths/Opportunities

Re-Opening Priority

Spearheaded by the private sector, Thailand has mapped out a re-opening roadmap and communicated with key stakeholders, business partners and consumers around the world.

The first recovery phase attempts to relax quarantine requirements in six major tourism provinces - Phuket, Krabi, Phang Nga, Surat Thani (Koh Samui), Chonburi (Pattaya) and Chiang Mai. Except for visitors from high-risk countries with mutated strains, a mandatory quarantine period is cut down to 7 days for travelers completing the approved vaccination and 10 days for those not vaccinated. Quarantined visitors can engage in leisure activities on site after the first negative swab test result.

The second phase dubbed the Sandbox Pilot program will make Phuket the first destination in Thailand to eliminate the quarantine for vaccinated foreign visitors. However, travelers will need to complete a 7-day stay in Phuket before traveling elsewhere in Thailand. The re-opening timeline is contingent upon the completion of the herd immunity target to inoculate at least 70 percent of the population on the island.

In the third phase, the Sandbox program will be extended to priority destinations - Krabi, Phang Nga, Surat Thani (Koh Samui), Chonburi (Pattaya), Buriram, Petchburi, Prachuap Khiri Khan, and Chiang Mai beyond Bangkok and Phuket. Thailand hopes to host various international events such as the international Grand Prix motorcycle racing or MotoGP in Buriram (October) and the 2021 World Mountain & Trail Running Championships in Chiang Mai (November). The government is optimistic to see the vaccinated international tourists return by the end of 2021.

Pent-up Travel Demand

Demand has been building up from high-income individuals who are not affected by COVID-19 and have been accumulating wealth while seeking high-end and/or meaningful leisure travel. Strong economies less dependent on inbound tourism have a great potential to fast-track recovery and become good demand sources, such as China, U.S., Germany, Russia and South Korea. Similarly, it is expected that essential corporate travel interrupted by COVID-19 could promptly resume once the border reopens. Thailand can potentially win over a strong demand rebound if other regional destinations are slower to achieve herd immunity and lift border restrictions.

Thailand Tourism's Re-Opening Plan as of May 2021

Phase 1: Quarter 2 April - June 2021	Phase 2: Quarter 3 July - September 2021	Phase 3: Quarter 4 October - December 2021	Re-Opening: 2022 January 2022 onwards
Relaxed Hotel Quarantine	Sandbox Pilot (Phuket)	Sandbox Extension (10 provinces)	Self-Quarantine
To increase public awareness and boost leisure demand	To prepare the readiness of re-opening plan within the safe zones	To gradually extend the re-opening to other major destinations	To fully re-open the country to eligible source markets
Shorten quarantine period from 14 days to 7-10 days, except for high-risk countries	No quarantine for vaccinated travelers in Phuket	No quarantine for vaccinated travelers in 10 destinations - Bangkok, Phuket, Krabi, Phang Nga, Surat Thani (Koh Samui), Chonburi (Pattaya), Buriram, Petchburi, Prachuap Khiri Khan and Chiang Mai	No quarantine for eligible foreign visitors with necessary travel documents and vaccination certificate
Leisure activities such as fitness, swimming, cycling, are allowed in hotel facilities	Travelers spend 7 days in designated areas of Phuket before visiting other destinations in Thailand	Travelers spend 7 days in designated areas of the above destinations before visiting other parts of Thailand	At most, one-day quarantine until the COVID-test result is out
Apply to six popular destinations - Phuket, Krabi, Phang Nga, Koh Samui, Chonburi (Pattaya) and Chiang Mai	They need advance travel arrangements and the tracing application	They need advance travel arrangements and the tracing application	Lift travel restrictions for all provinces across Thailand

Source: Tourism Authority of Thailand as of 7 May 2021

Vaccination Progress in Thailand’s Key Source Markets

60 percent of the top fifteen international source markets for Thailand travel and tourism demand are likely to complete mass vaccination programs by the end of 2022.

The table lists vaccine progress of top source markets which constitute 80 percent of total international visitor arrivals. The ranking is based on multiple sources of information cited below the table, including the vaccine rollout forecast and the vaccine procurement tracker. Due to an early start and a fast pace of vaccination, coupled with a large stock of vaccines, the United Kingdom and the United States are among the first group of nations to complete an immunization program by the end of 2021, together with Singapore, Hong Kong, and Germany.

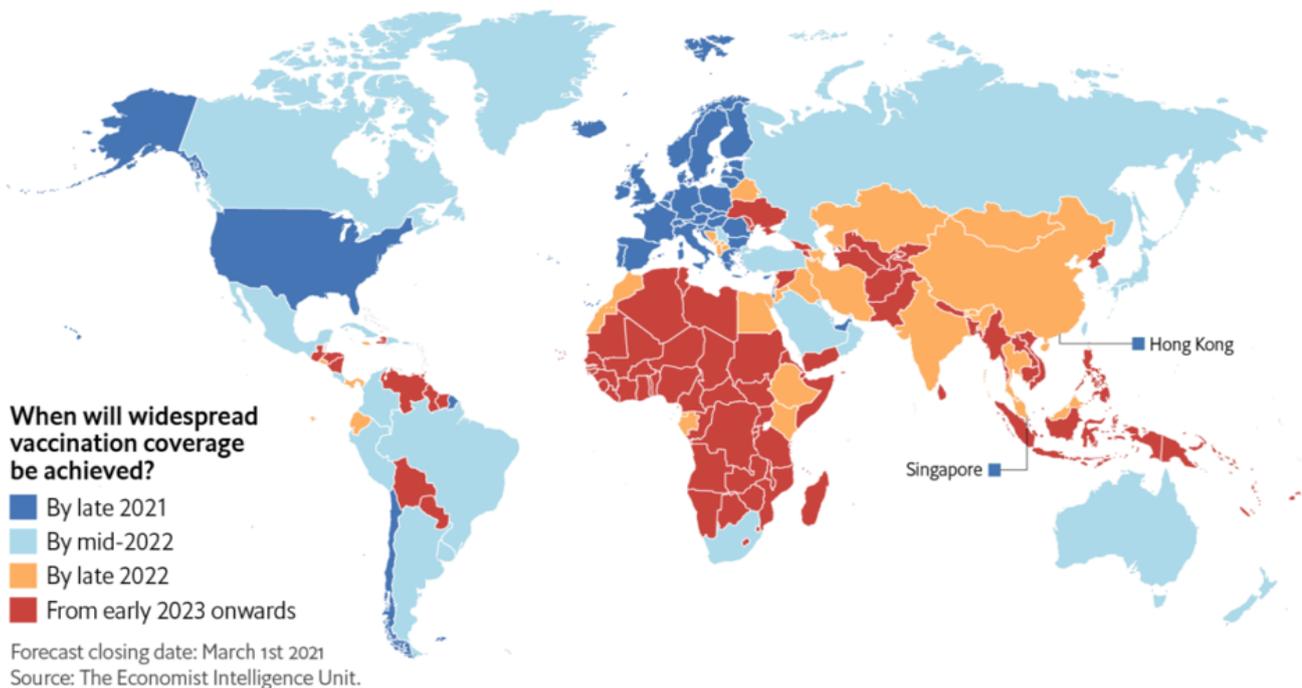
South Korea, Japan, Russia, and Australia are forecasted to be in the second group to complete vaccination by mid-2022. Russia is one of the major vaccine suppliers of Sputnik and is ramping up the production. China, as Thailand’s biggest single source market, is placed in the same category as India. Even though both countries are the main vaccine suppliers, the inoculation program is likely to take most of 2022 due to their sheer population size.

Placed in the last group to achieve herd immunity after 2022 are the neighbors of Thailand. Malaysia, Laos, Vietnam, and Cambodia take part in the global aid called the COVAX program to ensure vaccine availability.

Vaccine Progress Forecast	Thailand’s International Source Market	% of Total International Arrivals	Source Market Ranking	% of Population Covered by Vaccine Purchases
Group 1 Late 2021	Singapore	3%	8	Not disclosed
	USA	3%	9	200%
	United Kingdom	3%	11	364%
	Hong Kong	3%	12	100%
	Germany	2%	14	234%
Group 2 Mid 2022	Korea	5%	3	128%
	Japan	4%	5	124%
	Russia	4%	7	55%
	Australia	2%	15	285%
Group 3 Late 2022	China	28%	1	16%
	India	4%	6	85%
Group 4 After 2023	Malaysia	10%	2	114%
	Laos	5%	4	11%
	Vietnam	3%	10	41%
	Cambodia	2%	13	10%

Sources: The Economist Intelligence Unit’s vaccine progress forecast as of 1 March 2021, Thailand’s Ministry of Tourism & Sports, Duke Global Health Innovation Center as of 23 April 2021, and Bloomberg’s vaccine procurement tracker as of 31 March 2021

Global Vaccine Rollout Forecast



Weaknesses/Threats

Subsequent Outbreaks

Up to now, the world has faced difficulty in containing virus outbreaks without a use of vaccines, and many countries have adopted a stop-and-go approach when dealing with lockdowns and travel restrictions. By the same token, Thailand has been through the second wave in early 2021 and the ongoing third wave appears to be the worst outburst. The upsurge in new cases are expectedly local transmissions without sources of infection traceable. It will put pressure on medical facilities and resources, in turn jeopardizing the re-opening plan to revive tourism as the government has brought back strict measures.

Slow Vaccine Roll-out Plan

The rise in the infection numbers in April brings the attention on Thailand's vaccination issues: insufficient vaccine procurement, unclear vaccine roll-out plan and slow progress. Only 0.3 percent of the Thai population is fully vaccinated and 1.75 percent received at least one dose of vaccine.

The vaccination drive lags behind neighboring countries such as Cambodia (7.8%), Indonesia (4.3%) and Malaysia (2.5%). Singapore leads the region in the vaccination program with 23.3%. These percentages represent a share of total population receiving at least one vaccine dose collated by Our World in Data as of April 2021. While the total number of doses administered does not equate to the total number of people vaccinated (depending on a single or double-dose vaccine regime), the metric is used as a vaccination progress tracker.

As of April, Thailand has received 2.1 million vaccines through direct contacts with Sinovac and AstraZeneca manufacturers:

- The first arrival of 317,000 Sinovac and AstraZeneca on 24 February.
- The second lot of 800,000 Sinovac vaccines on 20 March.
- The latest delivery of 1 million Sinovac on 11 April.

Much anticipation of the mass arrival will be from the locally produced AstraZeneca totaling to 61 million doses. AstraZeneca's local contracted manufacturing partner, Siam Bioscience is confident to deliver 26 million doses in August on schedule and a further 35 million batch between September to December. However, the country would need additional 35 million doses to reach the 70 percent herd immunity goal. To address the supply risk, the authorities agreed to allow private hospitals to procure alternative vaccines, potentially Moderna and Sinopharm.

Thailand's vaccine distribution appears reactive while leading countries in the vaccine drive follow a methodological order by priority or age group. The first lot was spread out to nine provinces with the highest infection rates (Samutsakhon, Bangkok, Pathumthani, Nonthaburi, Samutprakan, Nakhon Pathom, Samut Songkram, Ratchaburi, and Tak) and four for economic significance (Chonburi, Phuket, Surat Thani, and Chiang Mai). Priority groups were medical and health personnel in frequent contact with infected people, seniors aged 60 and above, and people with chronic diseases.

The second lot was given as a priority to tourism-related workers, diplomats, and workers in the service and industrial sectors amidst the hopeful country restart plan. Due to the unprecedented outbreak, the majority of the latest 1 million batch initially allocated for tourism workers in Phuket to pilot the Sandbox program will likely be shifted to medical workers nationwide.

With the fast-spreading infection, people are raising questions on the speed of the inoculation drive such as vaccine delivery timeline, target groups, and distribution plan. A concrete roll-out plan for the second phase is yet to be confirmed beside an ambitious target to inoculate 30 million jabs across all 77 provinces by August.

Vaccine Effectiveness

A vaccination program brings up questions on vaccines' safety such as the effectiveness to protect against the original and new variants and possible short and long-term side effects given how fast vaccines are released from clinical trials. Concerns over the approved vaccines' safety and efficacy remain and can cause hesitation among the local population, but the authorities placate the worries stating that severe side effects and deaths are rare. Medical professionals stress the benefits of the vaccines preventing severe illness outweigh potential risks.

More importantly, there are a few occurrences of fully vaccinated people contracting COVID-19. The vaccines are effective in preventing infection and mitigating disease severity, but none warrant 100 percent full protection. Preliminary studies compare various COVID-19 vaccines as the table below shows.

Company	Origin	Doses	Efficacy	Authorized for use by Thai FDA	Vaccine Type
Pfizer-BioNTech	US-Germany	2	95%	-	RNA
Moderna	US	2	94.5%	May 13, 2021	RNA
Sputnik V	Russia	2	92%	-	Viral vector
Novavax	US	2	89.7%	-	Protein-based
Covaxin	India	2	81%	-	Inactivated virus
Sinopharm	China	2	79%	-	Inactivated virus
AstraZeneca	UK	2	62-90%	Jan. 20, 2021	Viral vector
Sinovac	China	2	51-84%	Feb. 22, 2021	Inactivated virus
Johnson & Johnson	US	1	66%	Mar. 25, 2021	Viral vector
Convidecia	China	1	65.3%	-	Viral vector

Based on the trials and preliminary results, Pfizer and Moderna using the RNA technology claim to have the highest efficacy rate of 95 percent. Three out of the four vaccines authorized by the Thai FDA - Sinovac, AstraZeneca, and Johnson & Johnson are said to have lower prevention rates ranging from 50 to 90 percent, varying in tested countries.

The use of Indian Covaxin, Russian Sputnik V, American Novavax, and Chinese Sinopharm and Convidecia is not widespread subject to final testing and verification. Amidst the uncertainties and mutations of COVID-19 spread, the government is evaluating alternative brands available for use, not limited to the three authorized brands.

Border Re-opening Implementation Challenges

The border re-opening is reliant on reciprocal loosening of travel restrictions by source and destination countries. It is anticipated travel to any destination without herd immunity will continue to be subject to ongoing travel restrictions until infection levels are controlled and/or vaccination rollout plans have gained traction.

First movers on a mass vaccination program have already spent a significant amount of time and resources in containing the spread and rebuilding the domestic economy; therefore, will likely be more protective of their success and avoid contracting a new variant. A sentiment toward nationalism will be particularly evident among countries less dependent on inbound tourism.

Previously, the government was hoping to bring some visitors back during the typical winter and holiday season. The outcomes were unsatisfactory as travel bubbles were not easy to implement in the face of potential resurgences. Going forward, even though more and more countries are likely to proceed in lifting border controls upon reaching the mass inoculation targets, a lead time is expected before the world is ready for unrestricted cross-border travel.

When vaccine passports are accepted as a pre-requisite, questions on the implementation still need to be discussed. Bilateral agreements or a universal framework on international travel need to be reached such as a list of approved vaccines, necessary travel documents and verification process, safety tracing and traveler and operator compliance to health and safety measures.

Thailand Hotel Market Outlook

Taking into consideration market fundamentals, trends, assumptions, and limitations, Horwath HTL forecasts a hotel market outlook for Bangkok and Phuket to exemplify a recovery journey for both major urban and resort destinations in Thailand. It is worth noting the trends below highlight indicative market performance rather than exhaustive market representation.

Assumptions

Global widespread vaccination coverage will stay on track as per the EIU's latest vaccine roll-out forecast. Uncertainty in developing countries (with expected herd immunity from 2023 onwards) will not pose serious threats to the recovery.

Recovery pace of Thailand, particularly Phuket, is highly subject to a successful launch of the relaxed quarantine requirements and the Phuket Sandbox Pilot scheme. Based on the current situation, the lifting of all border restrictions seems less probable in the 2021/2022 holiday travel season.

Our projections further assume there will be no negative impacts from political protests and related fallout.

Bangkok

Globally recognized as a top travel destination, Bangkok attracts leisure travellers from all over the world and is one of the regional economic centres with infrastructure and commercial developments that generate solid corporate demand. Every year, the market welcomes new hotels, both branded and non-branded. ADR has always been relatively soft as a result of stiff competition led by independent properties. However, Bangkok has proven to be resilient and able to recover soundly from major downturns, whether caused by political turmoil or natural disasters.

Recovery Forecast

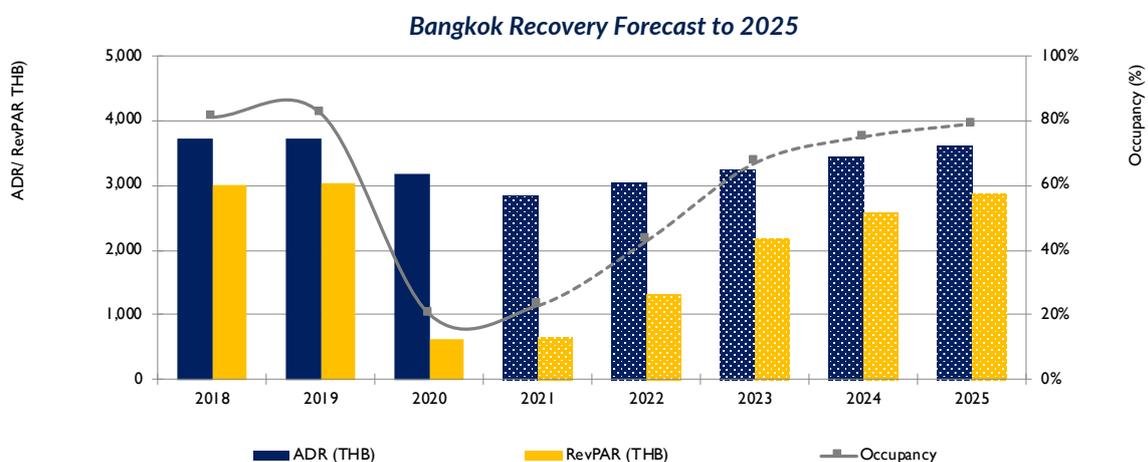
Recovery for the Bangkok hotel market is likely to be in a V-like shape, driven by strong international demand rebound beginning in the second half of 2022 following mass immunizations of key source markets and Thailand's easing of quarantine rules. However, RevPAR is unlikely to return to the pre-COVID level by 2025 due to slow ADR recovery from hefty discounts during the COVID years, coupled with the continued supply pressure.

In 2021, recovery pace is projected to be slow. Demand is rather limited across all segments, largely from quarantine business and domestic travel. In 2022, some demand rebound is expected in the second half from key regional markets such as Singapore, Hong Kong, Japan and South Korea, following Thailand's re-opening attempts in stages.

Without a seasonality impact and relatively diversified demand sources, Bangkok is likely to experience a stronger pickup than Phuket. From 2023 onwards, Bangkok is expected to see an upturn after fully lifting border controls and obtaining a reciprocal agreement with most key source markets, especially China. Growth will also be boosted by the re-opening of QSNCC with expanded space and upgraded facilities. Nonetheless, an early phase of rebound is predicted to be dampened by corporate budget tightening.

Limitations

The representative hotel set used for this forecast, is comprised primarily of international branded hotels (ranging from midscale to luxury properties) in the areas where a critical mass of hotels are located, specifically Siam/ Ploenchit and Inner to Mid Sukhumvit.



Note: ADR = Average Daily Rate, RevPAR = Revenue per Available Room

Phuket

Phuket is famous for white-sand beaches and vibrant nightlife. It has enhanced its appeal to a broader base of vacationers with lifestyle offerings such as a burgeoning local culinary scene, Sino-Portuguese architecture in Phuket Town, diverse shopping experiences, and recreational activities. The island has shifted from seasonal long-haul markets dominated by Europeans and Australians to mass markets owing to significant volumes of tourists from China and Russia. Phuket has been intensely developed and, with numerous hotels in the pipeline, there have been concerns about the oversupply and the overdevelopment of the island. On many occasions, Phuket has shown its resilience, fully recovering from the Tsunami after three years, and mostly shielded from the political incidents in Bangkok due to isolated location and direct flight connectivity with many cities.

Recovery Forecast

The recovery for Phuket will not be as fast as Bangkok’s journey, forming more of a U shape, due to higher dependency on long-haul foreign visitors and Chinese tourists. The island is also burdened with a large supply pipeline through 2025, not to mention several openings prior to the pandemic that have not yet been fully absorbed. The market’s RevPAR is anticipated to return to the 2019 level by 2025 but remain below the 2018 peak. Phuket witnessed softer performance in 2019 mainly due to a reduction in Chinese visitors after a boat capsizing incident, Thai Baht appreciation, and economic volatility resulting from China-US tension.

In 2021, RevPAR will decline year-on-year due to the previous year’s first-quarter pre-COVID high-season result.

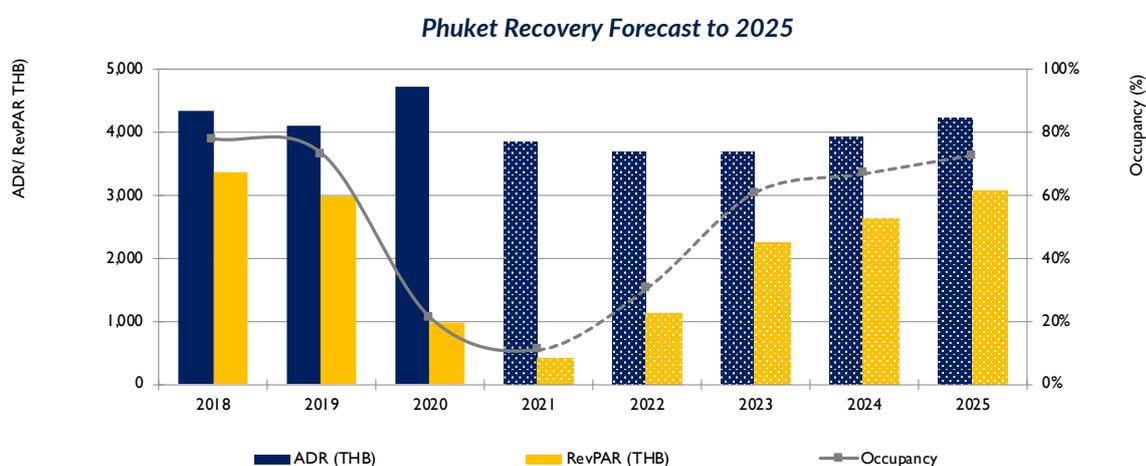
The Phuket re-opening scheme could face challenges from the third wave of COVID-19. A prolonged lack of international demand will cause some hotels to remain closed, either partially or fully. In 2022, recovery will start gradually with key source markets having achieved widespread vaccination coverage: Europe, Australia, North America, Singapore, Hong Kong, Japan and South Korea. However, Phuket is expected to benefit largely outside of the monsoon season.

2023 is forecasted to be a turnaround year with an occupancy jump to the 60 percent level, supported by significant demand growth from most key source markets, particularly China. From 2024 onwards, the market occupancy will continue to recover on the back of robust demand. New internationally branded resorts are likely to induce FIT demand as well. However, occupancy is not expected to return to the 2018 level by 2025 due to intense competition among mid-market products, and slow ramp-up of new world-class luxury resorts.

With respect to rate performance, ADR in 2025 will fall short of the 2018 level. New high-profile top-tier projects, with impressive premium products like villas and/or multiple-bedroom suites are expected to enhance the market rate. Nonetheless, ADR recovery will be weakened by a foreseeable price war among mid-market hotels and alternative accommodations.

Limitations

The representative hotel set used for this forecast is primarily comprised of international branded hotels (ranging from midscale to luxury properties) in main tourist areas (beaches) on the western side of Phuket, which better represent the established Phuket hotel market.



Note: ADR = Average Daily Rate, RevPAR = Revenue per Available Room

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