

Bangkok Luxury Hotel Market End of 2019

Phoenix Property Development and Consultancy Co., Ltd.



"Bangkok Luxury Hotel was affected by some negative factors."

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Managing Partner

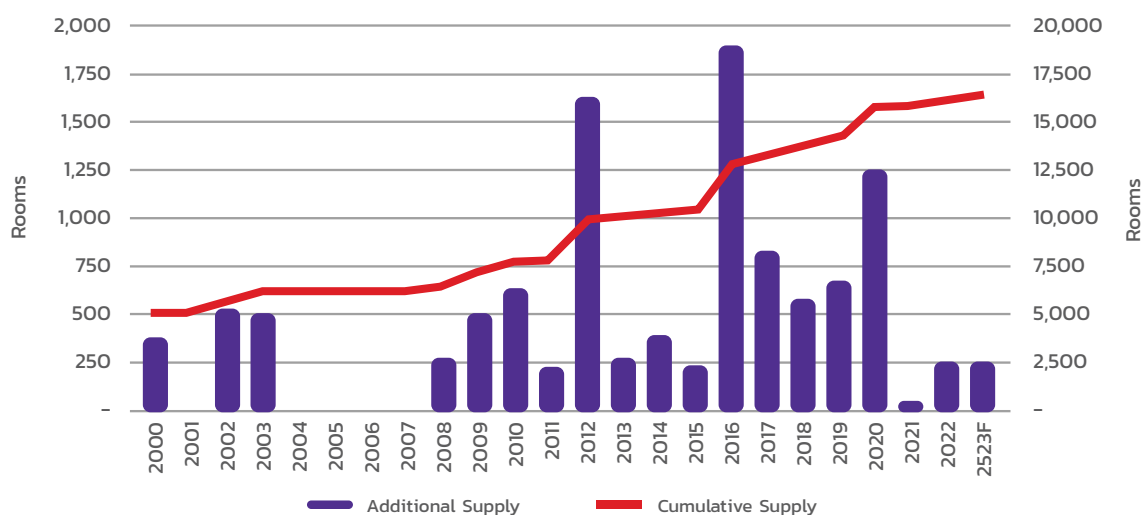


Bangkok luxury market was affected by the political crisis and some negative factors during the past years. Many hotel developers and owners are decided to

develop lower luxury hotel that is suitable for customer groups or groups of foreign tourists.

Supply

Cumulative Luxury Hotel and New Luxury Hotel by Year

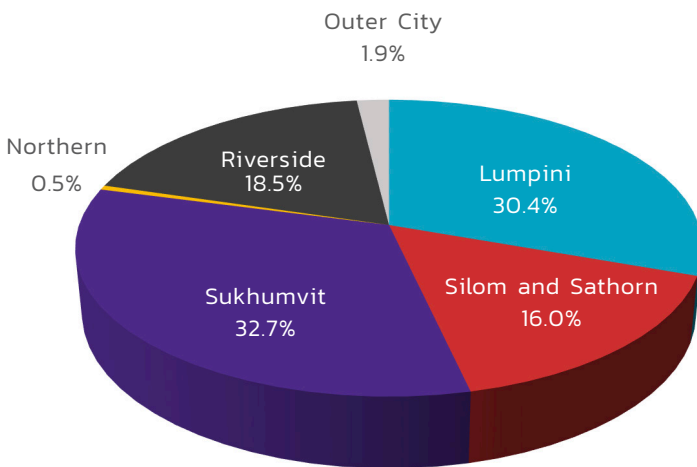


Source: Phoenix Property Development and Consultancy

The total number of rooms in Luxury hotels in Bangkok at the end of 2019 was approximately 14,489. Since 2012, the luxury hotel market had seen more movement from the addition of 815 new rooms on average per year. While in the period between 1983 – 2011, there were 237 rooms added per year. The skyrocketing figures show that many operators or developers have been interested in the development of hotel projects at a greater level than in the past years.

The luxury hotel market in the future is likely to decline, because of the “Sharing Economy System” and new accommodation types which is totally different from the hotel system in the past. In addition, groups of tourists traveling independently have increased in recent years. This group of tourists does not like to stay in luxury hotels but choose to stay in a lower-priced hotel that is much cheaper and more convenience.

Bangkok Luxury Hotel By Location



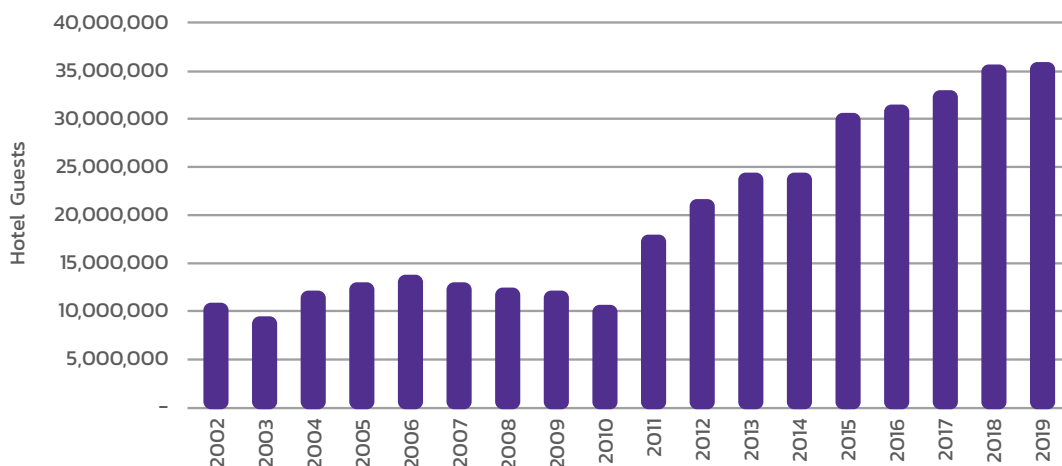
Source: Phoenix Property Development and Consultancy

Over the past 20 years, the area along the Chao Phraya River is a location that is popular for many luxury hotels. But in the past many years, the area along the Sukhumvit Road and the area around Lumpini Park has become more popular area for luxury hotels because it is close to sky train stations and subway routes. In addition, most businessmen and investors choose to stay in the luxury hotels in Bangkok CBD area that is close to sky train and subway lines, especially hotels along Sukhumvit Road.

The number of luxury hotels around Lumpini Park area will increase in the future. This was due to many large-scale mixed-use projects in the area and luxury hotel as a part of the project. Therefore, number of luxury hotels in the area around Lumpini Park will be dramatically increased.

Demand

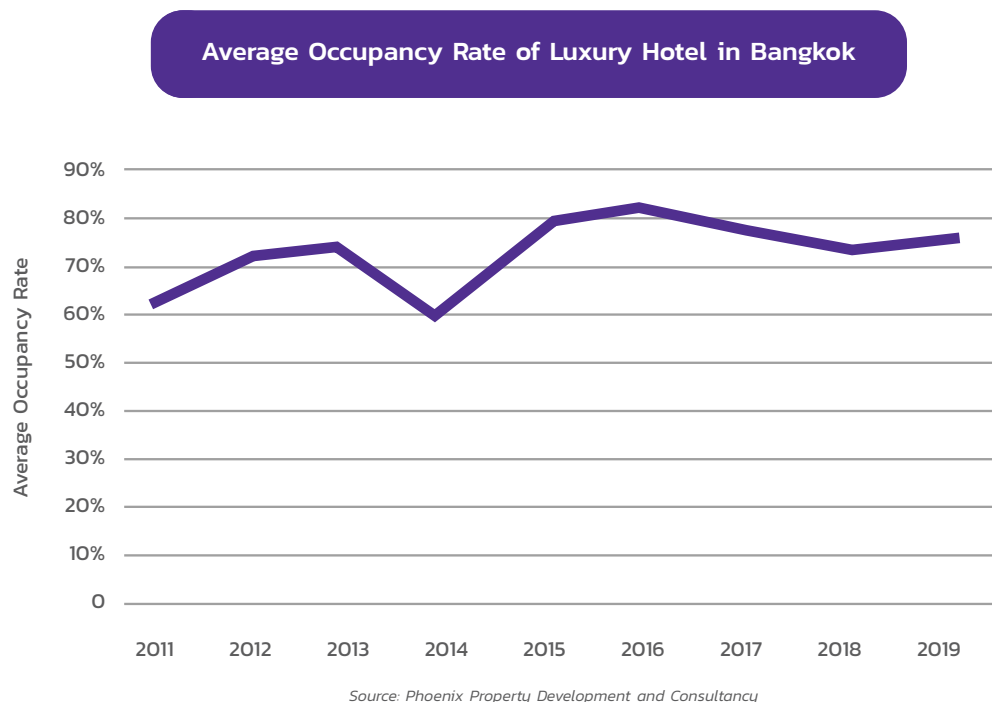
Total accommodation establishment in Bangkok per year



Source: Ministry of Tourism and Sports

Total tourists who stayed in hotel in Bangkok are more than 35 million people per year from 2018 onwards. The number of tourists, both Thai and foreigners who stayed at hotels in Bangkok had been increasing. The reasons are because Bangkok is a gateway for all foreign tourists who want to go to other provinces around Thailand or other countries which are located around Thailand. Also, Bangkok is the central of Thailand in

term of business and economic as well investment. Thus, a lot of foreign and Thai tourists and businessmen choose to stay in the hotel in Bangkok. Total tourists in Bangkok are expected to increase every year. However, Covid-19 is the big negative factor which directly affect tourism and hotel market. Chinese tourists were dramatically decreased from the end of last year, because they are cannot leave China.



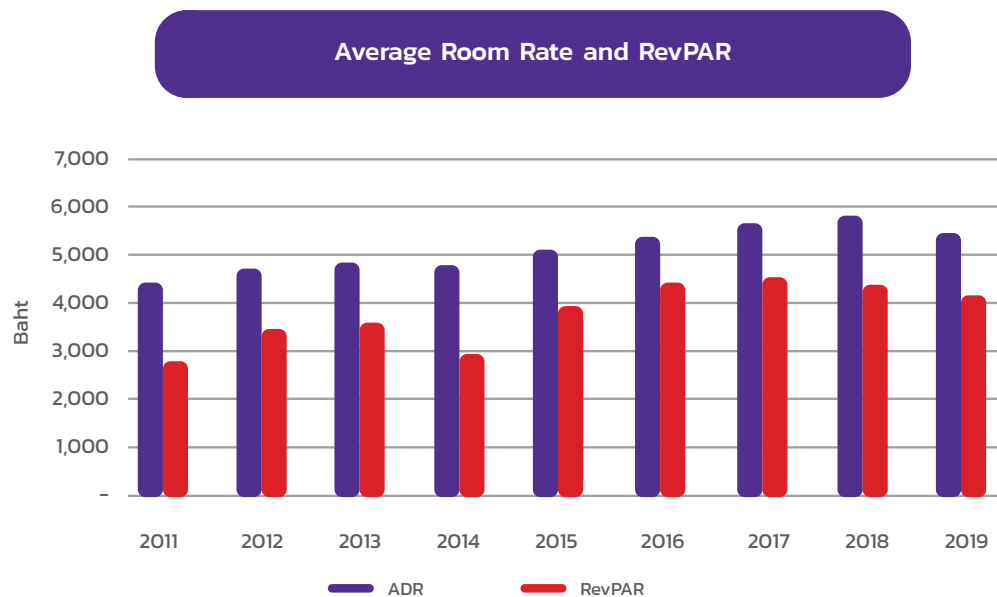
The average occupancy rate of luxury hotels in Bangkok is not very high, if compared to other hotels grade. Because the room rates are 50-100% higher or more compared to other hotel grade. Therefore, luxury hotels may not be the first option for foreign tourists. Because they will choose hotels by considering the hotel location and safety rather than the reputation of the hotel.

Average occupancy rate of luxury hotels in Bangkok in 2019 was approximately 76%, slightly increased from 2018 by 3%. The average occupancy rate of luxury hotels in Bangkok is still lower than the average occupancy of all hotel grade which is around 82%. All hotel that

are lower than luxury grade has higher occupancy rate than luxury hotel because of the lower room rate.

Covid-19, which the ending is unknown, has major impact on the hotels in the all areas over the country, especially hotels that mainly focus on Chinese tourists. Most of Chinese tourists cannot come to Thailand, a huge number of Chinese tourists and group tours were canceled. As a result, many hotels are requiring their staff to rest or work less to save operation cost. If this situation is continuing to April or May, it is expected to have a severe impact on the hotel and tourism market in Thailand.

Room Rate



The average hotel rates of luxury hotels have not increased significantly in past many years. Because Thailand has many unstable situations, especially the political problem and flooded in 2011. Although from the year 2011 onwards, hotel room rates of luxury hotels in Bangkok has increase continuously, but the percentage increased was at 3% per year. The figure is contrary to the number of tourists staying in hotels in Bangkok, which continually increased at a rate of about 12% per year.

The average room rate in Bangkok as of 2019 may be slightly lower than the previous year. Many factors had an impact on the hotel market, especially the issue of the baht appreciation compared to various currencies. Therefore, tourists from many countries choose to stay in a hotel that is cheaper to save travel cost and many luxury hotels choose to reduce their room rates.

Summary

- > Luxury hotels are likely to decline in the future.
- > The area along the sky train route is more popular location for luxury hotel.
- > Hotel room rates of this level have not increased much.
- > Many factors from outside the country affect the hotel market in 2020.
- > Dependence on Chinese tourists mainly in the past are not a good resolve.



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