

# LUXURY HOTEL OPERATORS RELY ON DOMESTIC TOURISTS AS OCCUPANCY RATES AND ADR CONTINUE TO FALL

1H 2021



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## Summary & recommendations

“As a result of the impact of COVID-19 on travel, the demand for rooms continues to decline. Foreign tourists arriving in Thailand during the first six months of 2021 totalled only 40,447, a decrease of more than 99.40% y-o-y. Luxury Hotel operators are reliant on domestic tourists and offer special discounts.

The overall supply of luxury hotels in Bangkok in 1H 2021 remained stable at approximately 12,943 rooms. No new luxury hotels have been launched during 1H 2021. Most hotel operators postponed their launch from the first half of last year. The hotel operators may continue to postpone new launch plans as the future of international travel remains in question.

Colliers Thailand forecasts the luxury hotel business in 2H 2021 will continue to decline. However, if the government proceeds to procure vaccines and drive more comprehensive vaccination plans, then this may result in an increase of both domestic and international travel to Thailand. Perhaps luxury hotels will be able to resume management as planned by operators.”



**Demand**

The number of foreign tourists arriving in Thailand during the first six months of 2021 totalled only 40,447, a decrease of more than 99.40% y-o-y. Europe accounted for 42.30% of the arrivals, followed by East Asia which was accounted for 29.88% and the United States at 16.3%. Only 7.39% were tourists from China. Given the tourism industry’s heavy reliance on Chinese tourists in the past, Colliers predicts the tourism sector may not fully recover until Chinese tourists are able to return to China without quarantine.



**Supply**

The overall supply of luxury hotels in Bangkok in 1H 2021 remained approximately 12,943 rooms. There was no new launch of the luxury hotel in 1H 2021. However it was found that there were 3 Upscale and mid-scale launched in 1H 2021 totalling 371 rooms, namely Maitria Hotel Rama 9 Bangkok - A Chatrium Collection and The Quarter Silom Hotel by UHG. Another hotel is Oakwood Hotel and Residence Bangkok which is located in the heart of Sathorn area. This hotel has been renovated from Astera Sathorn Hotel consisting of 142 rooms.



**Occupancy**

Average occupancy rate of luxury hotels in Bangkok in 1H 2021 was approximately 18.0%, a 10.0% drop from the average occupancy rate in 2H 2020. Only hotels participating as hospitals have a stable occupancy rate of approximately 30%, which is considered a relatively high occupancy rate at this time.



**ADR**

As of 1H 2021, the ADR of luxury hotels continued to decline to approximately THB3,264, a decrease of approximately 15% from 2H 2020. This is the impact from the discounts for domestic customers.

## A DECREASE IN DEMAND CAUSED OPERATORS TO DELAY THE LAUNCH OF NEW PROJECTS

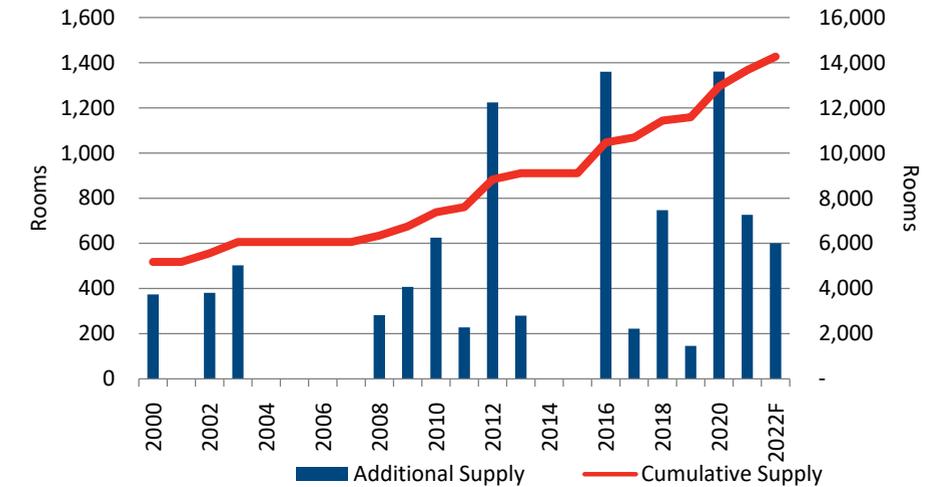
Overall, the supply of luxury hotels in Bangkok as of 1H 2021 remained stable at approximately 12,943 rooms. There were no new luxury hotels launched in the Bangkok area during 1H 2021. However, there were new upscale and mid-scale hotels launched in 1H 2021. Maitria Hotel Rama 9 Bangkok - A Chatrium Collection on Rama 9 Road launched in March and consisted of 230 rooms. The Quarter Silom Hotel by UHG, developed by Urban Hospitality Group, consists of 141 rooms. Lastly, Oakwood Hotel and Residence Bangkok, located in the heart of Sathorn area was renovated from Astera Sathorn Hotel, and consists of 142 rooms.

Looking forward, there are luxury hotels in Bangkok currently under construction totaling 726 rooms expected to be launched in 2H 2021 and another 600 rooms to be launched in 2022. Keeping in mind, there were 2 luxury hotels in Bangkok with about 423 rooms postponed and Colliers expects this trend to continue to some degree. Hotel operators may continue to postpone new launch plans until the current COVID-19 situation improves.

Due to COVID- 19, luxury hotel operators are unable to rely on foreign tourists and many hotels opted to close temporarily. Some hotels have announced permanent closures and even sales. However, some have adapted with unique strategies such as renting rooms for state quarantine, monthly room rentals, or creating a new package geared towards domestic tourists.

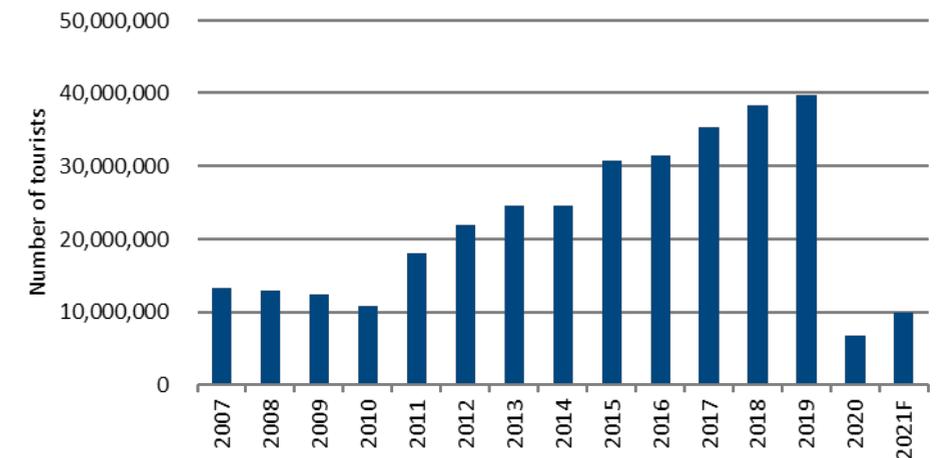
1H 2021 has remained a very challenging and difficult period for the Thai tourism sector. The number of foreign tourists dropped more than expected. The number of foreign tourists arriving in Thailand during the first six months of 2021 was only 40,447, a 99.40% drop y-o-y. The number of foreign tourists arriving in Thailand each month was 5,741-8,529 people per month. Approximately 42.30% of the arrivals were from Europe, followed by East Asia which was accounted for 29.88% and the United States at 16.3%. Only 7.39% were tourists from China.

Cumulative and Future Supply as of 1H 2021



Source: Research and Communication, Colliers Thailand

Guest arrivals at accommodation establishments in Thailand by year



Research and Communication, Colliers Thailand

## AVERAGE OCCUPANCY RATE AND ADR CONTINUED TO DECLINE

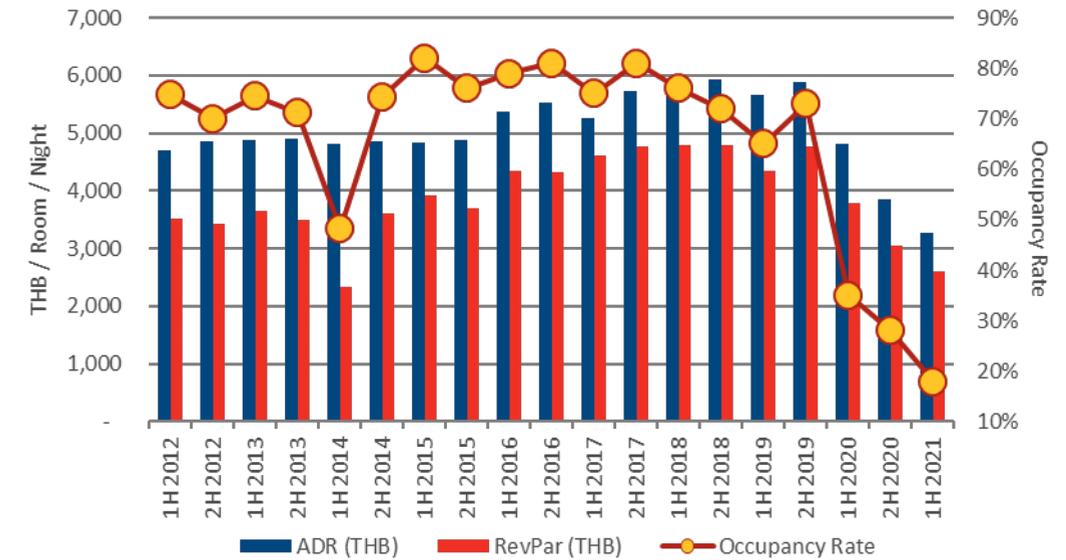
Average occupancy rate of luxury hotels in Bangkok as of 1H 2021 was approximately 18%, a 10% drop from the average occupancy rates in 2H 2020. The average occupancy rate in Thailand in January was 10.64% and rose in February to 18.74% and in March to 23.21%. In April, occupancy began to decline again when the Covid-19 outbreak spread across many provinces. Average occupancy rates dropped to 16.22% in April and continued to decline in May at 6.97% and in June at 7.89%.

The Research and Communications department from Colliers Thailand forecasts that average occupancy rates of all hotels in Thailand in 2H 2021 will remain similar or slightly weakened due to the Covid-19 epidemic. As a result, the government has extended the period of announcement of the Emergency Decree for another 2 months in all areas throughout the country from August 1st. The policies are devised based on principles of restricting movement of people and preventing grouping which has a dramatic impact on the tourism and hotel businesses.

As of 1H 2021, the average daily room rate (ADR) of luxury hotels has also continued to decline overall to approximately THB3,264, a decrease of approximately 15% from 2H 2020. This is the impact of discounts offered to attract domestic customers. Some hotel operators have even reduced their room and food prices by more than 50%. However, restaurants are able to open for a take-out service or via food delivery. Many hotel business operators have adapted themselves by providing food delivery in order to create a new revenue stream while occupancy rates remain low.

A trend in rising COVID-19 cases has caused a drop in hotel booking rates and more than 50% of room cancellations. This was due to safety concerns and also efforts to limit travel between provinces. Future travel remains in question as Thailand faces a delay of vaccine distribution. As of July, the number of people vaccinated in Thailand was only 16.16% of the total population in the country.

Average occupancy rate, ADR and revenue per room of luxury hotels in Bangkok as of 1H 2021



Source: Research and Communication, Colliers Thailand

Many hotel operators still chose to shut down some or all of their services. This is because the demand for hotels in both Bangkok and Thailand was only from domestic tourists. Hotel operators still mainly rely on demand from domestic tourists and tourists who have been quarantined. Therefore, occupancy rates and daily average prices are expected to remain low throughout 2021. Only hotels participating as temporary hospitals have stable occupancy rates at approximately 30%, which is considered a relatively high occupancy rate at this time.

Currently, there are more than 234 hotels participating as hospitals, with more hotel operators choosing to temporarily close their businesses. And most of them hope to be able to reopen in the fourth quarter of this year.



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