



Horwath HTL

*Hotel, Tourism and Leisure*

# Pattaya

Hotel Market Trends & Outlook

May 2022



# Pattaya Snapshot



## Visitor Pattern

- In normal times, visitor arrivals to Pattaya had been trending upward. The compound average annual growth (CAAG) of visitor arrivals between 2012 and 2019 was recorded at 8 percent (13 percent and 6 percent for Thais and foreigners).
- Arrivals fell in 2014, caused by the prolonged political protests in Bangkok and the resulting military coup and martial law imposition. The situation normalized in 2015 and Pattaya saw accelerated growth in 2016, supported by the expansion of low cost flight network between Thailand and China, coupled with the robust domestic market. Domestic activities in Pattaya were boosted by the EEC launch, the ramp-up of two new waterparks and the bomb explosions in Hua Hin and Phuket. Moderate growth was recorded from 2017 to 2019, given the ripple effect of Chinese tour boat accident off Phuket, the congestion at the two Bangkok airports, and the rising of regional destinations.
- Over the past two years, the pandemic and associated restrictions had a significant adverse effect on travel, particularly cross-border trips. Thailand has gradually re-opened to international travellers since November 2021 after closing border for almost two years. However, the vast majority of visitors deterred travel decisions after facing several protocols, such as lengthy paperwork, mandatory quarantine and additional costs associated with PCR test and insurance.

- The entry rules are more relaxed from May 2022 onwards with the elimination of mandatory PCR tests and first night quarantine as well as the reduction of health insurance coverage for vaccinated travellers. Travellers who are not fully vaccinated are given an option to complete a pre-departure test to bypass a quarantine stay.
- In 2020, Chonburi province recorded almost seven million visitor arrivals, down from 19 million in 2019. The number further declined to 2.8 million in 2021 with 99 percent being domestic traveller.
- The Thai government has rolled out four phases of the Rao Tiew Duay Kan (We Travel Together) scheme to boost domestic tourism.

## Seasonality

- Pattaya's primary high season runs from November through February as well as April, while an off-peak season is from June to October. March and May can be considered shoulder months. While April benefits from the Songkran festival, February sees demand compression due to rising Chinese arrivals during the Chinese New Year week-long national holiday.
- Pattaya demonstrates weekday-weekend demand and price disparity, owing to its popularity as a weekend getaway destination for the local market.



# Pattaya Snapshot



## Infrastructure Projects

- Besides being a popular leisure destination, Pattaya benefits from the Eastern Economic Corridor (EEC) development in attracting business demand. EEC is a key component of the “Thailand 4.0” economy policy that focuses on developing the three eastern provinces of Rayong, Chonburi, and Chachoengsao into a technological, manufacturing and service hub with strong land, sea and air connectivity to ASEAN neighbours, thereby increasing the country's competitiveness.
- Major infrastructure projects in EEC include AERA1 (also known as the High-Speed Rail Linking 3 airports), U-Tapao International Airport Expansion, Laem Chabang Port Phase 3, Map Ta Phut Port Phase 3, and Double-Track Railway. Pattaya will soon be well equipped to drive growth in industrial and business activities, as well as related travel and tourism demand.

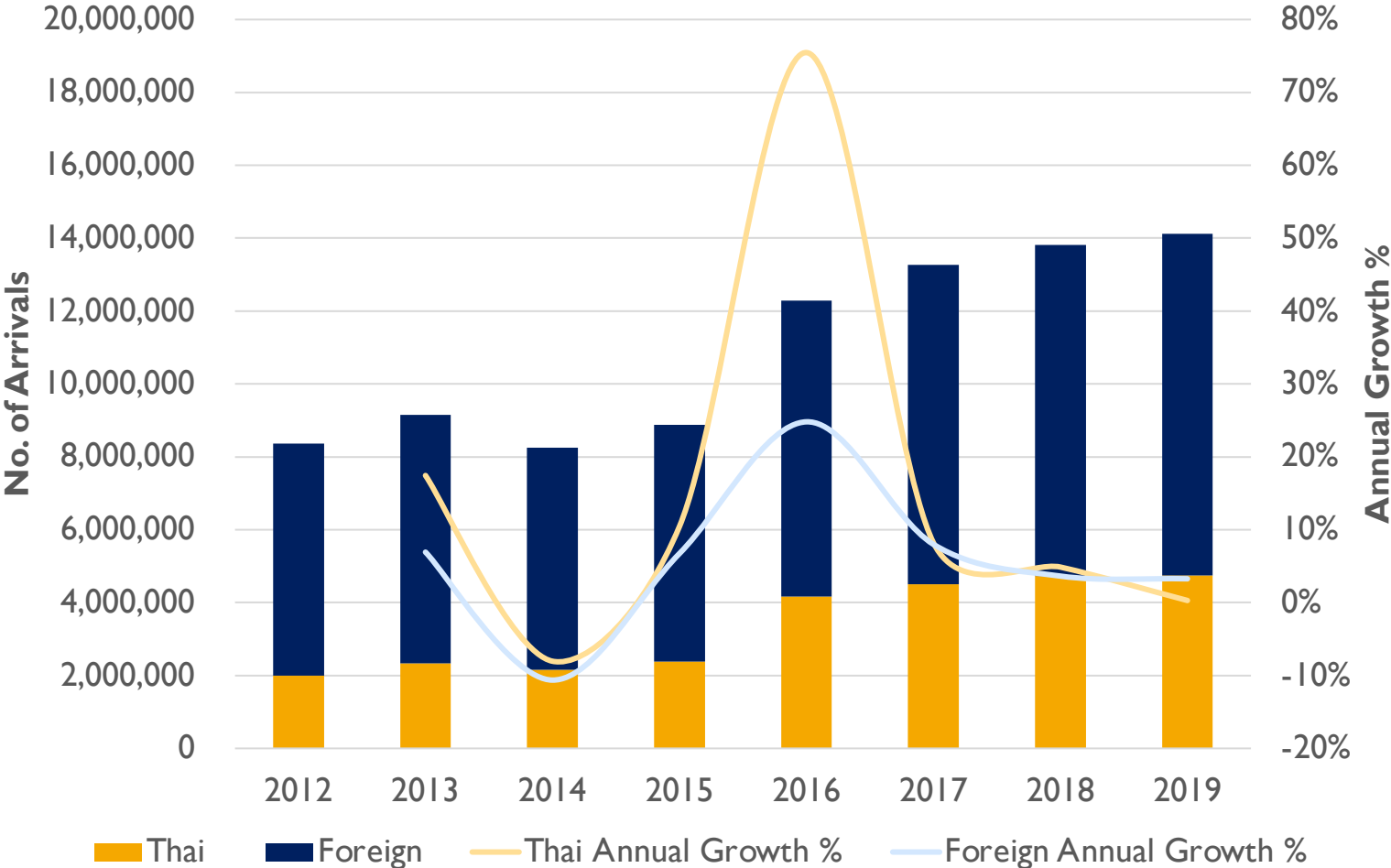
## Demand Generators

- Over time, Pattaya has seen new demand generators, attractions and amenities and its appeal is slowly changing towards broad-based demand, steered away from the old perception of sex tourism.
- One of the upcoming high-profile developments, the Aquatique mega project will recreate Pattaya's image with five top-tier international branded hotels (JW Marriott, Marriott Marquis, Autograph Collection, Vignette Collection, and Kimpton), shopping, recreational and entertainment facilities, as well as extensive function space.

- Pattaya's tourism continues to evolve with lifestyle attractions and amenities such as waterpark, theme park, community mall and beach club. New additions will likely be the old town of Na Kluea and Koh Lan Island, which will be further upgraded and promoted. The aesthetics of Pattaya and Jomtien beaches has also been uplifted as part of tourism reinvention initiatives.
- Pattaya gradually sees itself as a fun and vibrant hub of activities for domestic and international crowds, developing a full calendar of events from annual celebrations to sports tournaments, festivals, and concerts.
- Major experienced industrial estate developers such as WHA and Amata are committed to expand their footprint in the EEC, riding on the trend of decentralization and diversification of production bases. While automotive remains a dominant driver, 10 S-curve industries are being targeted, notably smart electronics, biotechnology and medical & wellness.
- There are long-term plans for Utapao Aerocity and the development of smart cities around high-speed rail stations, which could potentially emerge as next generation economic and tourism drivers.

# Visitor Arrivals to Pattaya

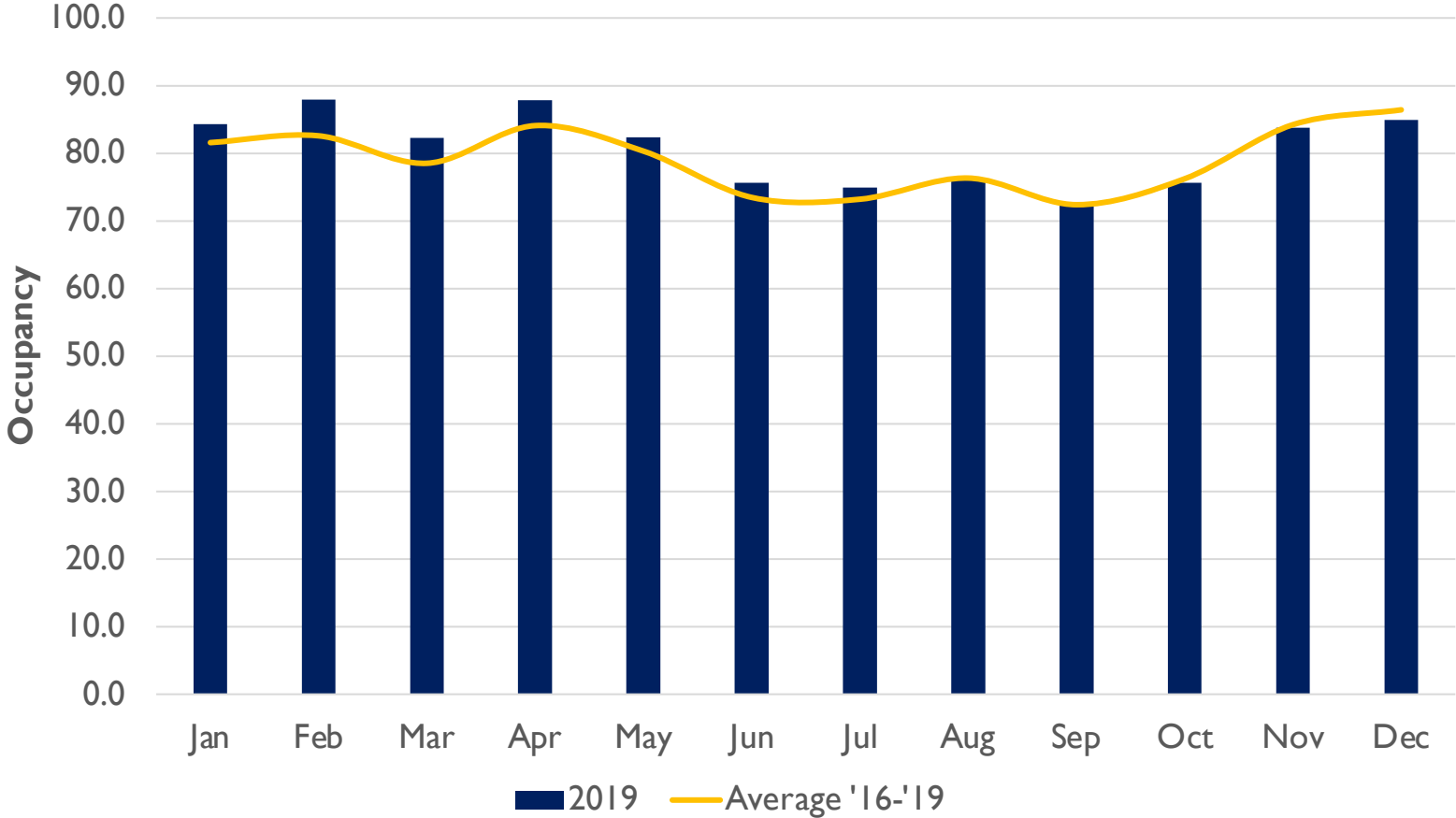
2012 to 2019





# Seasonal Travel Pattern in Pattaya

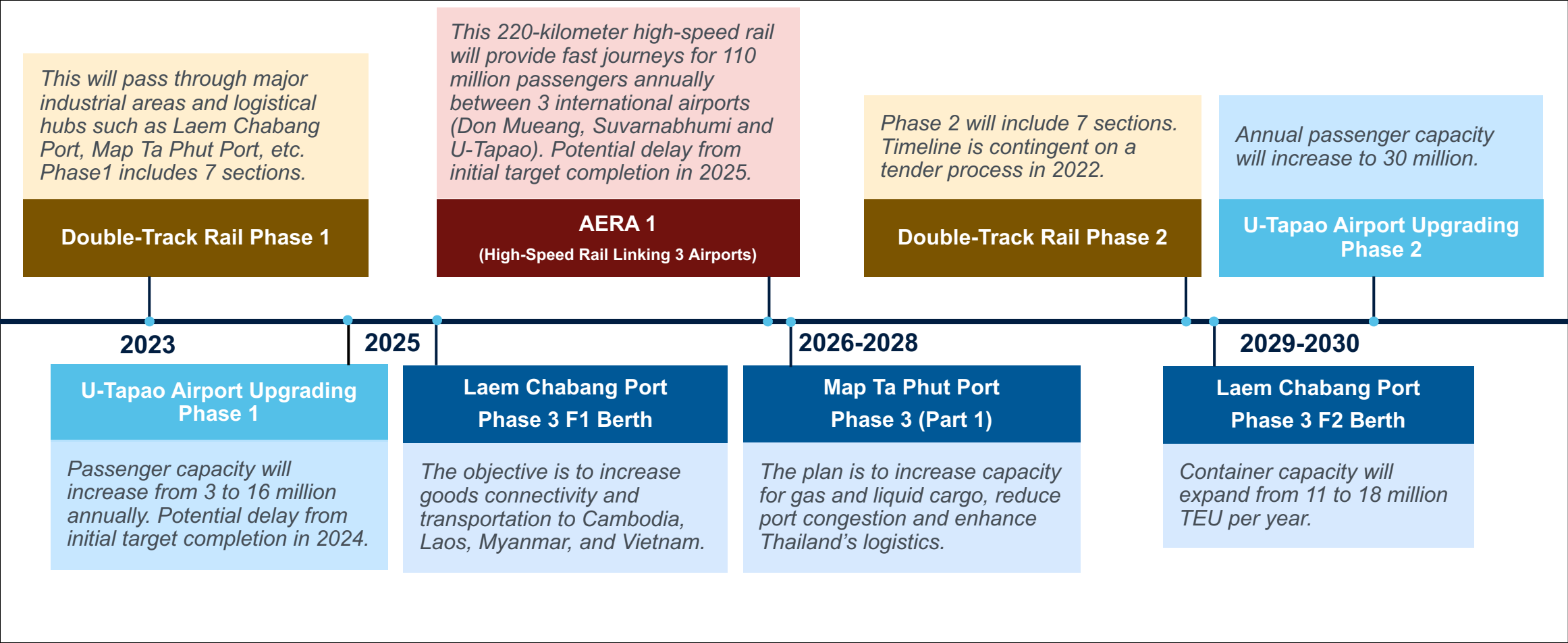
2019 & 4-Year Average





# Major EEC Infrastructure Projects Timeline

2022-2032





# Pattaya Hotel Performance Trends



Source: Google Images

## Overall Market

- Prior to the pandemic, the overall market occupancy was around high 70s and low 80s despite signs of weakening rate performance. Generally, hotels in this market focused on a volume strategy at the expense of room rate. With modest demand growth and supply additions, the competition among hotels became more intense, resulting in ADR and RevPAR declines of 1 percent and 2 percent per year respectively between 2017 and 2019.
- The travel and tourism industry has been hit hard by the pandemic since February 2020, the overall market occupancy and ADR fell dramatically by approximately 47 percentage points and 7 percent respectively in 2020.
- Overall, the market achieved a better annual occupancy in 2020 than 2021, given 2020's relatively strong first quarter performance. All market segments saw further occupancy and ADR reductions in 2021 due to competition for a limited pool of domestic demand.

## Top-Tier Segment (Above THB 3,500)

- The top-tier segment recorded a significant occupancy drop in 2019 by 10 percentage points due to the joining of a newly renovated and repositioned hotel. The property had to re-establish itself as a new product with higher positioning, taking time to ramp up business.
- Driven by strong weekend leisure FIT demand from Bangkok and vicinities, the top-tier segment minimized rate reduction during the pandemic.

## Upscale Segment (THB 2,000 – 3,500)

- The upscale segment's occupancy went up in 2018 and 2019, following noticeable supply reductions two years in a row. This was the only segment that achieved RevPAR growth, attributed to steady occupancy growth.
- Since the pandemic, hotels in the upscale set that lost the majority of corporate FIT and MICE demand had to substantially lower their rate to compete for domestic leisure FIT, corporate and MICE bookings.

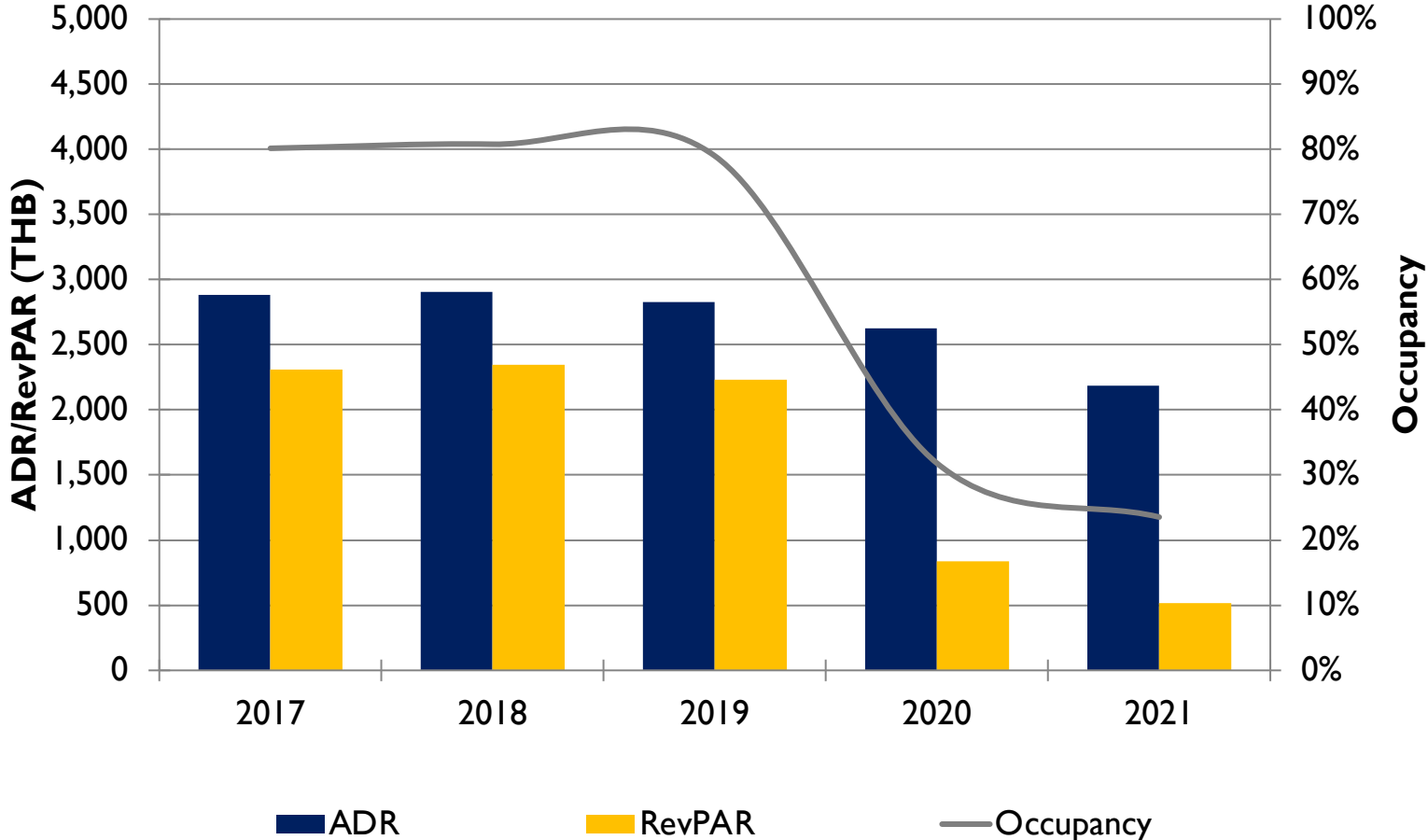
## Midscale Segment (THB 1,000 – 2,000)

- The midscale segment maintained its occupancy at a healthy 80s range and led the market in 2019 prior to the COVID-19 disruption. However, with two new openings, year-on-year occupancy percentage declines were recorded for two consecutive years over the 2017 to 2019 period, as the segment took some time to absorb additional supply.
- As upscale hotels traded down for interim business during the anomaly years, midscale demand was heavily impacted and a few hotels were forced for temporary closure in 2021.
- ADR drops in 2020 and 2021 were mitigated by the new hotel addition with an above market average room rate.



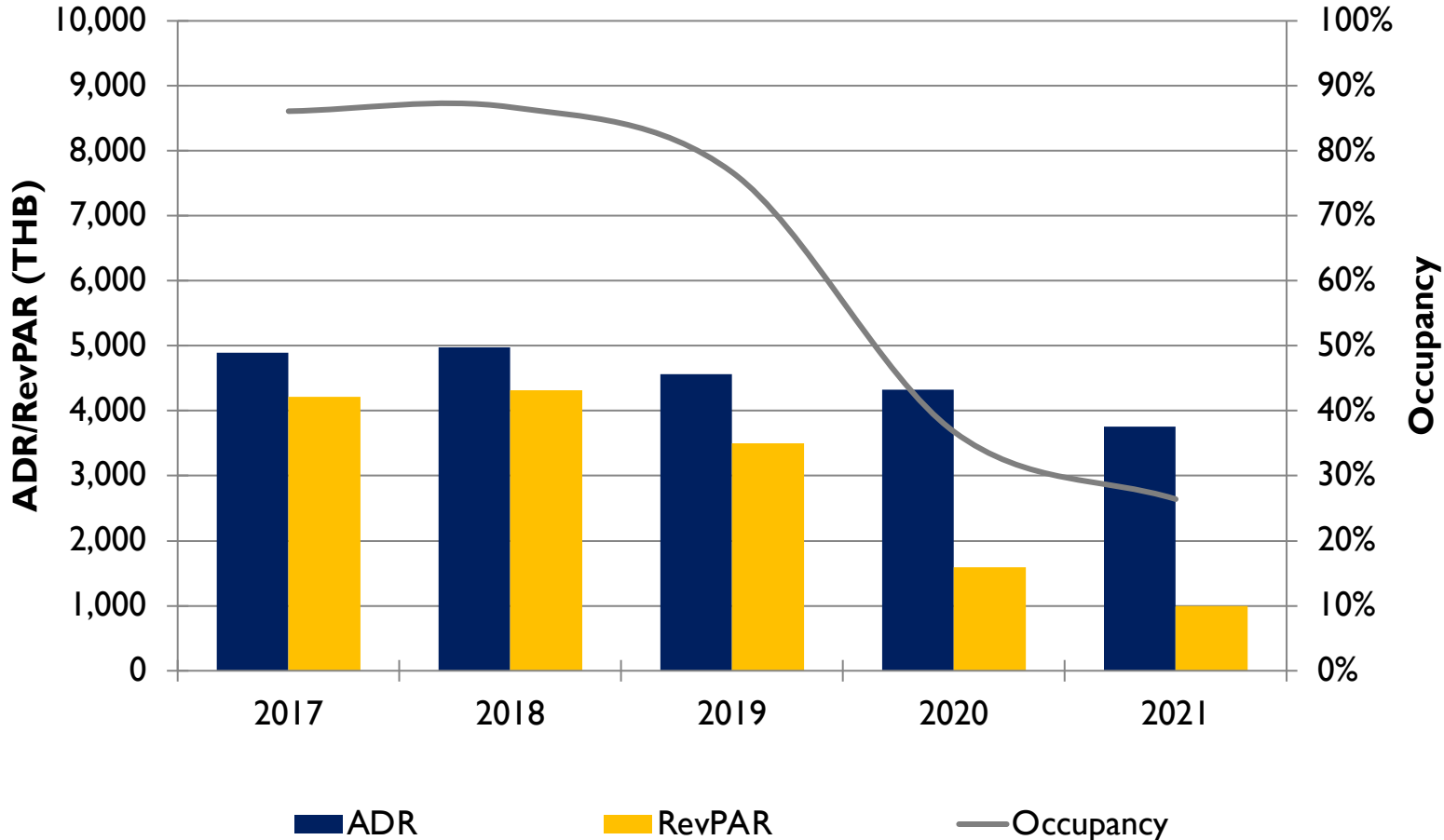
# Pattaya Market Performance Trends

ADR, RevPAR, and Occupancy, 2017 to 2021



# Pattaya Top-Tier Hotel Performance Trends

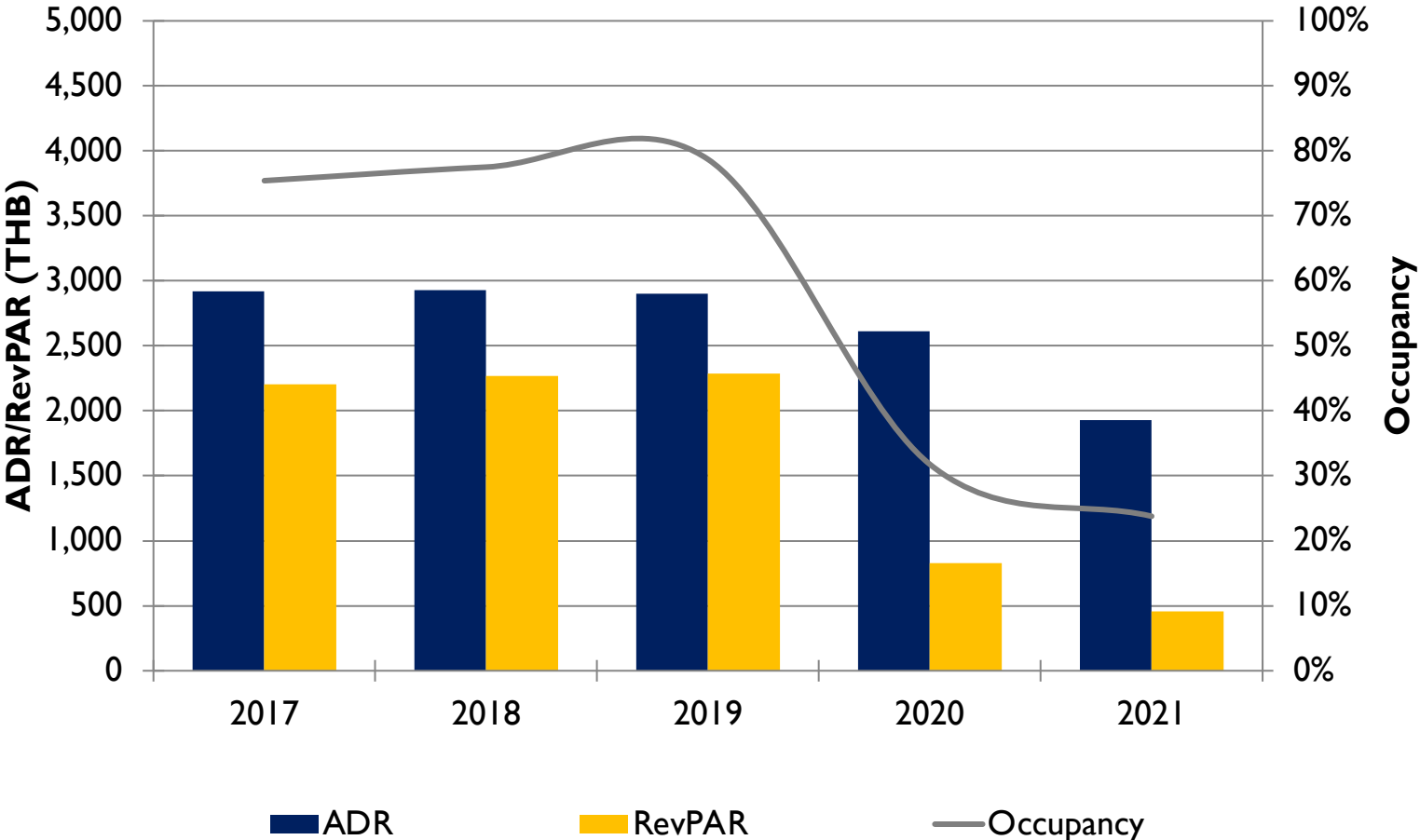
ADR, RevPAR, and Occupancy, 2017 to 2021





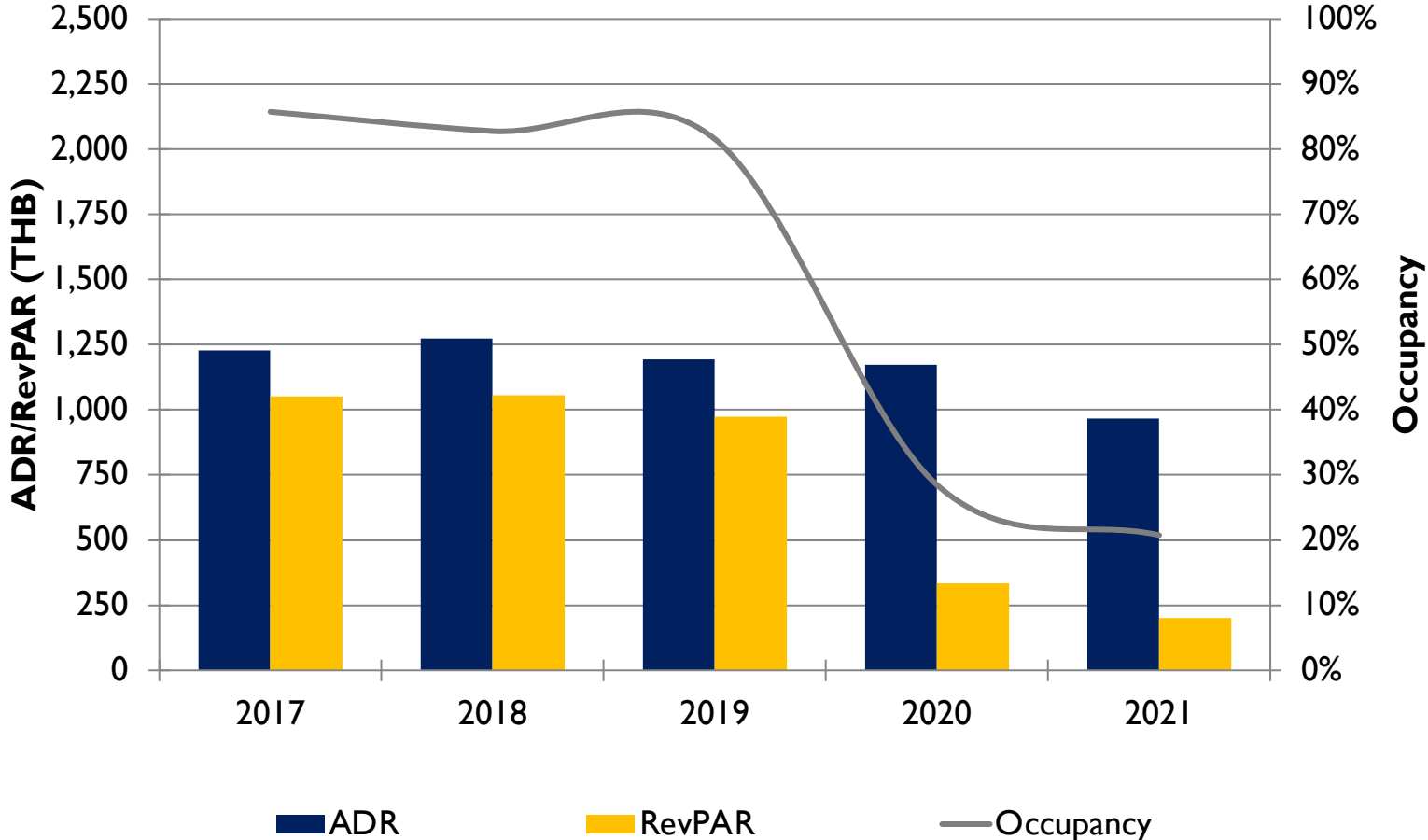
# Pattaya Upscale Hotel Performance Trends

ADR, RevPAR, and Occupancy, 2017 to 2021



# Pattaya Midscale Hotel Performance Trends

ADR, RevPAR, and Occupancy, 2017 to 2021





# Pattaya Demand and Supply Factors

Demand and supply trends in Pattaya and a broader global context are taken into consideration to determine where the Pattaya hotel market is heading in the next five years.

The following positive movements in Pattaya and its key source markets will stimulate demand growth.

- **Thailand's reopening** and easing of restrictions are expected to bring back international travellers;
- **Pent-up demand** from revenge tourism and essential travels is expected as more source markets are opening up borders;
- **Government support** will continue to boost domestic tourism in the short term. The Tourism Authority of Thailand, coupled with the private sector, is working on promoting and relaunching inbound tourism;
- **Improvement of immunization coverage** in Thailand and globally should give people more confidence to travel;
- **EEC infrastructure projects** will enhance Pattaya's land, air and sea connectivity as well as commercial activities;
- **Expansion of industrial estates** in the eastern region as foreign investors are increasingly moving production facilities to Thailand or expanding their existing base, which will generate more corporate and MICE demand;
- **Year-round events** in Pattaya range from celebrations to sports events, festivals, concerts, etc., and will draw both domestic and international crowds;
- **Pattaya's rebranding effort** which involves infrastructure upgrading, public utilities, and tourist attractions such as the old town of Na Kluea and Koh Lan Island; and

- **Upcoming high-profile developments**, especially the Aquatique mega project with five top-tier international branded hotels and tourism features.

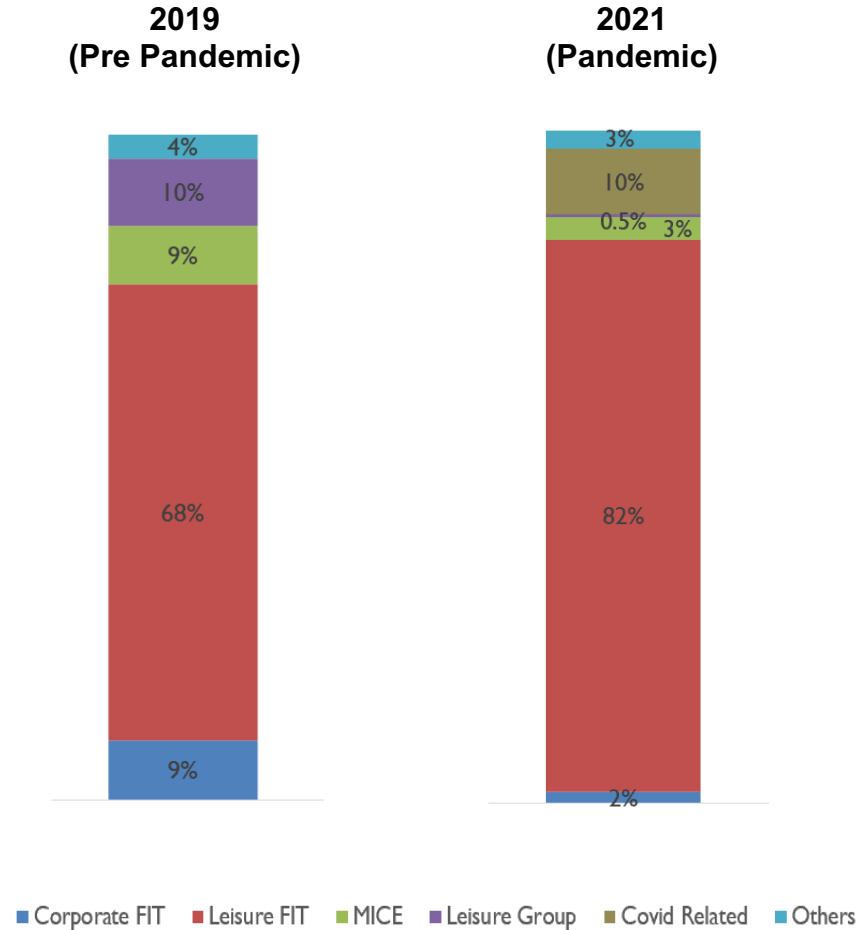
However, some headwinds listed below may affect demand growth and market performance:

- **Uncertainties of the pandemic situation, particularly in China.** Subsequent outbreaks and potential new COVID-19 variants may affect travels;
- **The prolonged Ukraine-Russia war** could cause a ripple effect to the global economy and subsequently the travel and tourism industry. Destinations where key source markets are directly impacted by the war will shift to substitution business;
- **Frequent changes in travel requirements** make travel planning difficult. Also, tedious procedures and additional costs will likely discourage people from travelling;
- **Competition from domestic and regional beach destinations**, particularly Vietnam where mass tourism developments have been sprawling. Pattaya is also seeing demand diluted to the outer areas of Chonburi Province such as Na Jomtien and Si Racha;
- The hotel industry will face **labour shortage** during the rebuilding period, as almost all hotels reduced more than half of staff due to the pandemic; and
- **Massive supply growth** in the coming years will intensify competition for rate-sensitive demand and put pressure on hotel occupancy and rate levels.



# Demand Characteristics

## Business Mix, 2019 vs. 2021



### 2019

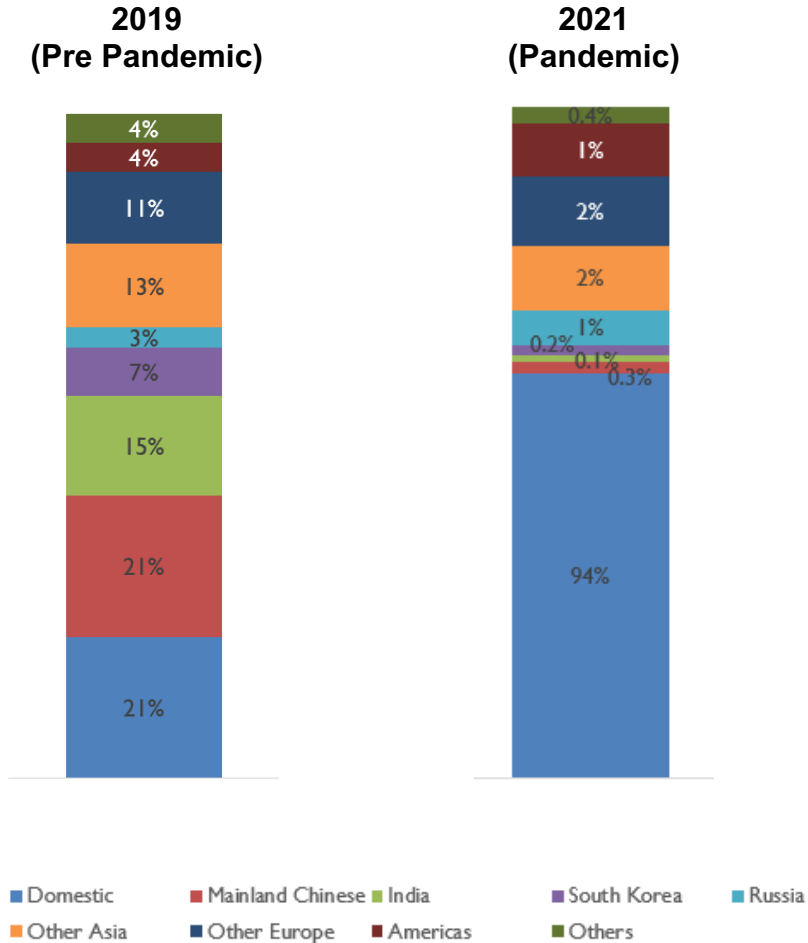
- The overall competitive market was dominated by leisure demand. Leisure FIT and leisure group made up 78 percent of the total demand.
- Corporate FIT and MICE segments each contributed about 9 percent of the total demand. The former was generally made up of engineers, supervisors and managements who made regular visits to industrial estates, and project teams for new developments in Pattaya and vicinities. The latter was generated from domestic, regional and international conferences and seminars, year-end functions and incentive groups. Some hotels also had spill-over demand from large scale conferences at the Pattaya Exhibition and Convention Hall.
- Others segment mainly comprised walk-ins and long-stay guests.

### 2021

- In the second year of the pandemic, leisure demand remained the dominant segment, mostly from domestic travellers from Bangkok. Leisure group demand declined to a negligible level due to international travel restrictions in place.
- Corporate FIT and MICE segments were also heavily affected, as meetings and seminars were postponed or replaced by video conferences. The market only had limited Corporate FIT and some small to medium sized domestic corporate and government meeting groups.
- Some hotels were operated as hospitals or alternative quarantine facilities; therefore, some COVID-related demand was captured.

# Demand Characteristics

## Nationality Mix, 2019 vs. 2021



### 2019

- Overall, international markets contributed 79 percent of total demand, of which 56 percent was from Asian markets, including the top 3: Mainland China, India and South Korea. Other important Asian markets were, for example, Taiwan, Japan and Hong Kong. Russia was not quite a major contributor to the market and demand clustered at only a few beachfront hotels.
- Chinese demand was made up of groups as well as an increasing number of FITs, and many guests tended to combine their trips with Bangkok visits. Indian demand was concentrated in South Pattaya, where the centre of Indian restaurants was.
- Thais typically preferred hotels in Central and North Pattaya, away from the red-light district. Kids' facilities and proximity to shopping malls could be part of considerations.

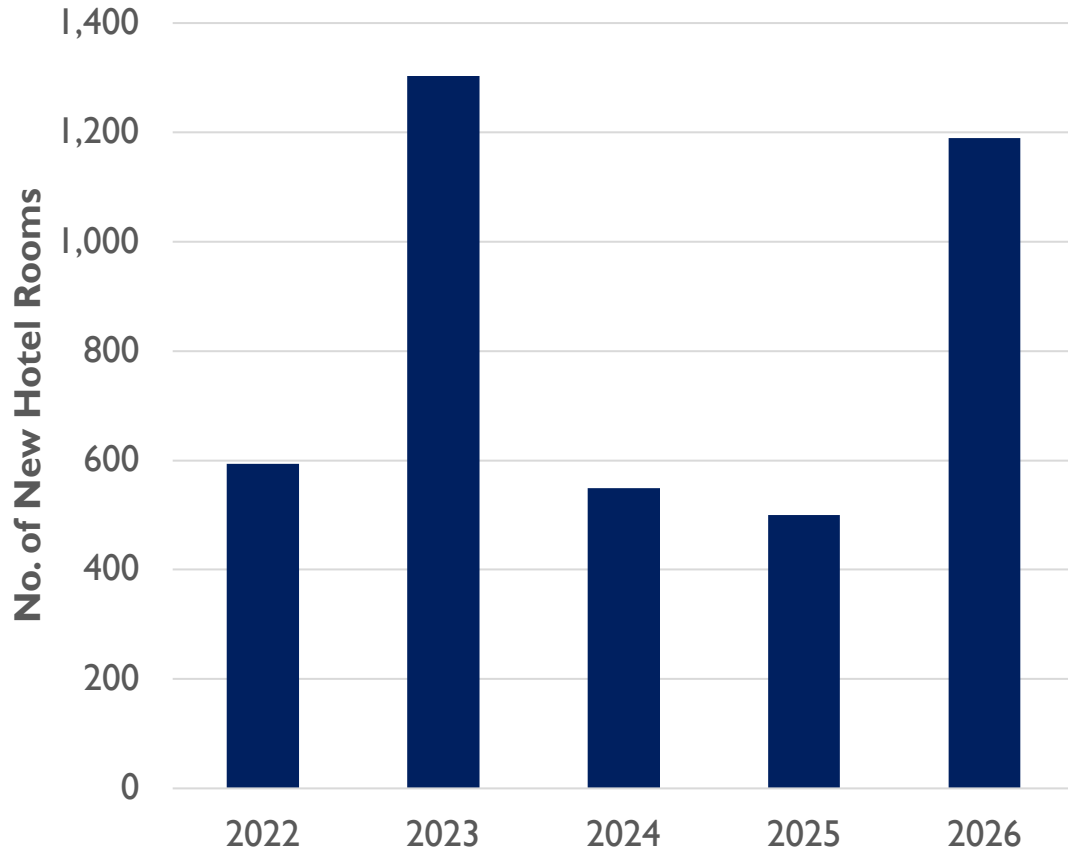
### 2021

- Domestic was evidently the main demand source. Although some hotels recorded some foreign demand, the majority was from expatriates living in Bangkok.



# Pattaya Supply Pipeline

By Opening Year, 2022 to 2026



New Supply	Room Count	Opening Year
Arbour Hotel and Residence Pattaya	224	Opened in Sept 2021
Courtyard by Marriott North Pattaya	241	Opened in Mar 2022
Akara Hotel Pattaya	318	2022-2026
Citadines North Pattaya	300	2022-2026
Grand Centre Point Space Pattaya	490	2022-2026
Hilton Garden Inn Pattaya	315	2022-2026
Kimpton Pattaya	380	2022-2026
Somerset Pattaya	324	2022-2026
Vignette Collection Pattaya	234	2022-2026
JW Marriott Pattaya	398	Beyond 2026
Marriott Marquis Pattaya	900	Beyond 2026
Autograph Collection Pattaya	300	Beyond 2026
Generic Supply	1,310	2022-2026

*Note: Generic supply includes those that are not announced yet currently but will potentially entering the market or projects that are on hold.*

# Pattaya Hotel Market Outlook



## Occupancy

- With the easing of travel restrictions and quarantine requirements in Thailand, as well as the border reopening of key source markets, the overall Pattaya hotel market is forecasted to see some demand and ADR growth in 2022 after two years of declines.
- From 2023 to 2025, the overall market is expected to see gradual recovery of demand in both FIT and group segments. Additionally, new hotels will strive to capture new leisure and corporate demand as Pattaya's infrastructure projects move along and the EEC has taken off. The majority of hotels will likely carry on a volume-driven strategy; therefore, occupancy will lead Pattaya's market performance recovery. However, full occupancy recovery is not anticipated by 2026. Influx of new supply, especially in the top-tier segment, will take time to be absorbed into the market.

## ADR

Strong ADR growth is assumed in 2022, as international travellers are expected to return and the market is coming out of a low base. The overall market's ADR recovery is expected to be prolonged due to a dilution effect from a growing proportion of midmarket supply and competition from comparable destinations in Thailand and neighbouring countries. Market ADR is forecasted to return to the pre-pandemic level beyond 2026.

## RevPAR

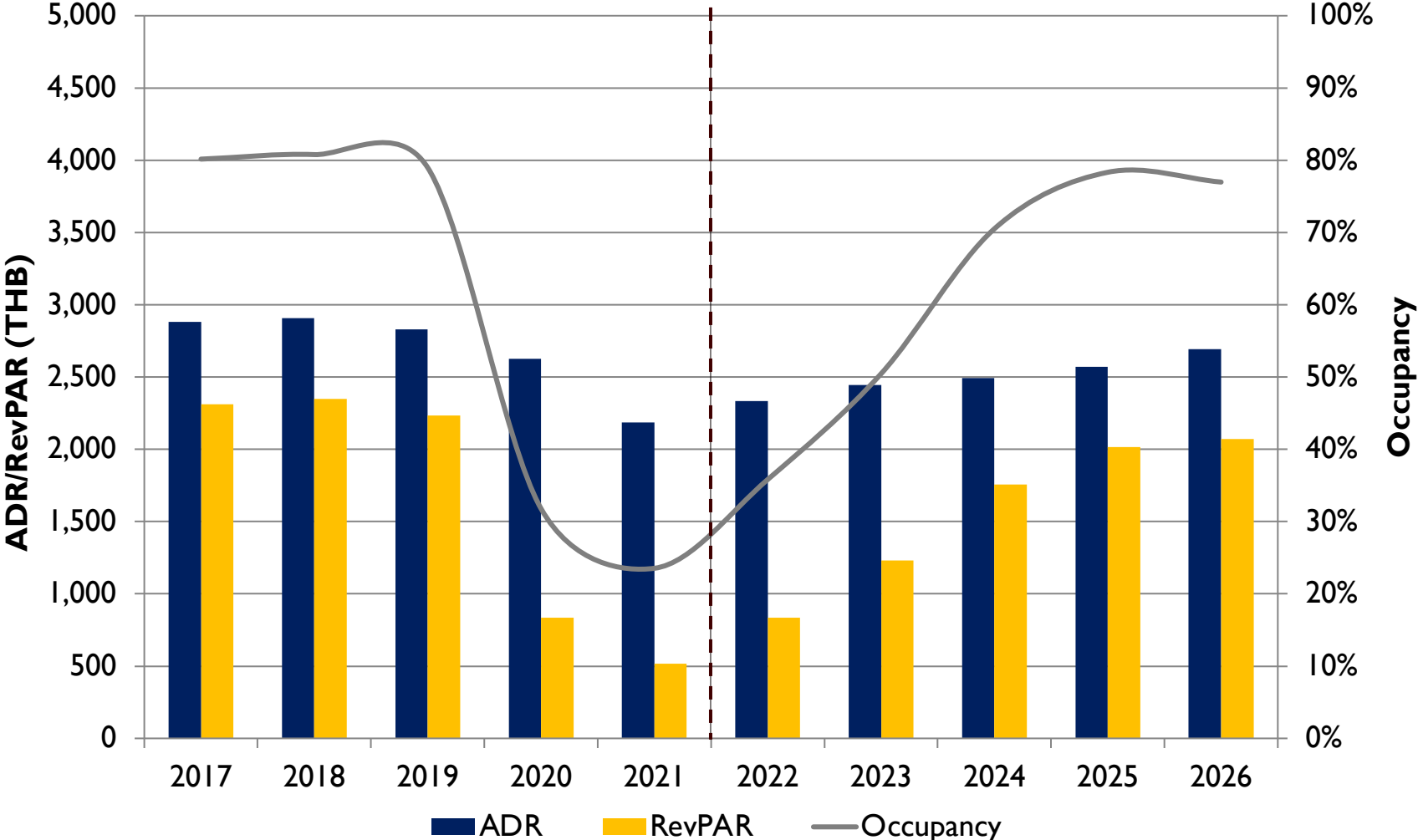
Similarly, the overall Pattaya hotel market's RevPAR will not recover to the previous peak within the 5-year projection period. Both slow rebuilding process and supply challenge are mentioned as key obstacles.

## Notes

- It is important to note that by 2026, the Aquatique mega project will be partially operational. Full completion will include a few more high-profile hotels and new tourism facilities, and potentially have a stronger impact to overall market reputation and performance.
- Infrastructure projects are expected to be completed towards the end of 5-year projection period. Full impact and subsequent phases will further elevate market sentiment and unlock Pattaya's potential.

# Pattaya Market Outlook

ADR, RevPAR, and Occupancy Forecast, 2022 to 2026





# Authors

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Nikhom Jensiriratanakorn (aka Nick) is a Director of Horwath HTL. Nikhom has advised both local and international investors in the Thailand hospitality sector and extends oversight to the Indochina region.

He has brought with him comprehensive skills in feasibility analysis, investment underwriting and asset management, as well as years of experience with hotel management companies, investment funds and consulting firms, namely Pan Pacific Hotels Group, Jumeirah Group, Host Hotels and Resorts and PricewaterhouseCooper Thailand respectively.



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Vicky Jian is a Project Director of Horwath HTL, based in the Singapore office. She joined Horwath HTL in 2014 after graduating from the School of Hotel Administration at Cornell University. Since then, she has worked on more than 50 hotel related assignments in 8 countries across the Asia Pacific region, including Maldives, Indonesia, Malaysia, Vietnam, Thailand, China, Philippines, and Singapore. She has strong experience in conducting feasibility studies, valuations, repositioning/renovation studies, and destination master planning.

Vicky's expertise is in market and financial feasibility and valuation for resort destinations, which involves market research, site inspection, competitor analysis, best-use facility recommendations and financial projections. She also manages the Horwath HTL Annual Benchmarking Studies, which cover 15 Asian markets with a total of approximately 2,500 hotels and serviced apartments participating every year.

# Horwath HTL

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