

Hotel Industry

Thai hotel business rebounded in 2015

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The hotel business in Thailand grew satisfactorily in 2015, rebounding from 2014. The average nationwide occupancy rate for hotels in 2015 was 61.7%, improved from 55.6% in 2014. Across regions in Thailand, the Central region had the highest occupancy rate, 65.4% in 2015. The South used to be a close second. However, a decrease in the number of Russian tourists lowered the occupancy rate in the South to 60% in 2015. Recently, the North became more popular for Chinese tourists. The occupancy rate rose to 57.7%, the highest level in the past five years. Because of a massive inflow of Chinese tourists, we expect the nationwide occupancy rate to rise in 2016.

Being convinced by the increase in the number of tourist arrivals, lodging operators build up room supplies. The number of lodging rooms has been steadily rising, climbing at a compound annual growth rate (CAGR) of around 8% from 2011 to 2014. In 2015, the number of rooms at hotels and resorts grew by about 5% to 527,433 rooms. CB Richard Ellis (CBRE) projected more than 20,000 new hotel and resort rooms will be added in Thailand within 2018.

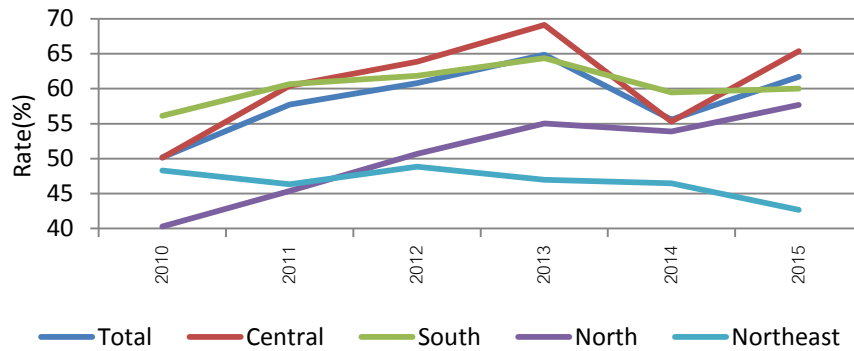
The earnings of hoteliers improved in 2015. Hoteliers listed on the Thai stock market posted an average gain in income of 10% year-on-year (y-o-y) in the first three quarters of 2015. The average room rate of hotels in Thailand in 2015 was Bt2,049, rising by 4.8% y-o-y. The average room rate was highest in the South, followed by the Central, the North, and the Northeast.

Table 1: Average Occupancy Rate, Average Room Rate, and RevPAR of Hotels in Thailand (2015)

	Whole Country	Central	South	North	Northeast
Occupancy rate (%)	61.7	65.4	60.0	57.7	42.7
Average room rate (Bt)	2,048.6	1,983.5	2,779.1	1,476.6	941.1
RevPAR (Bt)	1,264.4	1,296.6	1,668.0	851.7	401.7

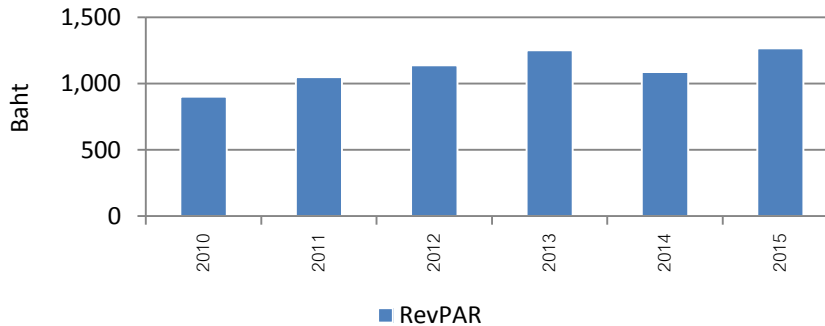
Source: The Bank of Thailand (BOT)

Chart 1: Occupancy Rate of Hotels in Thailand



Source: BOT

Chart 2: RevPAR of Hotels in Thailand



Source: TRIS Rating

Number of tourist arrivals is growing despite event risks

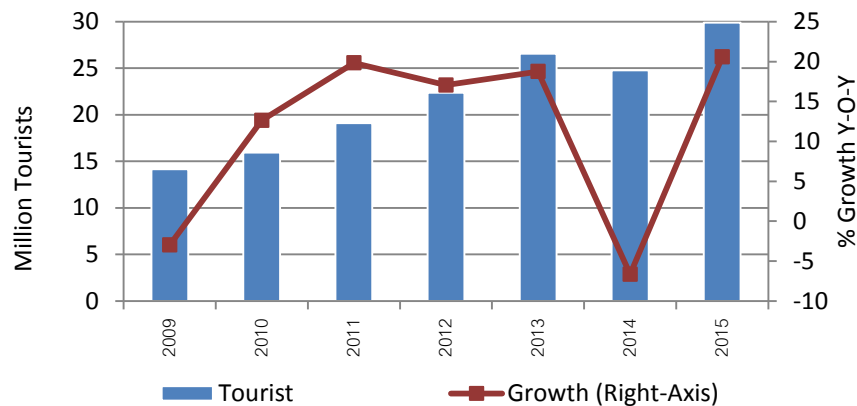
In 2015, there were 29.9 million tourists traveled to Thailand, soaring by 20.6%. An explosion at the Ratchaprasong intersection on 17 August 2015 affected the number of tourist arrivals only temporarily. The actual arrivals in 2015 exceeded the projection made by the Thai Department of Tourism (DOT) by nearly 400,000 persons. The DOT forecasted 32 million arrivals in 2016, growing by 7%.

Chinese tourists are now the main foreign tourist group in Thailand. In 2015, the number of Chinese tourists grew by 71.1% to 7.9 million, comprising over 25% of all tourists visiting the nation. Malaysian and Korean tourist arrivals also recovered significantly, growing by 31% and 22%, respectively. On the other hand, Russian tourist arrivals fell by 45%, as the Russian economy struggled.

Revenue derived from foreign tourism in 2015 amounted to Bt1,447 billion, a 26% rise from 2014. The rise was mainly driven by a huge increase in the number of arrivals and higher spending. Spending per person per trip of foreign tourists grew by 5% to Bt48,431. In addition, Chinese tourists in aggregate spent Bt376 billion, the highest amount of spending by nation of origin. In terms of individual tourists, Australians spent the most at Bt78,716 per person per trip.

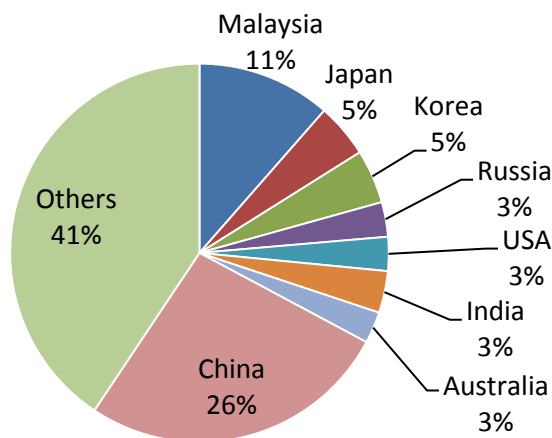
It is also optimistic in domestic tourism sector. There were 170 million person trips of domestic tourist in 2015. With tourism promotion, the number of Thai tourists increased by 6.2% from 2014. Thai tourists spent around Bt3,308 per person per trip. The cumulative spending of Thai tourists was Bt562.9 billion, about one third of revenue from foreign tourists, growing by 10.2% from 2014.

Chart 3: Foreign Tourists Arrivals



Source: Department of Tourism (DOT)

Chart 4: International Tourists, by Nationality in 2015



Source: DOT

Government measures benefit industry

TRIS Rating believes that the prosperity of tourism business in Thailand was supported by a competitive edge as one of the most attractive tourist destinations in the region. The Thai government has realized the steady growth of revenue generation from tourism industry and has supported the industry through several measures.

Thai government waived visa fees for Chinese and Taiwanese tourists for three months during 9 August to 8 November 2014. The promotion pushed the number of Chinese tourists per month over 500,000 persons for the first time in October 2014.

In 2015, the Thai government allowed Thai citizens a tax deduction worth up to Bt15,000 if the expenditure was for a domestic package tour or accommodations. Thai corporations can claim up to twice the cost of seminars and training in 2015 as a tax deduction.

Hotelier operators rated by TRIS Rating (as of December 2015)

Company	Rating	Outlook
Dusit Thani PLC	BBB+	Stable
Central Plaza Hotel PLC	A	Stable
MBK PLC	A	Stable
Minor International PLC	A+	Stable

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