



INSIGHT  
PAPER

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# BANGKOK Q1 2020

Bangkok Hotel Market Amidst the COVID-19 Crisis

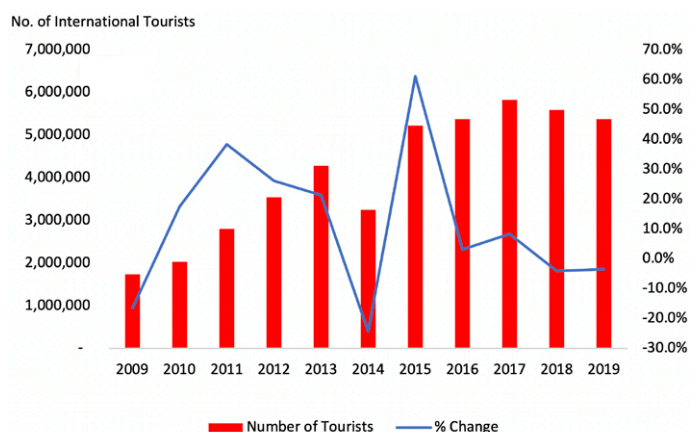


# Tourism Overview

- As a popular travel destination in Asia, Thailand's tourism growth over the last few years have been driven by Chinese visitors and the broader Asian market, including Vietnam, India, Japan, Korea, and Russia.
- Aside from being a key leisure destination in Asia, Thailand is also one of the leading destinations for medical tourism in Asia. According to Thailand Medical News (12 November 2019), there were 302,270 people travelling to Thailand for medical treatment in 2018. Among factors that have attracted medical tourists from Asia as well as the Middle East are the lower medical expenses and cost of living in Thailand compared to other countries in this region.
- Songkran Festival has attracted a high number of international tourist arrivals to Bangkok since they enjoy celebrating Songkran and splashing water with the locals. In 2018, the festival attracted 3.09 million tourists to Thailand, originating mainly from China, Malaysia, Laos, Russia, India, Japan, South Korea, Vietnam, the US and the UK. Nevertheless, in April 2019, the Association of Thai Travel Agents (ATTA) reported that the number of international tourist arrivals at Suvarnabhumi International Airport and Don Muang Airport in April 2019 was 455,289, 11 per cent lower than 2018 (511,556). The global economic recession, the decrease in the number of Chinese visitors, and the currency appreciation of the baht had resulted in a lower number of international visitors in Bangkok during Songkran compared to the same period of 2018.
- According to the Association of Thai Travel Agents (ATTA), international tourist arrivals at Suvarnabhumi International Airport and Don Muang Airport in 2019 totalled 5.37 million, a decrease of 3.6 per cent compared to 5.58 million in 2018 (Figure 1). Chinese visitors represented 70.6 per cent of the total international tourist arrivals by key Asia market in 2019 (Figure 2). However, the number of visitors from China decreased to 3.12 million in 2019, representing a year-on-year decrease of 2.1 per cent. Several factors at global and national levels had contributed to the decrease in the number of international tourist arrivals. Among these factors were the concern on domestic political uncertainty during the pre-and-post-election period, the US-China trade tension, global economic slowdown and the surge of baht value. As a result, tourists shifted their destinations to other countries like Vietnam, Macau and Laos that were relatively cheaper than Thailand.

- To attract foreign tourists when the baht value continued rising, the government first approved the visa-on-arrival waiver from 15 November 2018 to 14 January 2019, then extended the measure to 30 April 2019 and further extended to 31 October 2019. The visa fee waiver scheme benefited tourists from 18 nations; these included tourists from China, Cyprus, Bulgaria, Bhutan, Ethiopia, Fiji, Georgia, India, Malta, Kazakhstan, Mexico, Nauru, Papua New Guinea, Romania, Saudi Arabia, Taiwan, Uzbekistan and Vanuatu. The waiver scheme exempted visitors from these countries from the 2,000 baht visa-on-arrival fee for single-entry in Thailand for a staying period of not more than 15 days.

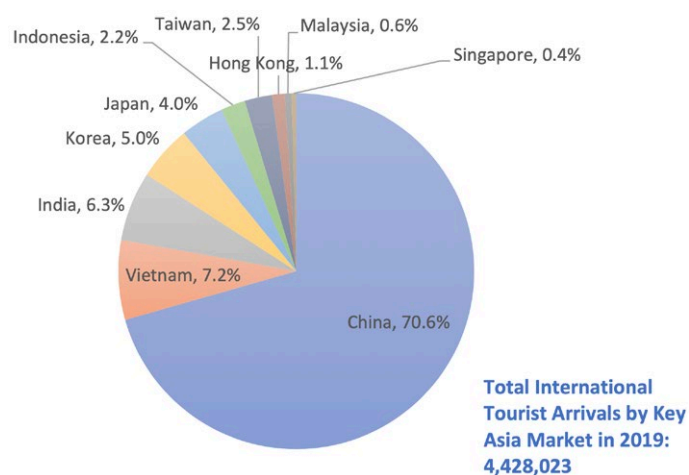
**Figure 1: Numbers of International Tourist Arrivals at Suvarnabhumi and Don Muang Airport**



Source: The Association of Thai Travel Agents (ATTA)

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**Figure 2: Numbers of International Tourist Arrivals at Suvarnabhumi and Don Muang Airport by Key Asia Market in 2019**

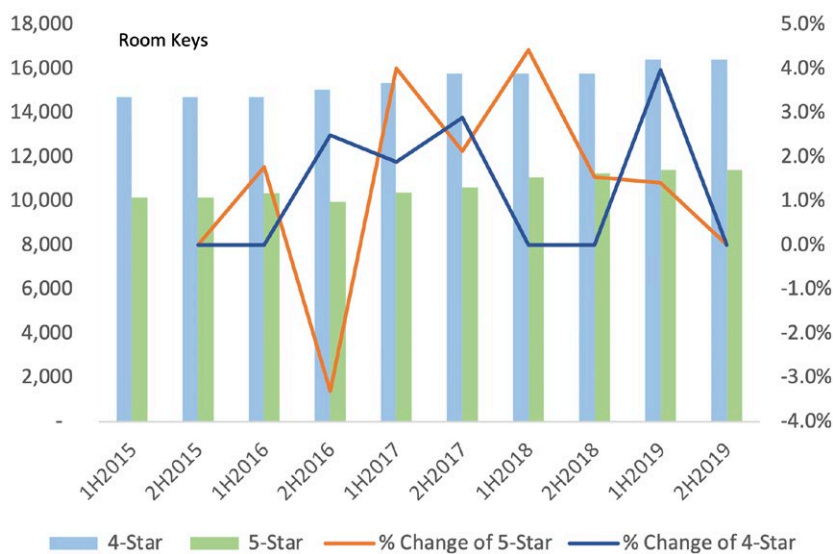


Source: The Association of Thai Travel Agents (ATTA)

# Bangkok Hotel Market Overview

- In 2019, the hotel market in Bangkok plunged to record-low bookings. The tourism market experienced a decline in the tourist arrivals due to the strong baht, which to some extent diverted international tourists to cheaper destinations in Asia.
- The lower numbers of international tourist arrivals impacted hotel bookings and revenues in 2019. In the meantime, the continuous increase in new hotel supply led the hotel market into a more competitive situation. Consequently, price promotion and campaigns were introduced by hotels to improve occupancy rates.
- The high-end segment of the hotel market in Bangkok is dominated by 4-star hotels with a total room share of 59 per cent. The number of rooms increased by 4.0 per cent between 2018 and 2019 due to the opening of Hotel Nikko Bangkok (301 rooms) and Hotel Verve Bangkok (324 rooms) in the first half of 2019. On the other hand, the 5-star hotel segment recorded an increase of 1.4 per cent with the opening of Rosewood Bangkok in the first six months of 2019 offering 159 rooms.
- The largest concentration of hotel supply is in the Sukhumvit area with a room supply share of 37.1 per cent. The Central area is the next major area for the high-end hotel market segment with a supply share of 26.0 per cent. Total room supply in the Silom-Sathorn area accounted for 15.8 per cent, followed by the Riverside area, which had a share of 15.0 per cent. (Figure 5).

Figure 3: Total Room Supply of Bangkok Hotels (1H2015 – 2H2019)



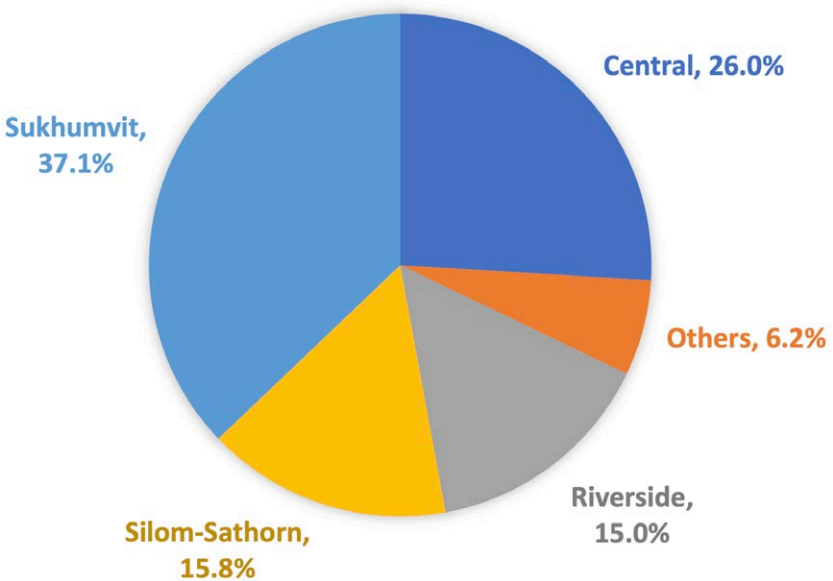
Source: EDMUND Tie Research (Thailand)

Figure 4: Room Supply Share of Bangkok Hotels by Grade (2018 vs. 2019)



Source: EDMUND Tie Research (Thailand)

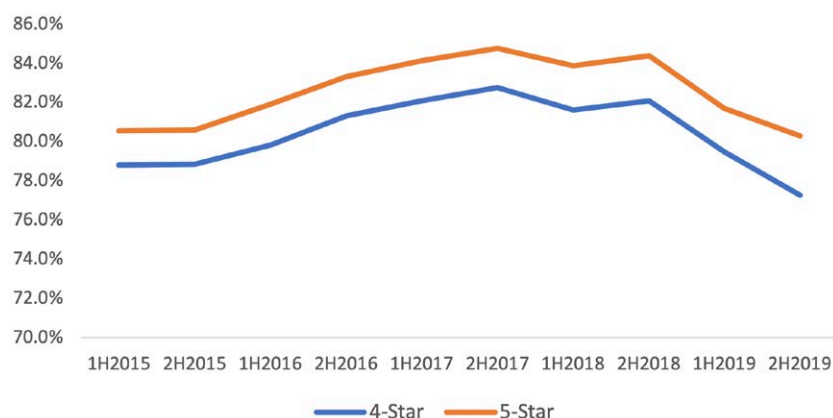
Figure 5: Bangkok Hotel Room Supply by Zone (2019)



Source: EDMUND Tie Research (Thailand)

- During the second half of 2019, demand for hotel rooms in Bangkok was affected by various local and international factors. The slowdown in the global economy, the US-China trade tension, the strong appreciation of the baht, and strong competition from other countries in the region have also put Thailand at a competitive disadvantage. Given that the world economy was weak and people spent more cautiously, switching the country of destination from Thailand to other countries like Macau, Vietnam and Laos was the alternative solution for many international tourists. Therefore, the occupancy rates of 5-star and 4-star hotels dropped in the second half of 2019 compared to the first half of the year and also the same period in 2018.
- The average occupancy rate of 5-star hotels in Bangkok in the second half of 2019 was at 80.3 per cent, decreasing from 84.4 per cent in the same period in 2018 by 4.8 per cent. In the 4-star hotel segment, the average occupancy rate also dropped from 82.1 per cent in the second half of the prior year to 77.3 per cent in the second half of 2019, showing a year-on-year decrease of 5.9 per cent. The openings of new 4-star hotels that led to an increase in hotel supply resulted in stiffer competition.
- During the second half of 2019, the Central area recorded the highest demand for hotel rooms with an average occupancy rate of 81.2 per cent. This was due to the location of these hotels which are in the CBD or in the downtown area.

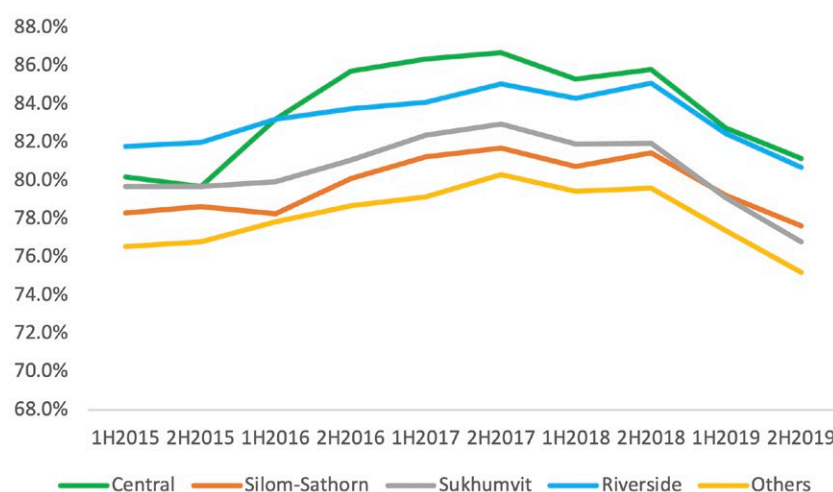
**Figure 6: Bangkok Hotel Occupancy Rates by Grade**



Source: EDMUND Tie Research (Thailand)

- Demand for hotels in the Riverside area also decreased to 80.7 per cent, experiencing a decrease of 5.2 per cent as compared to 85.1 per cent in the same period of 2018 (Figure 7). Hotels in the Central area and the Riverside area are mostly 5-star hotels attracting high-value tourists and maintaining high occupancy rate. However, hotels in the Sukhumvit area experienced stiff competition causing the average occupancy rate to decline from 81.9 per cent in the second half of 2018 to 76.8 per cent in the same period in 2019.

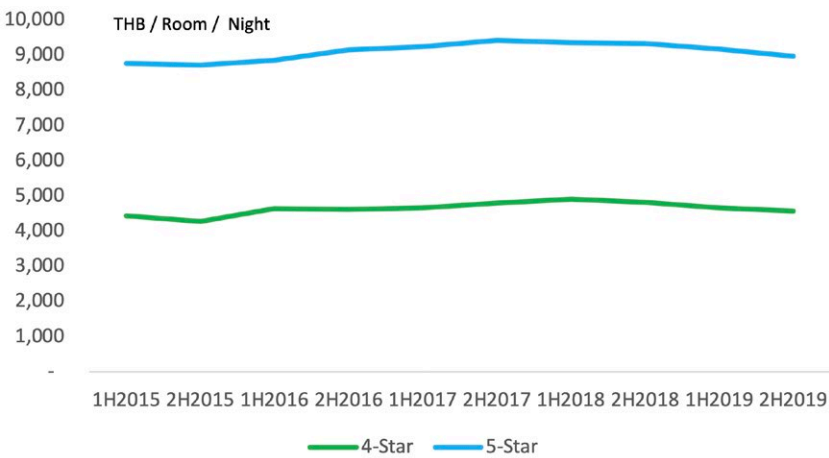
**Figure 7: Average Occupancy Rates of Bangkok Hotels by Grade by Zone**



Source: EDMUND Tie Research (Thailand)

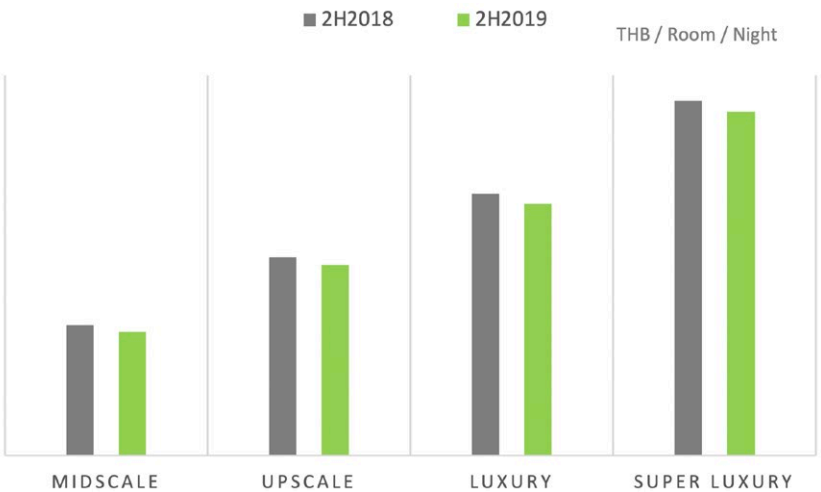
- The 5-star and 4-star hotels in Silom-Sathorn area recorded an average occupancy rate of 77.6 per cent in the second half of 2019, decreasing from the same period in 2018 by 4.7 per cent. For hotels in other areas of Bangkok, which are mostly in the 4-star grade, the average occupancy rate was 75.2 per cent, decreasing from 79.6 per cent in the same period of 2018 by 5.6 per cent.
- Given the weak economic sentiment and strong baht, hoteliers in Bangkok offered attractive packages, such as price discounts and special privileges. From the hotel market study conducted by EDMUND TIE Research (Thailand), the average room rates of Bangkok 5-star and 4-star hotels were at THB8,978 and THB4,563 respectively (Figure 8). As a consequence of decreasing occupancy rates, the average room rate of 5-star hotels in Bangkok decreased by 3.7 per cent, while the 4-star hotels decreased by 5.4 per cent.
- The average room rate for midscale hotels in Bangkok was THB4,563 in the second half of 2019. The room rate decreased by 5.4 per cent compared to the same period of 2018, and was mainly attributed to the decrease in average occupancy rate in 2019 (Figure 9). Other hotels types in Bangkok – which include upscale hotels, luxury hotels and super luxury hotels – posted year-on-year decrease in average room rates in the second half of 2019 at 4.1 per cent, 3.9 per cent and 3.0 per cent respectively. The average room rate of upscale hotels was reported at THB7,008 in the second half of 2019. Luxury hotels and super luxury hotels in Bangkok had average room rates of THB9,249 and THB12,647 respectively.

**Figure 8: Average Daily Room Rate of Bangkok Hotels by Grade**



Source: EDMUND Tie Research (Thailand)

**Figure 9: Average Room Rate of Bangkok Hotels by Class**

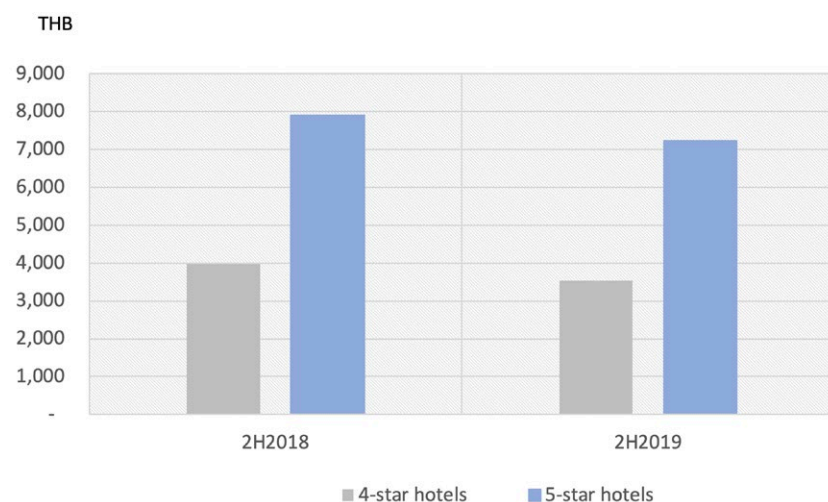


Source: EDMUND Tie Research (Thailand)



- With weak market sentiments arising from the global economic slowdown, decreased spending by foreign tourists, and the decline in total international tourists arrivals (including Chinese visitors) at Suvarnabhumi International Airport and Don Muang Airport in the second half of 2019, hotel operators in Bangkok attempted to find appropriate marketing strategies and pricing policies that matched the market situation in order to stimulate their RevPARs. Nevertheless, these external factors, which are uncontrollable, hit the RevPAR of Bangkok hotel operators, causing the average RevPAR of 5-star hotels in the second half of 2019 to decrease to THB 7,242 – equivalent to a decrease of 8.3 per cent when compared to THB7,900 in the same period of 2018.
- In the 4-star hotel segment, it was found that pricing strategy was deployed by many 4-star hotel operators to stimulate numbers of rooms sold in the period of weak demand. Therefore, the average RevPAR of 4-star hotels in Bangkok dropped by 10.9 per cent from THB3,968 in the second half of 2018 to THB3,534 in the latter half of 2019 (Figure 10).

**Figure 10: RevPAR of Bangkok Hotels by Grade**



Source: EDMUND Tie Research (Thailand)

**Table 1: New Supply of Bangkok Hotels in 2020**

Hotel Name	Grade	No. of Rooms	Location
Carlton Hotel Sukhumvit	4-Star	338	Sukhumvit
Sindhorn Midtown Hotel Bangkok	5-Star	344	Soi Tonson, Lumpini
Capella Bangkok	5-Star	101	Charoenkrung
Four Seasons Hotel Bangkok At Chao Phraya River	5-Star	299	Charoenkrung
Solaria Nishitetsu Bangkok	5-Star	263	Sukhumvit 14
Eastin Grand Hotel Phayathai	4-Star	394	Phayathai
Kimpton Maa-Lai Hotel Bangkok	5-Star	231	Soi Tonson, Lumpini
Orient Express Hotel	5-Star	154	Naradhiwas Rajanagarindra
Staybridge Suites Bangkok Thonglor	4-Star	306	Sukhumvit 55
Best Western Chatuchak	4-Star	167	Kamphaengphet Road
Eastin Hotel Harbour Bangkok	4-Star	456	Closed to Queen Sirikit National Convention Center
<b>Total</b>		<b>3,053</b>	

Source: EDMUND Tie Research (Thailand)

# Situation and Trends of Bangkok Hotel Market under the COVID-19 Epidemic Crisis

- In 2020, the COVID-19 outbreak negatively affected the global tourism industry due to numerous bans on travelling. In Thailand, the Tourism Authority of Thailand (TAT) estimated the number of foreign tourists to have dropped by more than 60% to 14 million tourists. It was reported that in January 2020 that the number of international tourist arrivals at Suvarnabhumi and Don Muang Airport dropped by 16.9 per cent and then dropped even further by 76.7 per cent and 91.2 per cent in February and March compared to the same period in 2019.
- The virus outbreak that has become a global crisis is expected to continue impacting the tourism and hotel industry in Thailand in the third quarter of 2020.
- In a worst-case scenario, should the COVID-19 crisis prolong till end of 2020, some new and independent hotels that have no strong financial backing will experience serious financial problems. More hotel takeovers is anticipated in the medium run. On the overall, hotels need to manage costs efficiently, and monitor the situation day by day during the virus outbreak period. Hotels may lay off employees or cut costs by different means for business survival and minimize loss.
- The hotel bookings are anticipated to gradually recover in Q4 2020 with the expected partial return of tourists from China and Japan. To prevent the resurgence of the virus when the ban on foreign entry is lifted, the government may impose strict measurements on visa approvals, especially on visitors from the high virus-infected countries.
- The cancellation of hotel bookings from individual foreign visitors, tour groups and MICE market will cause the average occupancy rate of Bangkok hotels to decrease by 30 - 40 per cent in 2020 as compared to 2019. The average room rate in the 5-star segment is forecasted to drop in the range of 12 – 20 per cent in 2020 y-o-y, whereas the 4-star hotels are expected to experience a bigger drop in the average room rates ranging from 15 - 25 per cent.
- RevPARs of Bangkok hotels is expected to experience a sharp decrease in 2020 as compared to 2019, mainly attributed to the COVID-19 crisis, the temporary shutdown of hotels, global economic recession and the ban on foreign entry.
- To cope with the impact of the COVID-19 pandemic, many hotels are forced to find new ways to generate recurrent income by transforming certain floors to operate as serviced apartments. This will be seen more in hotels that are located near exhibition centres and convention halls to capture the MICE market.
- Some key hotel groups are looking into ways to partner with private hospitals to capture the medical tourist market. They are offering assistance to international patients getting medical treatment in Bangkok and need to recuperate in the luxury hotels that facilitate them in arranging for medical appointment with doctors, transferring patients between the hotel and hospital, and 24-hour onsite doctors at the hotel for emergency cases. This will help improve the occupancy rate of the hotel and also enhance business opportunities in the medical service industry.
- With the geographic location of Thailand that facilitates the logistics industry as well as the incentives promoted by the Board of Investment (BOI), key hotel groups and chains will partner with industrial estate providers to develop hotels and serviced apartments inside the industrial estate areas to facilitate expatriates from Japan, China, and other countries that plan to relocate their manufacturing base to Thailand.
- Some new hotels that were earlier scheduled to be opened in the first half of 2020 will postpone their openings to late Q3, based on the expectation that international tourists will resume their travel plans by then. Promotions and special privilege campaigns will be deployed by hotels to stimulate demand after COVID-19 is under control.
- Demand in the Bangkok hotel market is expected to start recovering in the final quarter of 2020 before full recovery in late 2021, assuming that the virus pandemic is completely resolved in all affected countries.

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