

Hotel Value Analysis after the CoVID-19 Pandemic : A Case Study of Thailand

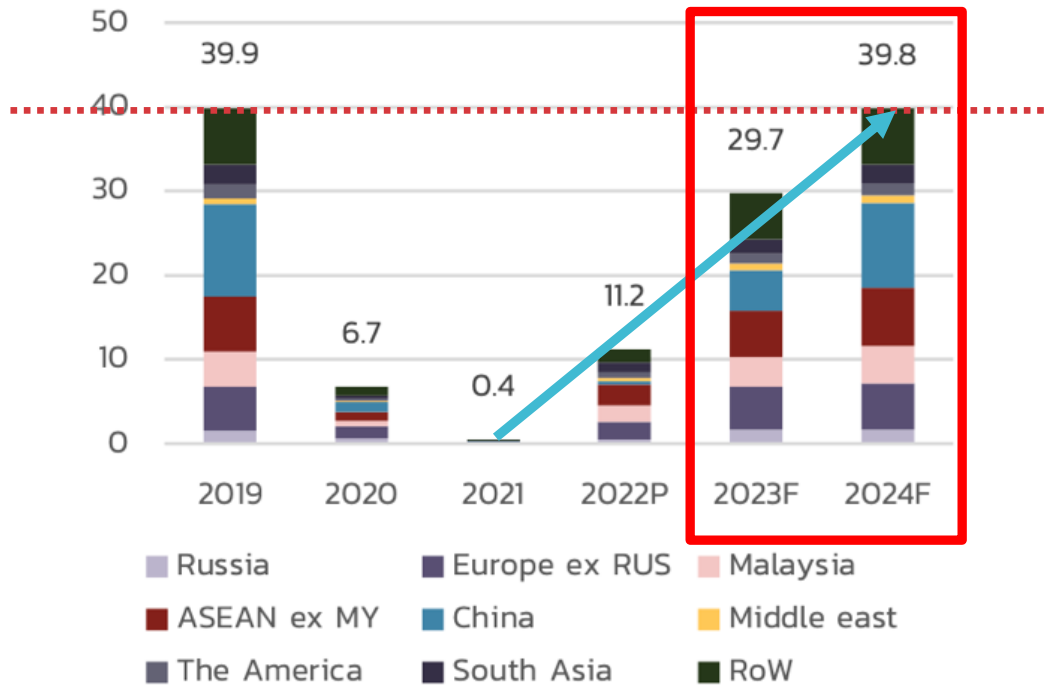
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Agenda

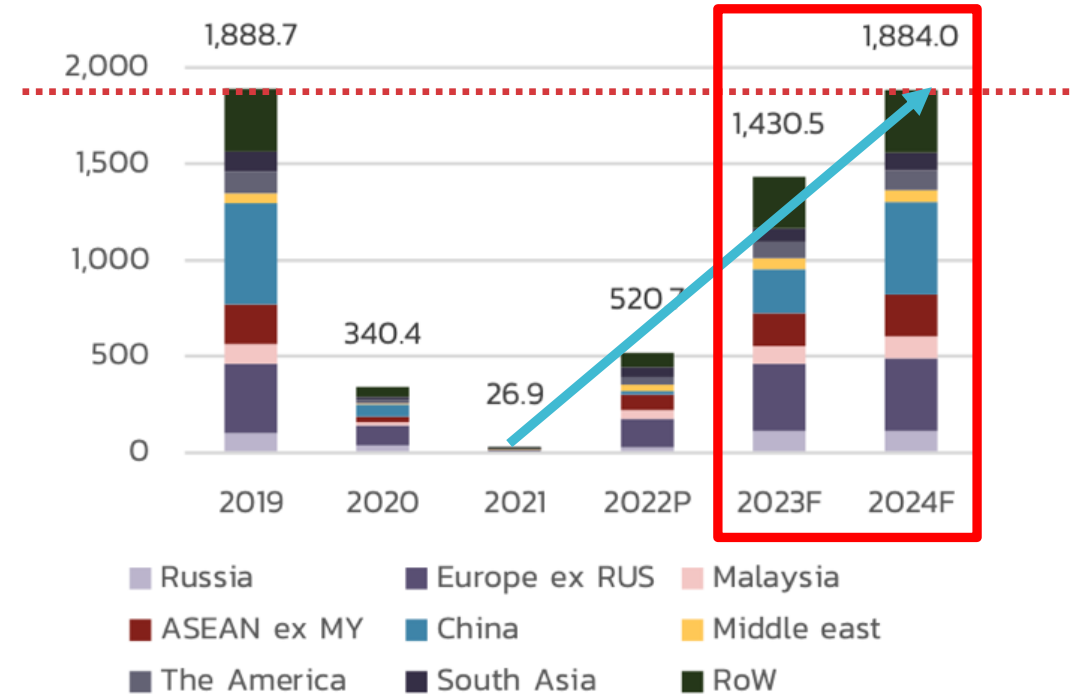
- Thai Tourism Industry after the CoVID-19 Pandemic
- Summary of a Valuer Survey on Hotel Valuation
- Hotel Value Analysis after the CoVID-19 Pandemic
- Conclusion

Thai Tourism Industry after the CoVID-19 Pandemic

Tourism arrivals forecast (mn. person)



Tourism revenue forecast (bn.Bt.)



Resource : KKP research

The Thai Tourism Industry Before and After COVID-19

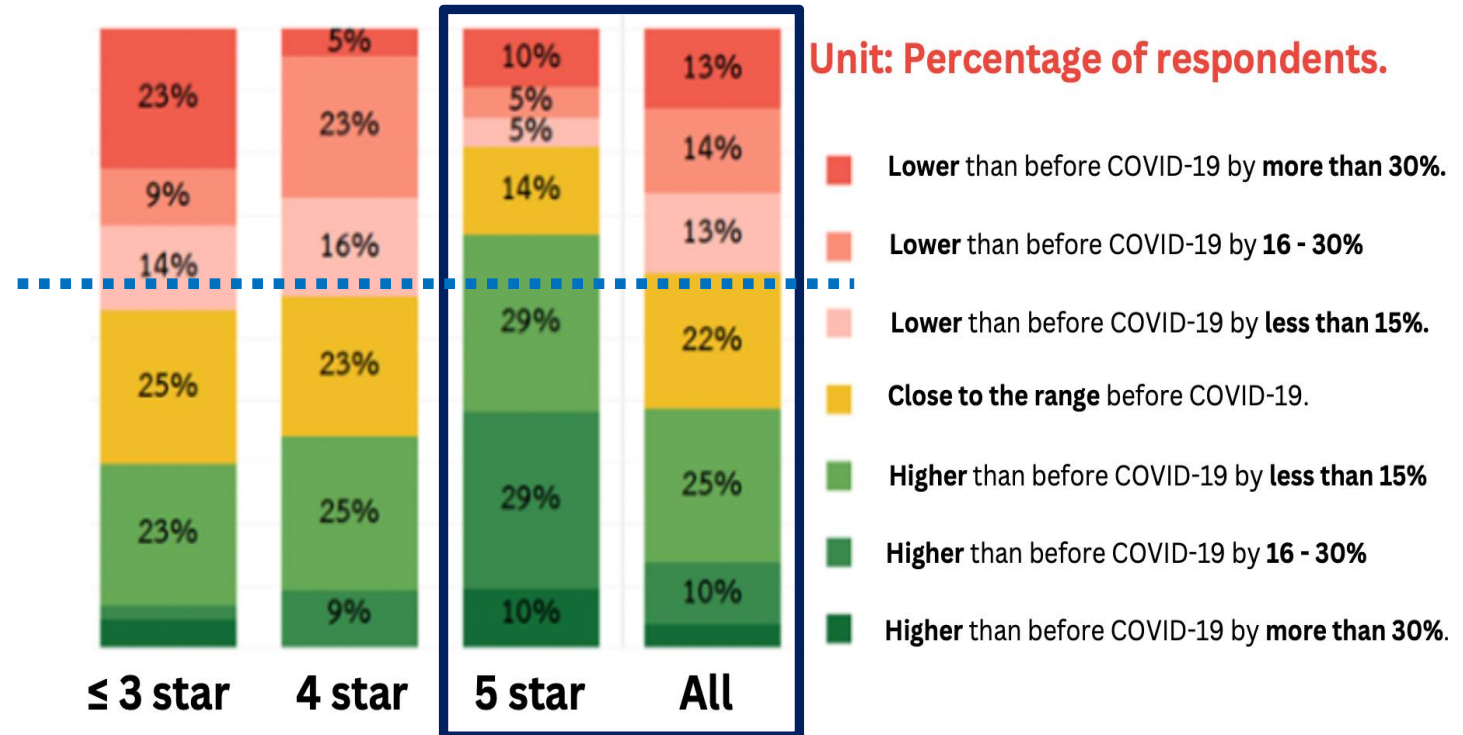
Thai tourism industry seemed to pass the lowest point in 2021. It is expected to fully recover both in quantity and income in 2024.

ADR

- Larger hotels tend to recover more quickly than smaller ones.
- Hotel ADR in Thailand seems to recover to the level before the pandemic.

The average daily room rates(ADR) of hotels in Thailand in June 2023 compared to before the pandemic

The proportion of hotel categorized by the average room price per day.

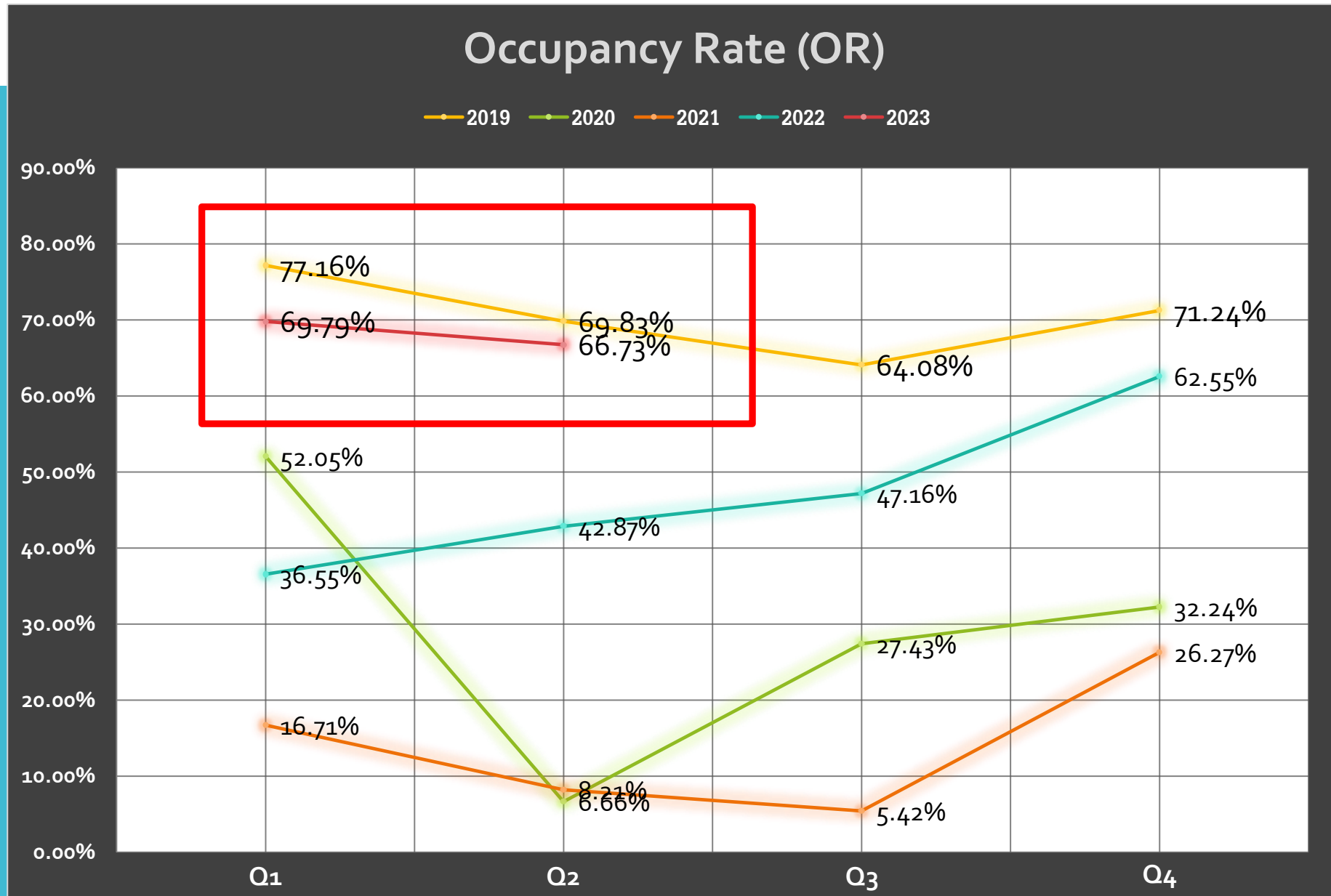


Resource: Thai Economics Tourism and Sports

Occupancy rate

Thai hotel occupancy, in 1H 2023, get close to those before the pandemic, not yet fully recovered.

Good signs of recovery can be clearly seen as both market ADR and market OR increase significantly.



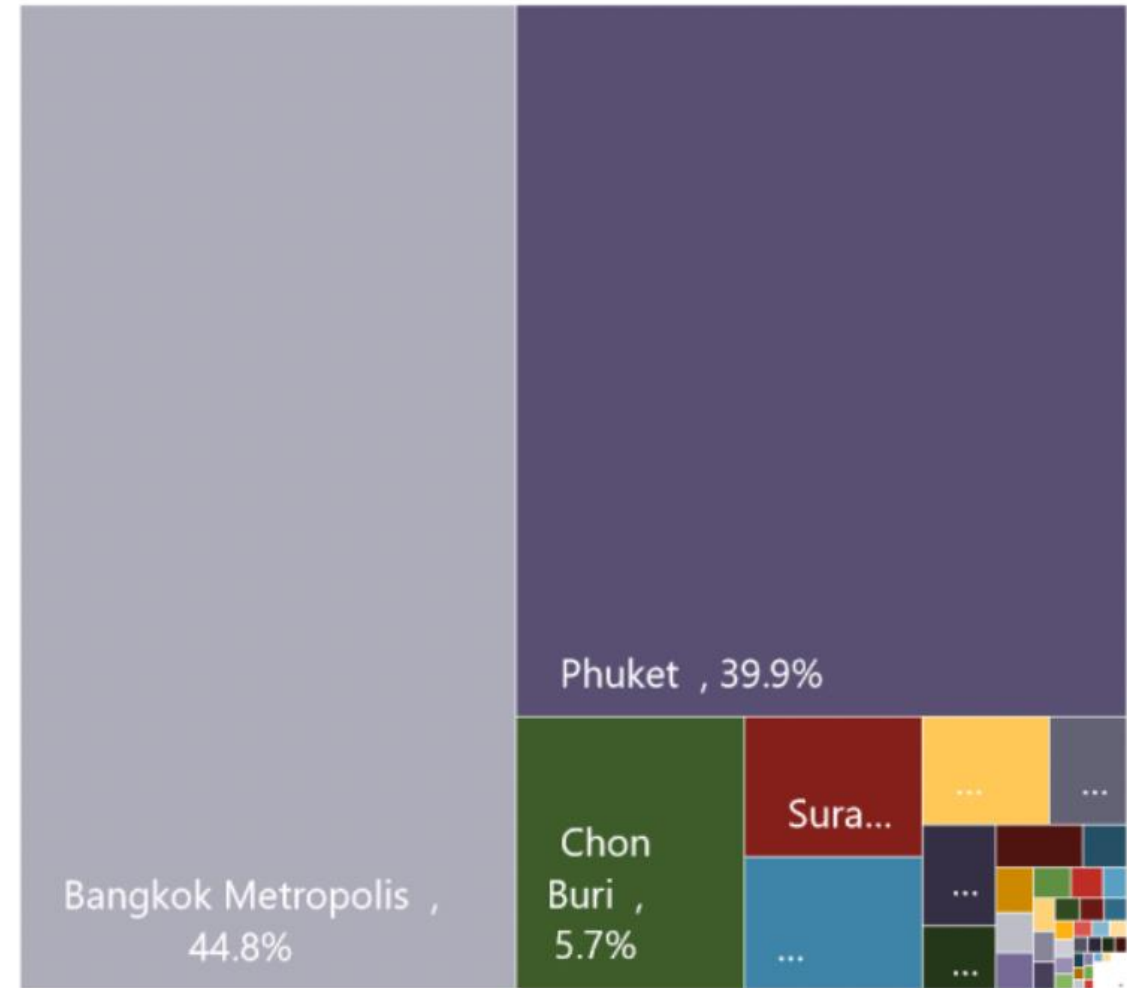
Resource : Bank of Thailand, Ministry of Tourism and Sports

Expected Tourism Revenue

Expectedly, around 45% of the overall 2022 tourism revenue were generated in Bangkok Metro area. Another 40% were in Phuket, and 6% were in Chonburi.

These portions altogether counted 91% of Thai tourism revenue in 2022.

2022E Tourism revenue by province



Resource : KKP research

Summary of a Valuer Survey on Hotel Valuation

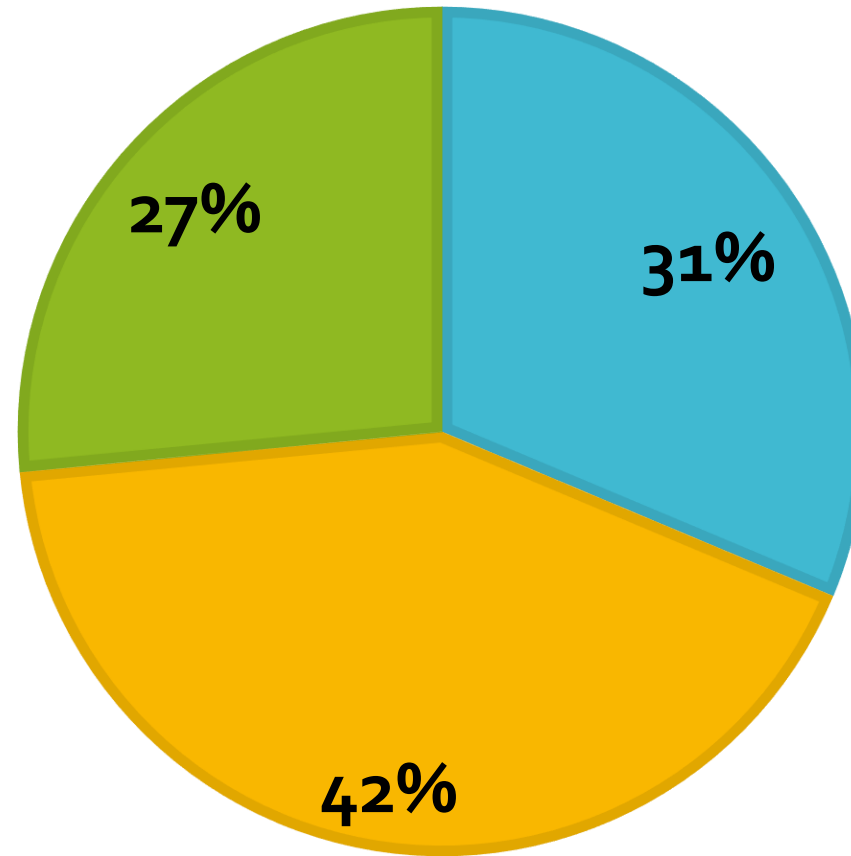
Summary of a Valuer Survey on Hotel Valuation

To gather opinions of Thai valuers about hotel value analysis, The Valuers Association of Thailand (VAT) had conducted an online survey on hotel valuation is conducted in July 2023.

There were a total of 166 Thai valuers, participated. 42% of them are qualified senior valuers.

SURVEY'S PARTICIPANT

■ Qualified Valuer ■ Qualified Senior Valuer ■ Qualified General Valuer

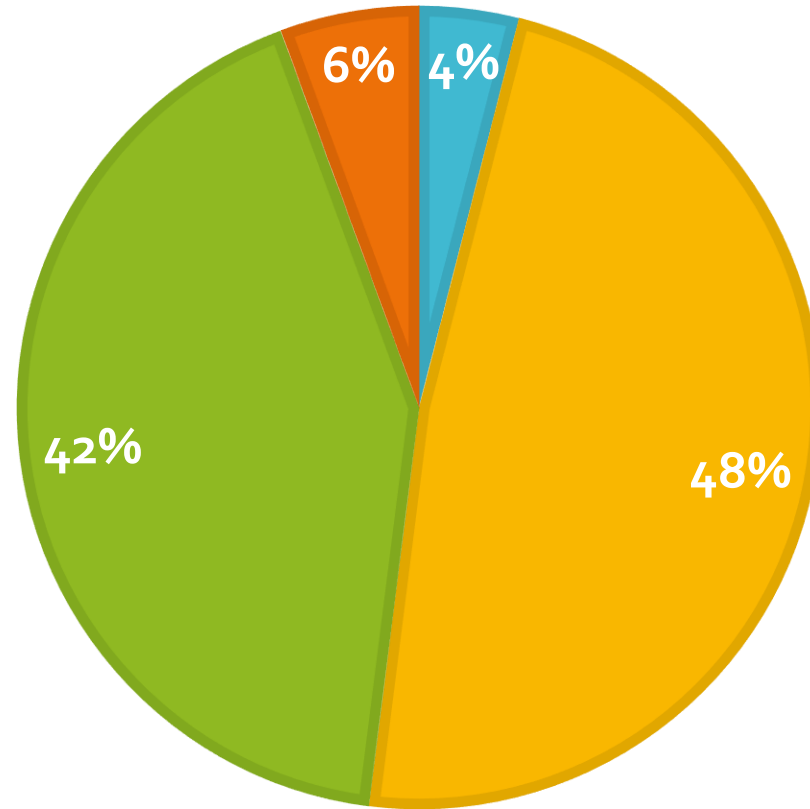


Expected Capitalization Rate

Compared to 6-8% in 2019 (thaiappraisal.org), Thai valuers seem to expect higher capitalization rate than before the pandemic.

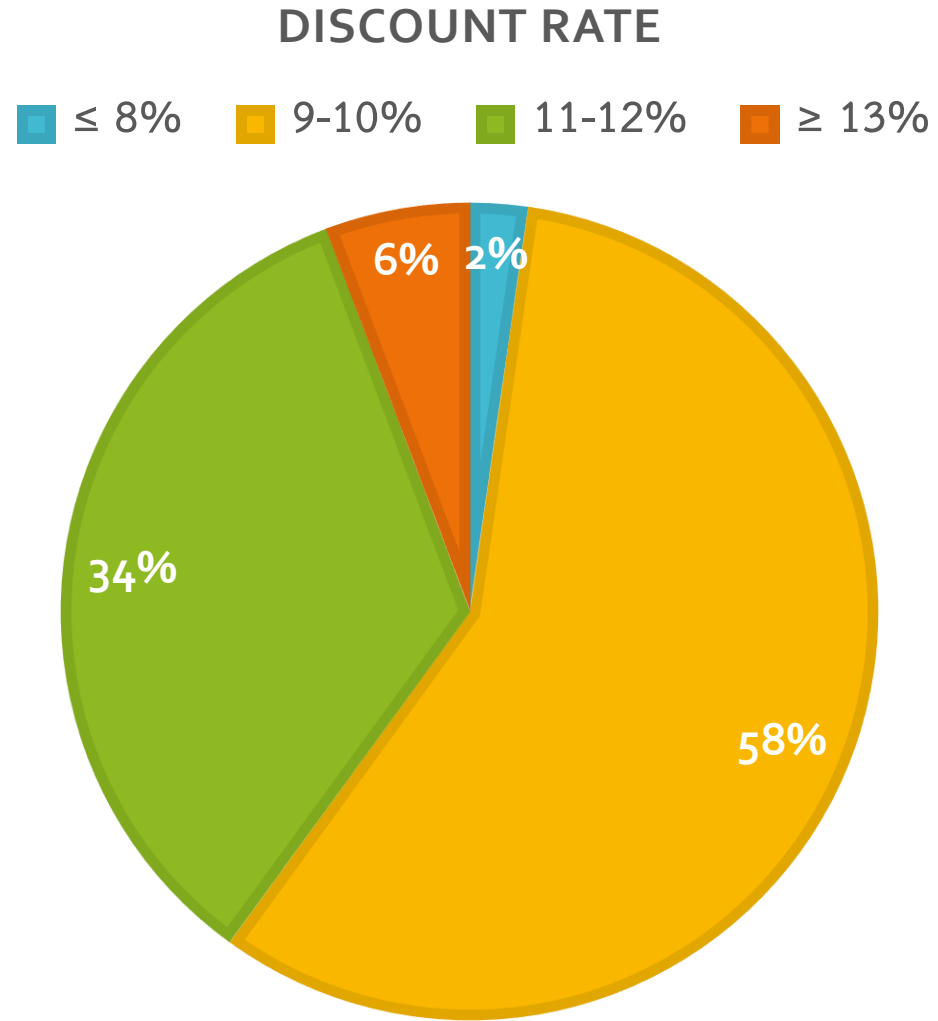
CAPITALIZATION RATE

■ ≤ 6% ■ 7-8% ■ 9-10% ■ ≥ 11%



Expected Discount Rate

Mostly, Thai valuers seem to expect quite high discount rates i.e., 9-12% or higher.



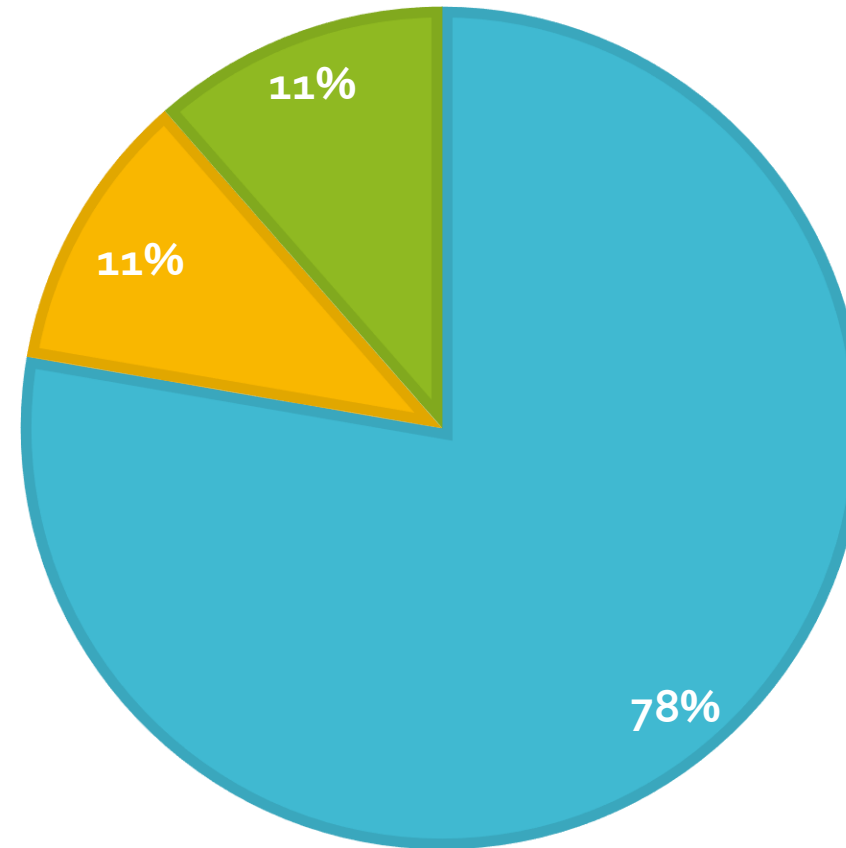
Will the change be long-lasting?

Though, the pandemic was severe, its effect is, however, temporary.

Thai hotel financial structure may be slightly changed, but the pandemic did not directly affect its core structure much.

CHANGE IN FINANCIAL STRUCTURE

■ Temporary ■ Permanent ■ Unchanged



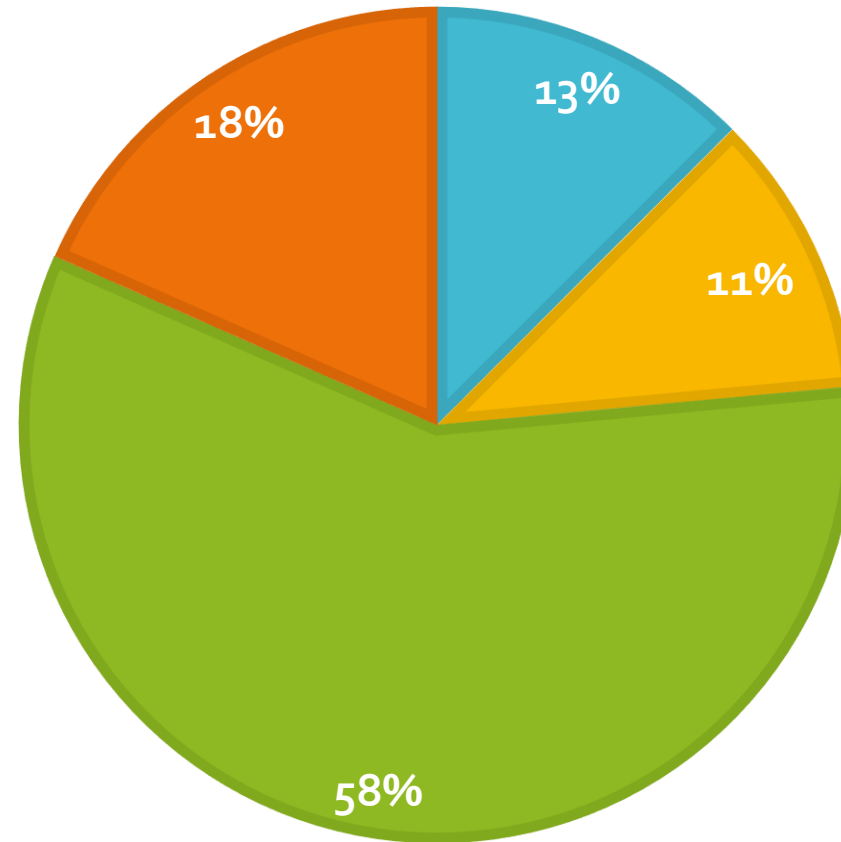
Expected Recovery Time

Thai valuers expect that damages occurred by the pandemic shall be temporary.

The industry should be recovered fully within the next 3 years.

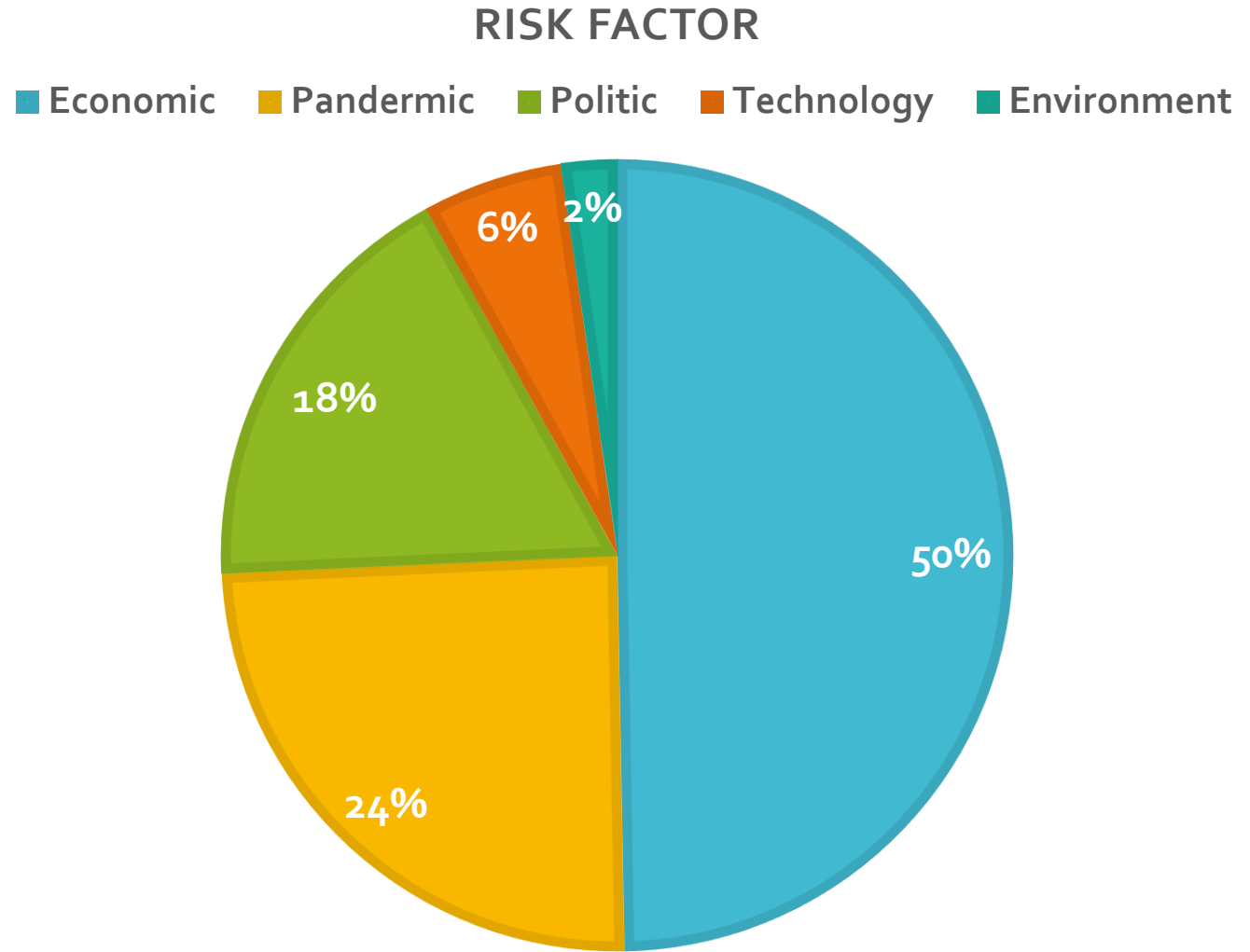
RECOVERY TIME

■ 0 year ■ 1 year ■ 2-3 year ■ >3



Future Risk Factors

From the survey results, Thai valuers point out that economic, pandemic and politic risks are the first 3 risks that seem to rock the Thai hotel value in the next few years.



Hotel Value Analysis after the CoVID-19 Pandemic

Assumptions

A hypothetical hotel cashflow is constructed, using data of selected public companies listed in the Tourism & Leisure (TOURISM) sector, published by the Stock Exchange of Thailand, during 2018-2023 (1H).

Market occupancy, market ADR and rates of return are derived from various sources of secondary data and the valuers survey, reported earlier.

(UNIT : THB)

	Before CoVID-19	After CoVID-19		
Year	2019	2023	2024	2025
Room Keys	500	500	500	500
Market ADR (THB)	3,401	4,096	4,506	4,641
Market Occupancy Rate	82.40%	65.73%	82.40%	82.40%
Capitalization Rate	6-8%	8-10%		
Discount Rate	9-11%	10-13%		
Property Right	Freehold	Freehold		

Resource : SET, CBRE, VAT

Hotel Revenue & Expense Structure

Thai hotels' net operating income had been hit hard by the pandemic. This can be clearly observed from the net operating cashflow during the pandemic year (2020-2021), which are severely negative.

While, after the pandemic (2022), the net operating incomes have become close to the pre-pandemic level.

2019				
	CENTEL	MINT	ERW	Average
Room Rent	39.7%	70.9%	95.50%	68.7%
F&B	57.2%	17.56%	0%	24.9%
Other revenue	3.1%	11.6%	4.5%	6.4%
Total Revenue	100.0%	100.0%	100.0%	100.0%
Room Expense	25.80%	43%	45%	38.0%
F&B Expense	31.60%	5.10%	0%	12.2%
SG&A	32.10%	38.82%	25.60%	32.2%
Total Expense	89.50%	87.19%	71%	82.4%
2022				
	CENTEL	MINT	ERW	Average
Room Rent	36.0%	73%	96.74%	68.7%
F&B	64.0%	21.09%	0%	28.4%
Other	0.0%	5.5%	3.3%	2.9%
Total	100.0%	100.0%	100.0%	100.0%
Room Expense	13.00%	47%	48.37%	36.1%
F&B Expense	27.00%	6.70%	0%	11.2%
SG&A	35.00%	33.80%	29.20%	32.7%
Total Expense	75.00%	87.28%	77.57%	80.0%

Hypothetical Hotel Value Before Covid

The direct capitalization method is employed to analyze the hypothetical hotel value before the pandemic, to represent the base line value of overall Thai hotels.

(UNIT : THB)

YEAR	2019
Room Night	365
Room Keys	500
ADR	3,401
Occupancy Rate	82%
PGI	620,682,500
EGI	508,959,650
Expense	80%
NOI	101,791,930
Capitalization Rate	7%
Discount Rate	10%
Value of Hotel	1,454,170,429

After CoVID-19 Hypothetical Hotel Cashflow

Assuming that the industry will be fully recovered in 2024, the post-pandemic cashflow is constructed.

The hotel value will be affected by changes in the NOI structure and higher rates of income.

While the NOI structure seems to get close to the pre-pandemic stage, the effects of changes in the rates of return are still ambiguous.

(UNIT : THB)

		10%	3%
YEAR	2023	2024*	2025
ADR Growth(%)		10%	3%
Room Night	365	365	365
Room Keys	500	500	500
ADR	4,096	4,506	4,641
Occupancy Rate	67%	82%	82%
PGI	747,520,000	822,272,000	846,940,160
EGI	498,820,096	674,263,040	694,490,931
Expense	93%	80%	80%
NOI	34,917,407	134,852,608	138,898,186
Terminal Value		1,543,313,180	
Net Cash Flow	34,917,407	1,678,165,788	

Hypothetical Hotel Value Comparative Analysis

Results of the hypothetical hotel value analysis shows that the hotel value tends to decrease from the pre-pandemic base line value.

As the NOI structure is given, once the pandemic raises the capitalization rate to 9%, hotel market value will start to decrease.

Capitalization Rate	Discount Rate	Market Value	
8%	10%	1,578,090,149	+8.52%
	11%	1,550,067,571	+6.59%
	12%	1,522,789,723	+4.72%
	13%	1,496,230,404	+2.89%
9%	10%	1,418,656,970	-2.44%
	11%	1,393,494,122	-4.17%
	12%	1,368,999,746	-5.86%
	13%	1,345,150,329	-7.50%
10%	10%	1,291,110,426	-11.21%
	11%	1,268,235,362	-12.79%
	12%	1,245,967,765	-14.32%
	13%	1,224,286,270	-15.81%

Conclusions

Conclusion I

Methodology & Assumptions

- Discounted Cash Flow method is employed to analyze the hypothetical hotel post-pandemic cashflow, instead of the direct capitalization method.
- The hotel market ADR, OR, NOI structure and rates of return are analyzed based on secondary data and survey results.

Conclusion II

Hotel value

- Since the hotel industry has not yet fully recovered, the hypothetical hotel value analysis shows that, comparing to the pre-pandemic cashflow, the hotel market value tends to decrease, due to changes in market occupancy, net income structure and rates of return.
- Among these factors, the capitalization rate seems to play major role that affects the hotel value.
- Fortunately, these changes are expected to be temporary, and the industry should be fully recovered soon.

Conclusion III

Recommendations

- Once a crisis happened, it affects income property value significantly. A thorough analysis of whether the changes in NOI structure and other important parameters are permanent is crucial.
- Temporary changes must, however, also be analyzed to seek for the bottom and the duration of the crisis.
- A series of researches and surveys shall help valuers to understand how the crisis affects property value. This shall make the value analyzed from market data more reasonable.

Q&A