



COVID-19 Sentiment Survey

**The impact of COVID-19 on
the Bangkok Hotel Industry**

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The survey discusses **COVID-19** pandemic and its unprecedented impact on the **Bangkok hotel market**. On a property level, the survey focuses on hoteliers' point of view on contingency measures, business strategies, signs of recovery, and comparison between pre- and post-COVID-19.

SURVEY OVERVIEW

Contingency Measures

- The level of effectiveness for each contingency measure
- Other contingency measures being undertaken
- Contingency measures being undertaken from the Corporate Office to support Hotel Owners
- The period of implementing the contingency measures
- F&B business models to support local resident demand
- Staycation business model (**staycation: local resident demand*)

Signs of Recovery & Market Outlook

- An indication of signs of recovery
- A recovery period by each market segment
- A recovery period by each source market
- The market's dynamic between pre- and post-COVID-19

- The survey was distributed to participants on 15 April 2020.
- The data collection period was available through 30 April 2020.

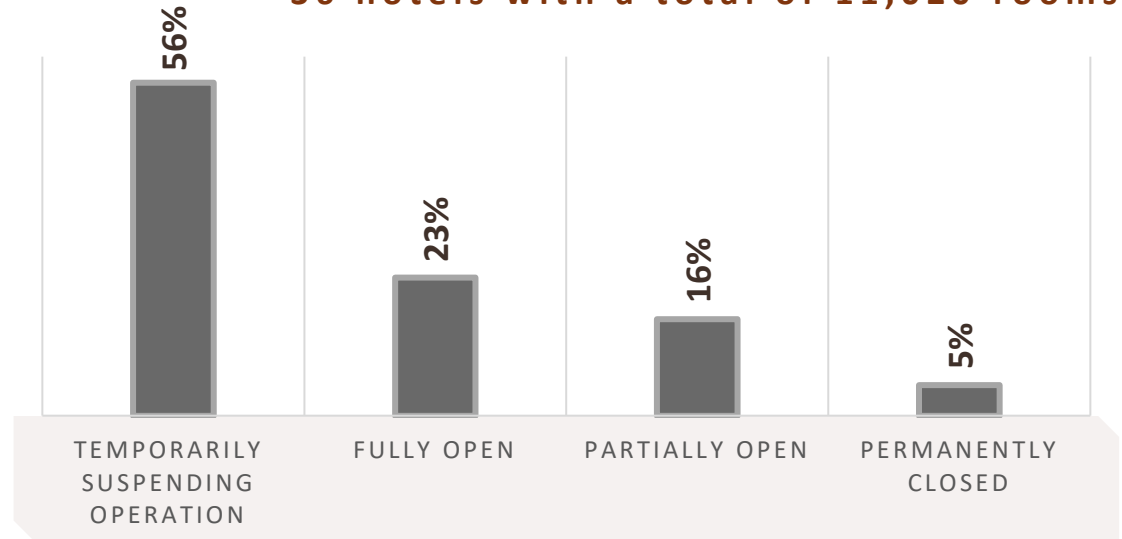
Key Takeaways



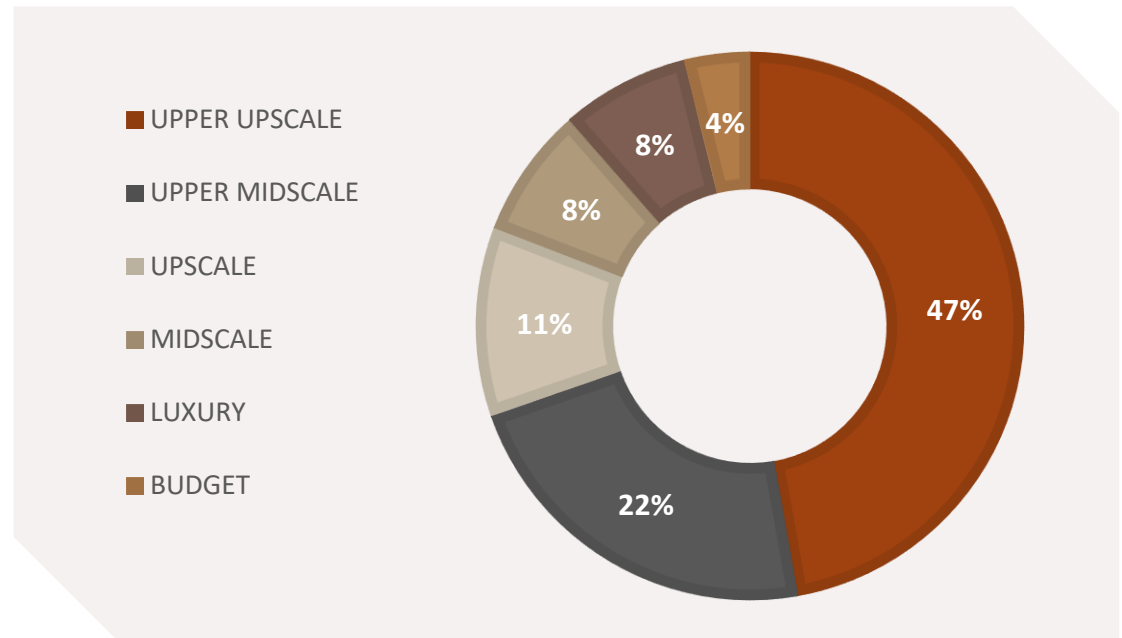
- Over **70%** of the sample hotels are located in **Middle Sukhumvit, Siam-Chidlom-Ploenchit, and Silom-Sathorn** areas.
- There are a number of **contingency measures** being undertaken to control operating cost at a property level. The contingency measures are planned for an average of **4.5 months**.
- **21%** of corporate offices offer to **defer management/license fee payments**.
- Respondents have difficulties ascertaining clear signs of a recovery.
- **34%** expect **full recovery** could take **more than a year**.
- The **short-haul market** is expected to recover in **less than a year** and the **domestic market** to recover in **1-2 months**.
- There is an expected shift in the market post-COVID 19 with regards to the overall performance and market segmentation. **Almost 90%** believe the industry will **employ less full-time staffs** to be cost-efficient.

Respondents

36 hotels with a total of 11,020 rooms



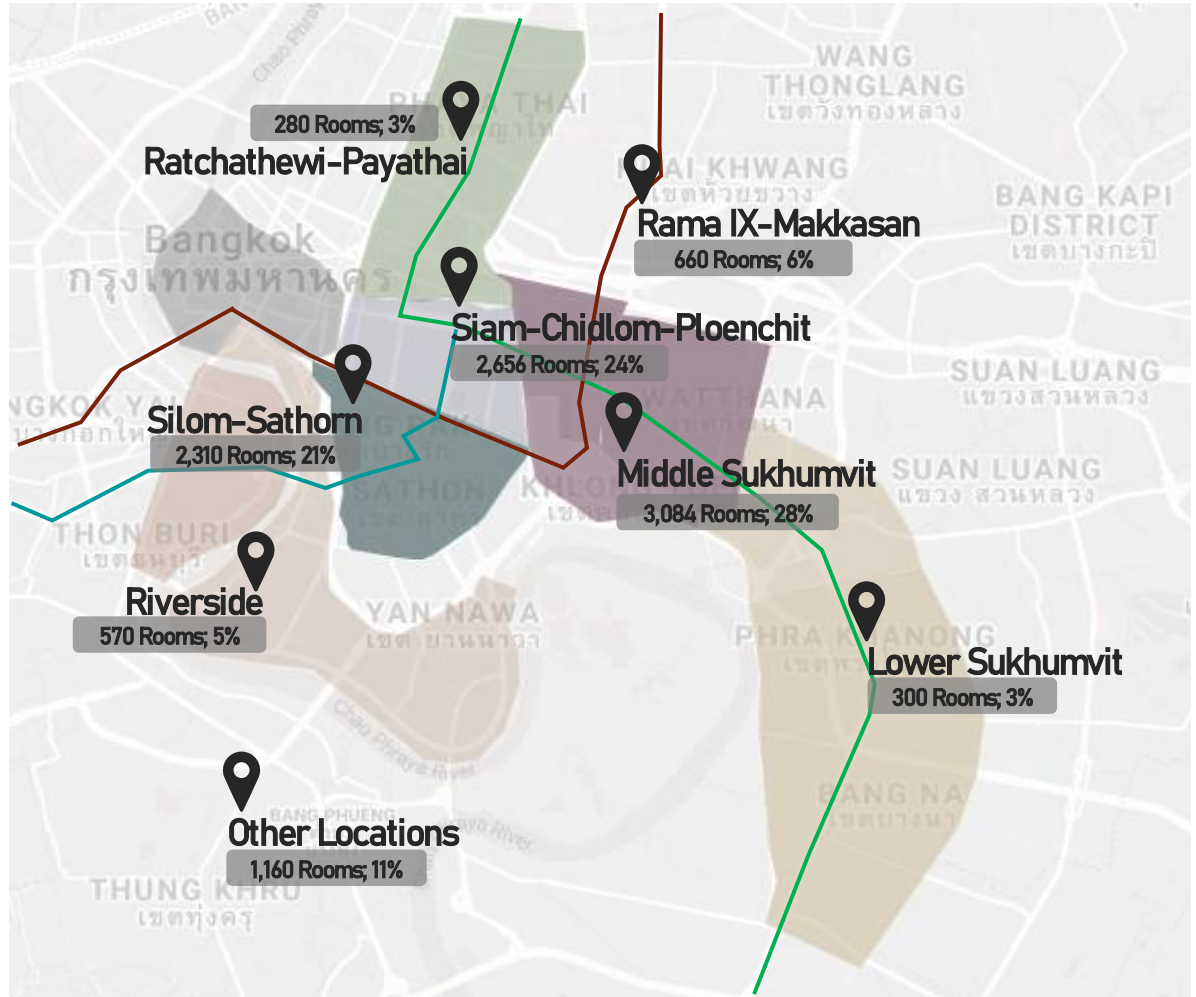
- The fully open and partially open properties record a reduction in the number of staff by approximately **10%** during this period.
- The properties that are temporarily suspending operations are expected to close on an average for approximately **1.7 months**.
- Approximately **70%** of the properties in the survey sample are in the upper-upscale and upper-midscale positionings.



Respondents by Location

Bangkok

“Over 70% of the sample hotels are located in Middle Sukhumvit, Siam-Chidlom-Ploenchit, and Silom-Sathorn areas.”

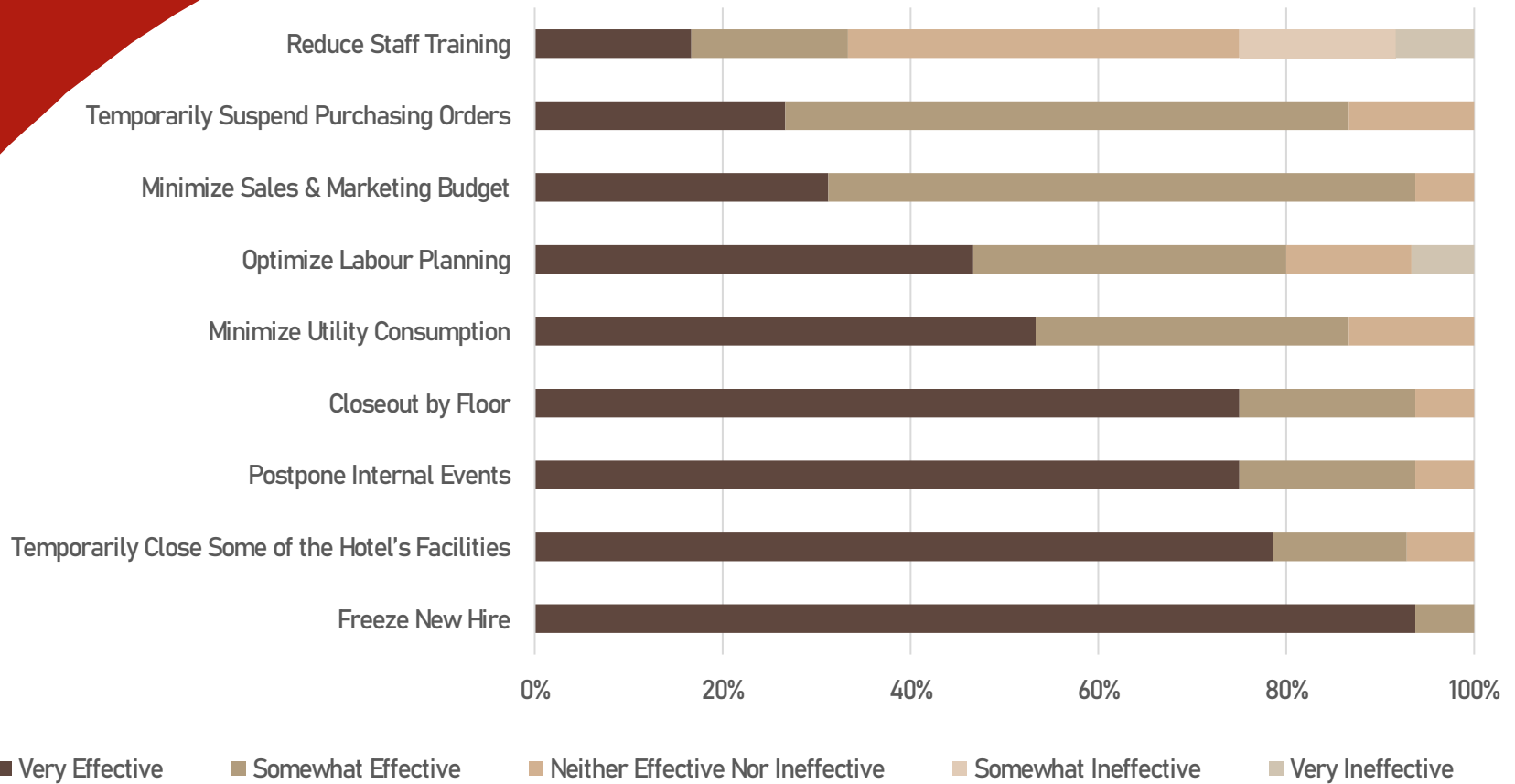


CONTINGENCY MEASURES

“There are a number of contingency measures being undertaken to control operating cost at a property level.”

Contingency Measures

What is the level of effectiveness for each measure?



- The contingency measures are planned for an average of **4.5 months**.
- The **freeze of new hiring** is expected to be the most effective measure.
- **Optimize labour planning** by cross-training staffs to carry out other duties and responsibilities. This also includes paid leave, leave without pay, voluntarily non-paid leave, furlough, and voluntarily non-paid leave.
- **Reduce staff training** is also deemed effective as it may help short-term endurance but should not be done at the expense of thriving excellent services in the longer-term.

Contingency Measures

What are the measures undertaken by the Corporate Office to help Hotel Owners?

“21% of corporate offices offer to defer management/license fee payments.”



- The common themes are deferring renovations and product improvement plans (PIPs) that would initially be due.
- Other measures include waiving furniture, fixtures and equipment (FF&E) reserve payments and providing FF&E reserve funds to cover operating expenses.

Contingency Measures

F&B and Staycation Business

Does your property implement any new **F&B business** models to support local resident demand?



56%



44%



- Approximately half of the properties that are fully open and partially open extend their F&B offerings by mainly providing **delivery service** or **takeaway** to service customers.



25%



75%

- A quarter of the properties witness an increase in a **Staycation business**, which ranges between two to 50 room nights per week.



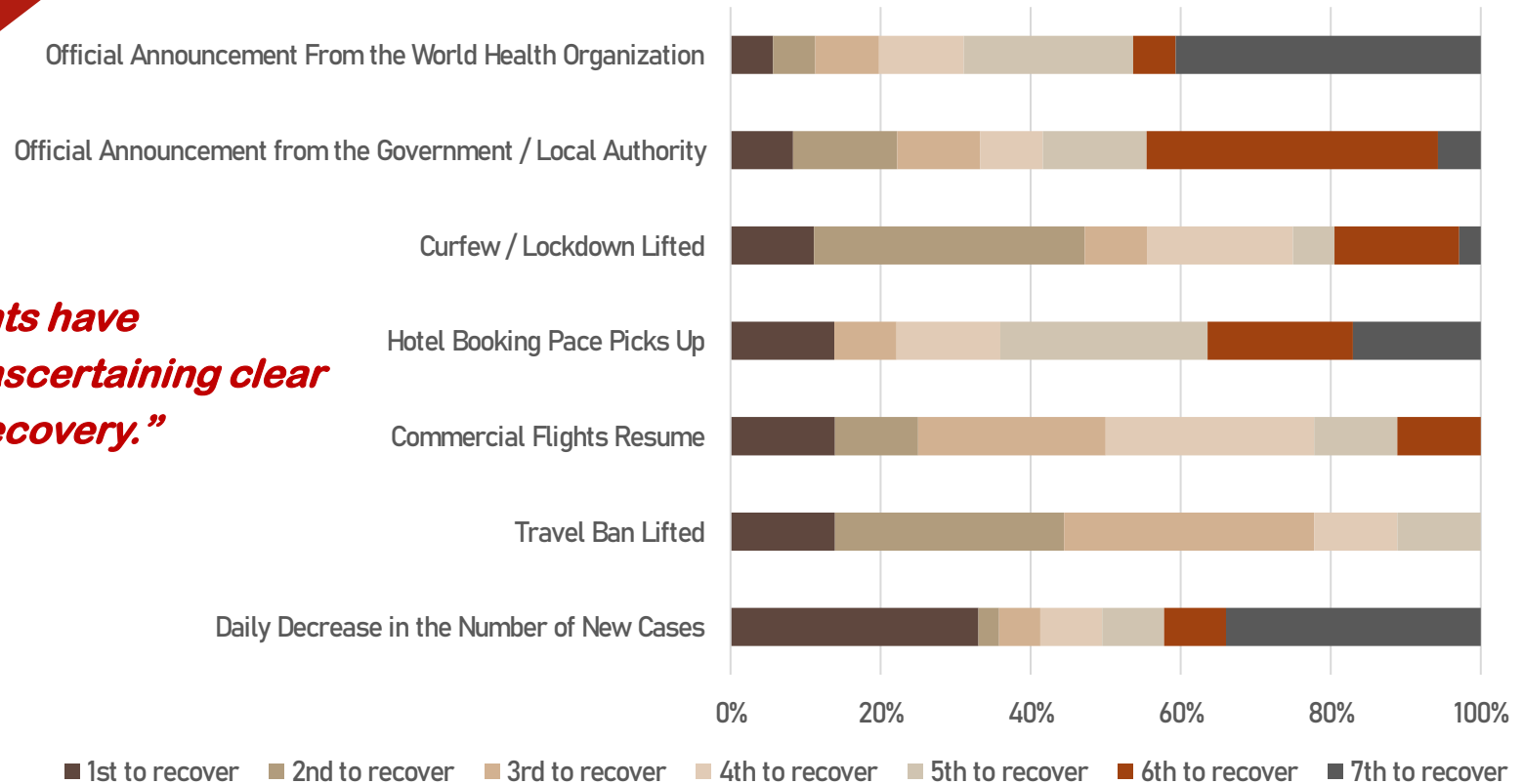
Does your property witness an increase in a **Staycation business** over this period?

SIGNS OF RECOVERY & MARKET OUTLOOK

Signs of Recovery

Which of the following would indicate a sign of recovery?

“Respondents have difficulties ascertaining clear signs of a recovery.”

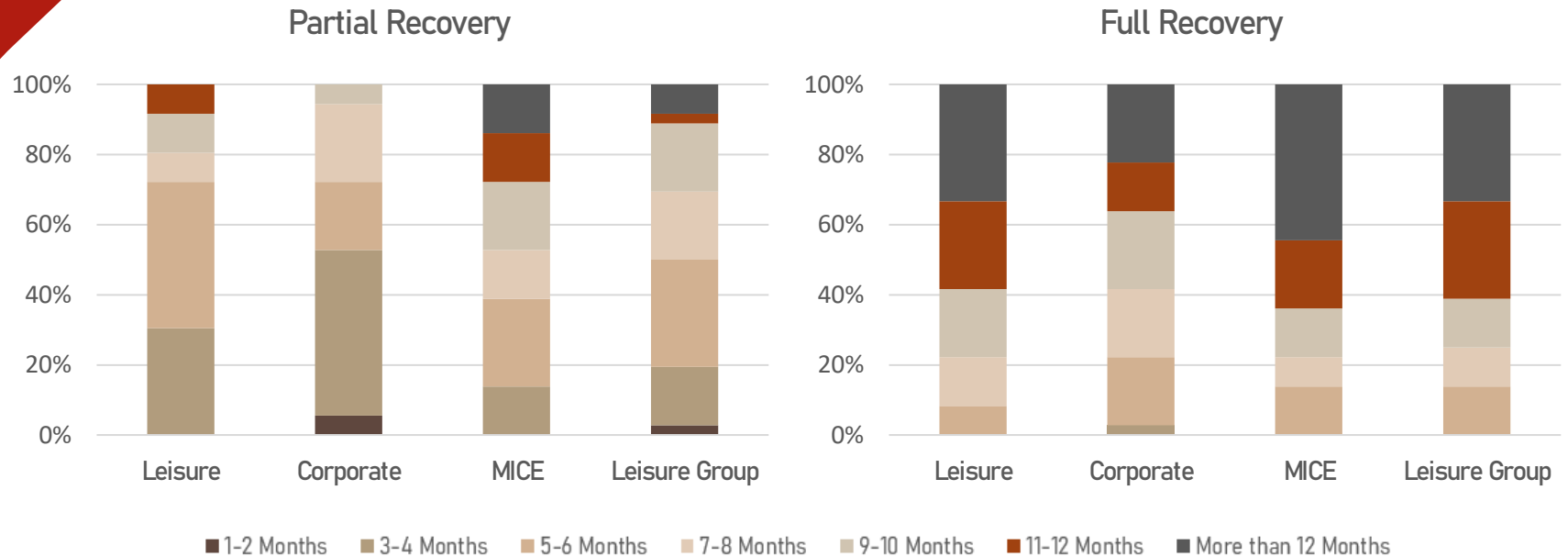


- Split opinions about the relevance of a **daily decrease in the number of new cases** can be observed among the hoteliers. Although over **33%** believes that it is the first sign of a recovery, **34%** seems to believe otherwise.
- **40%** of the respondents considers an **official announcement from the WHO** to be the final sign of recovery, while only **6%** is convinced it is first. Most hoteliers are expecting business to bounce back before the official announcement.

“34% expect full recovery could take more than a year.”

Recovery by Market Segment

How many months do you expect each market segmentation require to recover?



- **Corporate demand** is expected to be the segment to partially recover the fastest in less than six months. A 50% recovery to come as early as 1-2 months.

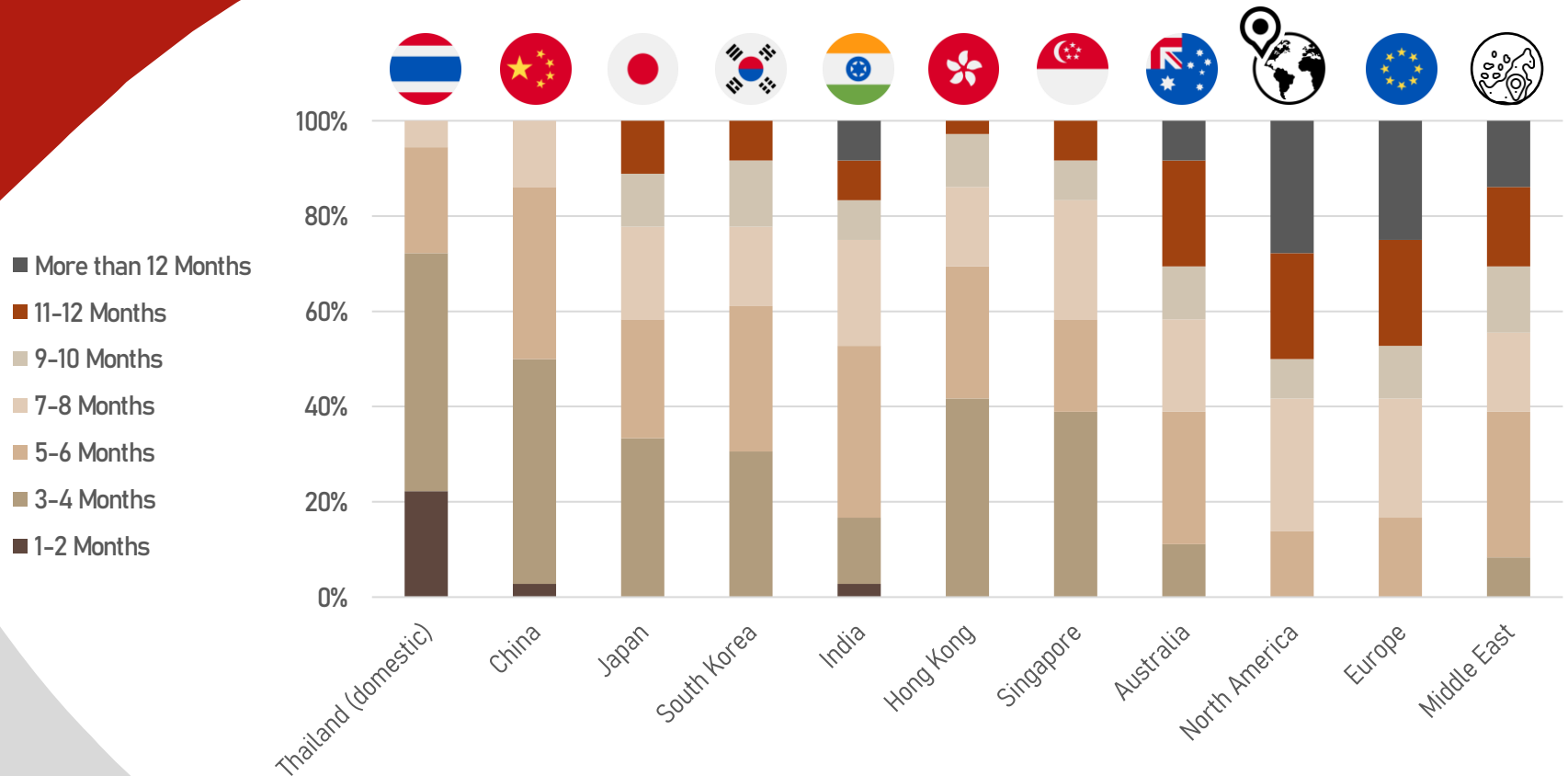
- **Leisure demand** is expected to partially recover faster than **Leisure Group** segment, but both are moving toward full recovery at a similar pace.

- **MICE** is expected to be the last to recover in the long term. The respondents anticipate that MICE demand will take more than six months to partially recover.

“The short haul market is expected to recover in less than a year and the domestic market to recover in 1-2 months.”

Recovery by Source Market

How many months do you expect each source market require to recover?

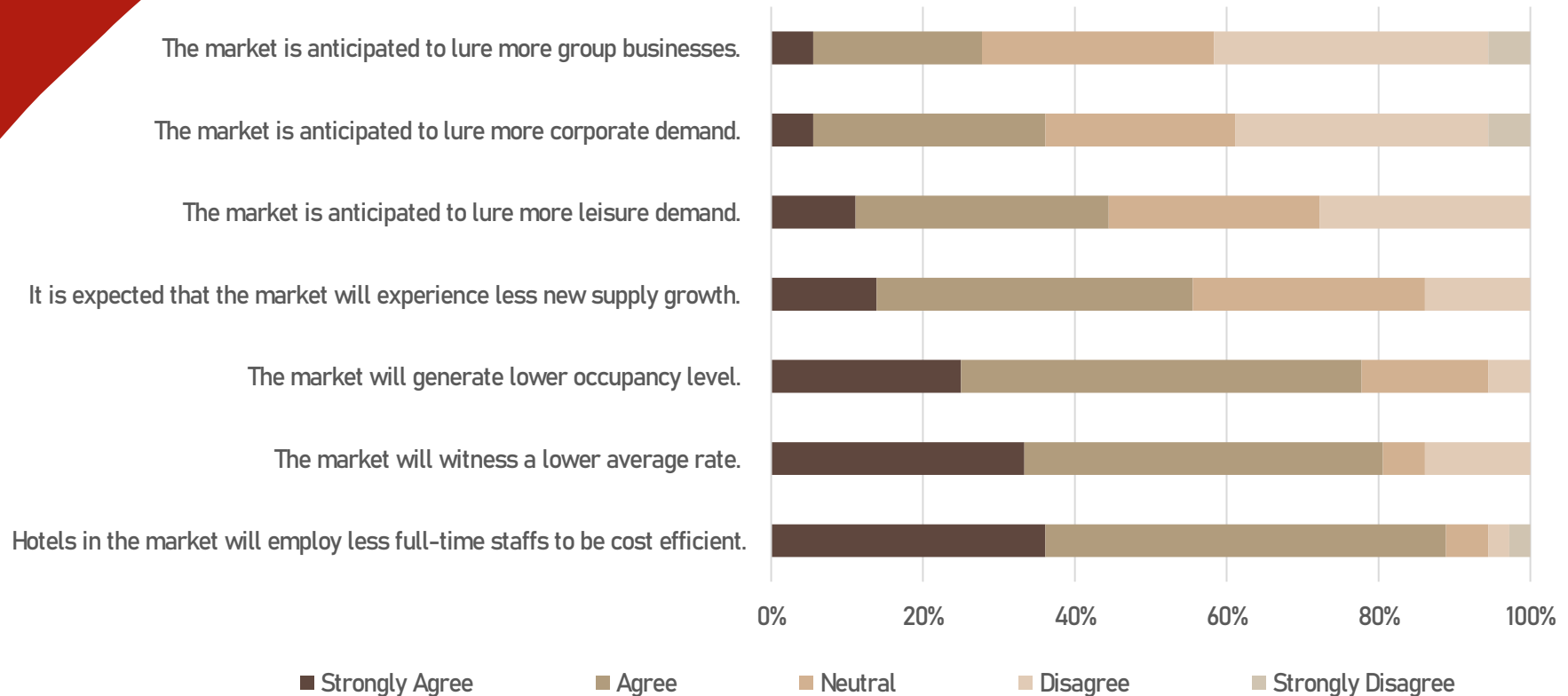


- The **Domestic** market is expected to be the first to recover within between **one to two months**, followed by short haul markets including **China** and **India**.
- The majority of source markets is likely to recover in between **three to four months**, with an exception for **North America** and **Europe**, which are likely to recover by mid 2021.

“Almost 90% believe the industry will employ less full-time staffs to be cost-efficient.”

Market Outlook

Assuming that the market will be recovered by Q2 2021, how would the market perform in comparison to the pre-Covid-19 period?



- There is an expected **shift in the market post-COVID-19** with regards to the overall performance and market segmentation.
- Most hoteliers generally agree that the **market will witness a lower average rate and attain lower occupancy level.**
- With the uncertainty in the market, **56%** expect that the industry will experience **less supply growth**, **14%** thinks otherwise.

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The team has worked on a broad array of projects throughout the asset life-cycle that include economic studies, hotel valuations, operator search and management contract negotiation, development strategies for new brands, hotel asset management, research reports and investment advisory for hotels, resorts, serviced residences and branded residential development projects. HVS Hong Kong's clients include key investors, developers, hotel operators and lenders.



About the Authors



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Daniel J Voellm, Managing Partner HVS Asia-Pacific is based in Hong Kong and has provided advice in all major markets across 18 countries in the region. Daniel Voellm started his career at HVS in the New York office; as Vice President at the global headquarters he conducted a wide range of appraisals and market studies as well as underwriting due diligence services in 22 US states and in Canada. Daniel brings a strong understanding of the hospitality industry to HVS. His experience in hotel and food and beverage operations in Germany, Switzerland, England and the US is complemented by an Honours Bachelor of Science degree from Ecole Hôtelière de Lausanne in Switzerland. Daniel works closely with key institutional and private owners of hotel properties, financiers, developers and investors, and has gained a strong understanding of their investment requirements and approaches to assessing the market value of investment properties. Daniel further advises on property and concept development and strategy.

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