

Thailand Hotel Investment Guide

February 2026

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Thailand Tourism Overview

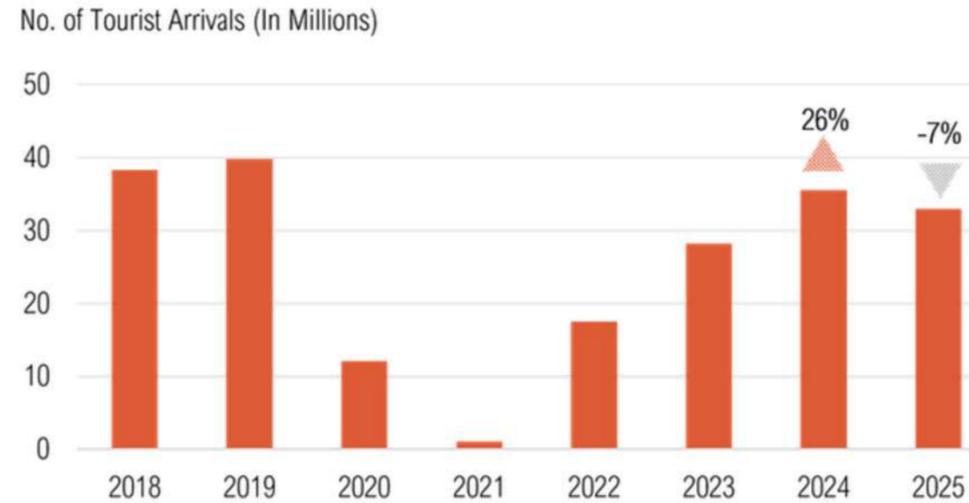
Thailand is one of Southeast Asia's most established tourism markets, with diversified demand across urban gateways, resort destinations, and secondary markets. International connectivity is anchored by major aviation hubs including Suvarnabhumi and Phuket International airports, supported by nationwide tourism infrastructure.

Following the post-pandemic rebound, Thailand's tourism sector has transitioned into a post-recovery phase, with increasing policy emphasis on revenue quality and yield optimization rather than solely on arrival volumes. Under the "Thailand Tourism Next 2026" framework, the Tourism Authority of Thailand (TAT) has set a 2026 revenue target of THB 3.0 trillion, including approximately THB 2.0 trillion from international markets. Strategic initiatives focus on higher-spending segments, niche experiential travel, sustainability integration, and digital enablement.

In 2025, tourism revenue remained a key macroeconomic pillar at approximately THB 2.9 trillion, contributing nearly 15% to national GDP of THB 18.9 trillion. International arrivals moderated to 33.0 million (-7.2% year-on-year), primarily reflecting changes in Chinese outbound travel patterns. However, long-haul markets such as the United Kingdom and the United States each exceeded one million arrivals, indicating continued diversification in source market composition.

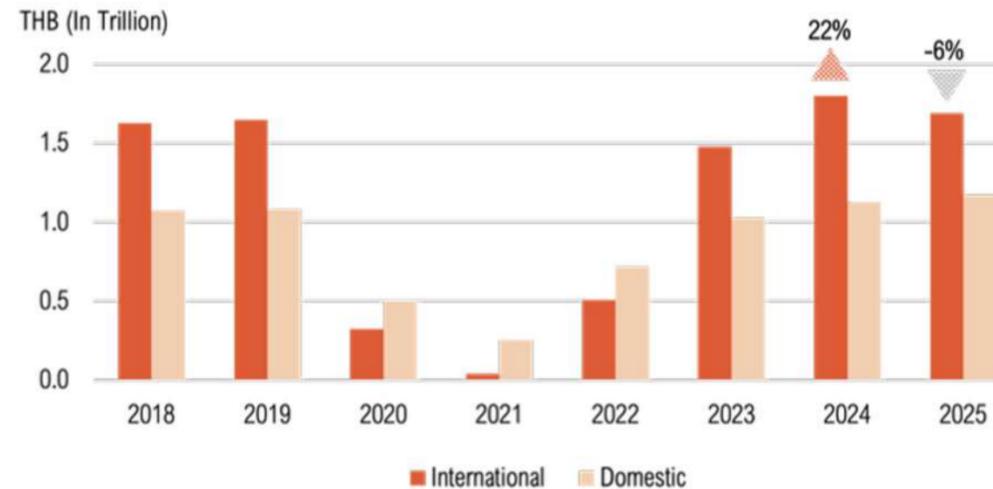
** for definitions of "tourist arrivals", "visitor arrivals" and "accommodation establishment" please refer to "Glossary" on p. 29

Thailand International Tourist Arrivals

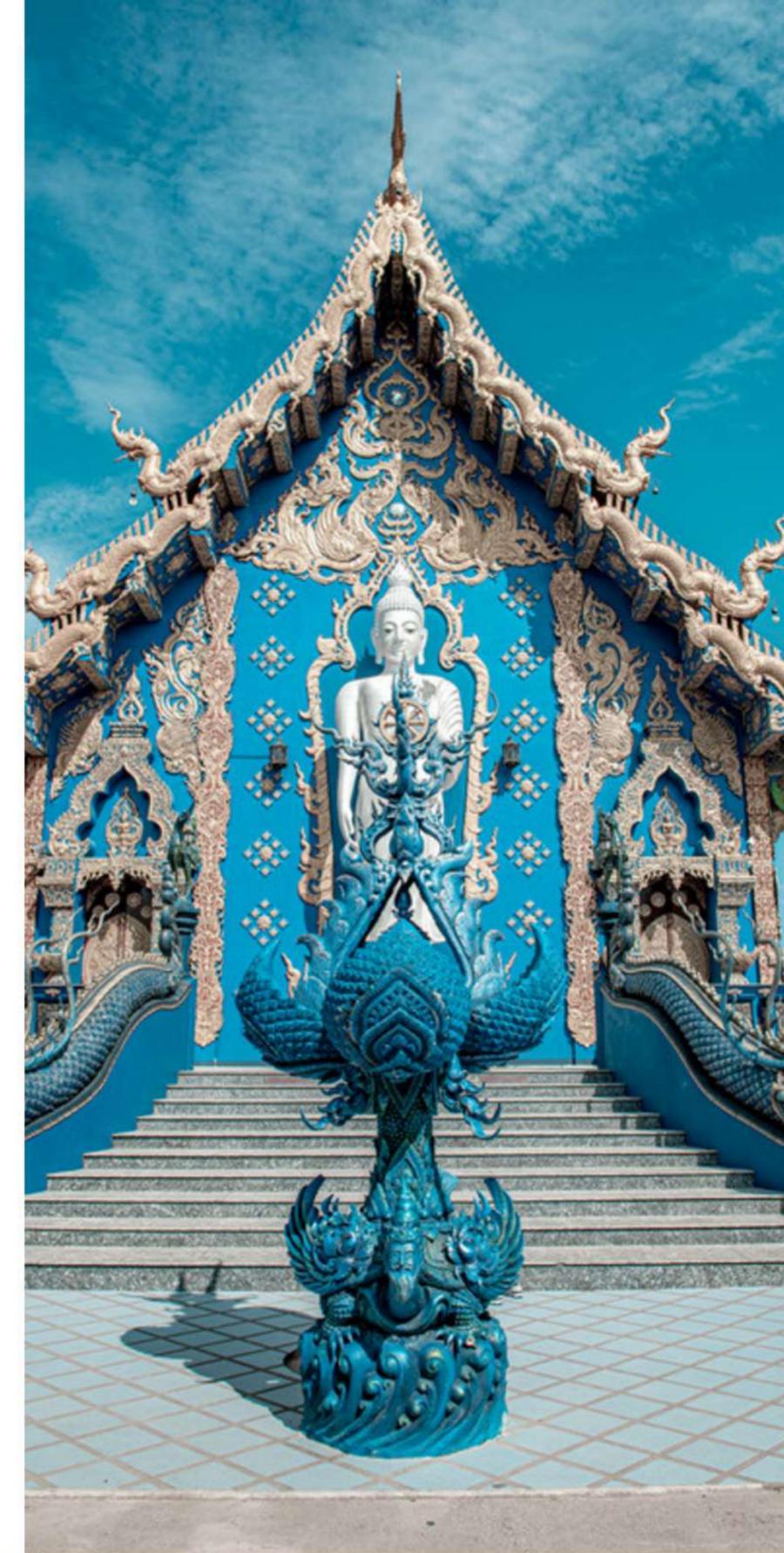


Source: C9 Hotelworks Market Research, MOTs

Thailand Tourism Revenue



Source: C9 Hotelworks Market Research, MOTs



Thailand Tourism Overview (continued)

Key International Source Markets

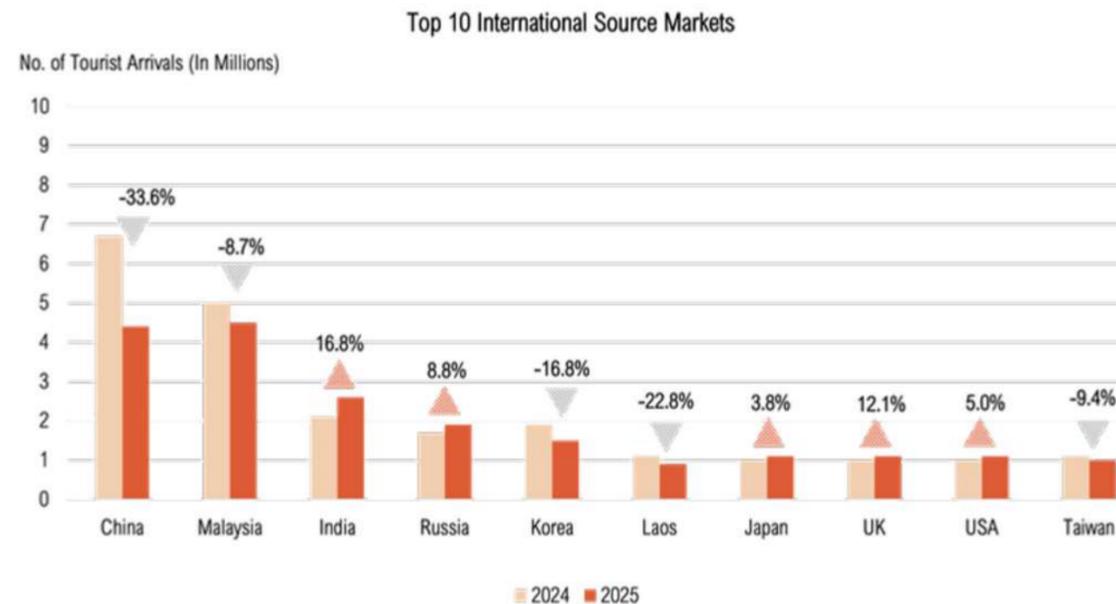
Thailand's international source market mix shifted between 2024 and 2025. Mainland China remained one of the largest source markets (13.6%) by volume despite year-on-year declines. Malaysia maintained high short-haul volume (13.7%) supported by cross-border movement. India (7.5%) and Russia (5.8%) recorded growth in both arrivals and revenue contribution, while long-haul markets such as the United Kingdom and United States maintained stable volumes with higher average per-visit expenditure.

Mainland China remained one of the largest contributors by volume despite year-on-year declines. At approximately 4.5 million arrivals in 2025, Chinese visitation remains well below the 11.1 million recorded in 2019, highlighting the gap relative to pre-pandemic levels. Given China's historical scale and spending contribution, a sustained recovery in this segment represents a critical lever for restoring overall international volume and revenue intensity.

In contrast, Malaysia maintained strong short-haul flows supported by cross-border mobility, while India and Russia recorded continued growth in both arrivals and revenue contribution. Long-haul markets such as the United Kingdom and the United States maintained stable volumes with comparatively higher average per-visit expenditure.

From an investment perspective, Chinese demand remains the primary upside catalyst for Thailand's international tourism trajectory. At the same time, continued expansion from India, Russia, and other diversified markets reduces concentration risk and enhances demand resilience.

Official targets for 2026 point toward approximately 35 million international arrivals, suggesting forward optimism, although recovery momentum will depend materially on airlift capacity, competitive positioning, safety sentiments and outbound conditions in key source markets.



Source: C9 Hotelworks Market Research, MOTS



Thailand Tourism Overview (continued)

Seasonality Pattern

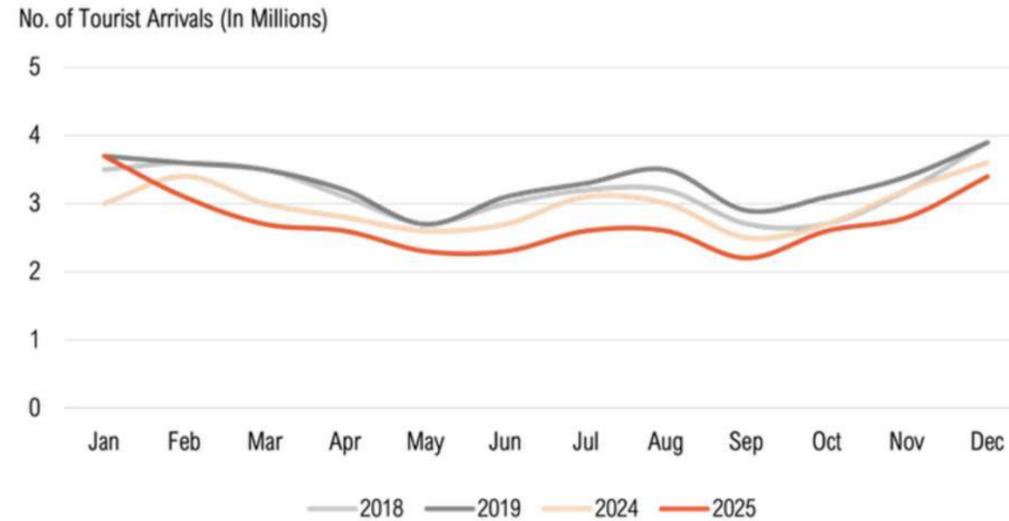
International tourist arrivals were concentrated in December and January, corresponding with extended year-end holidays in long-haul source markets, particularly Europe and North America. In 2025, December recorded 3.4 million international tourist arrivals, followed by 3.7 million in January, representing the annual peak period.

From February to September 2025, international tourist arrivals averaged approximately 2.6 million per month, lower than levels recorded in other months of the year. During the Songkran festival in April, international tourist arrivals totaled 2.5 million, representing a 7.6% decrease compared with April 2024. International tourist arrivals during the Songkran period have not exceeded the eight-year peak of 3.2 million recorded in 2019.

Domestic travel exhibits more stable intra-year distribution, with peaks during Songkran and New Year holidays. December 2025 domestic arrivals reached 21.0 million, reflecting a 22.1% year-on-year increase.

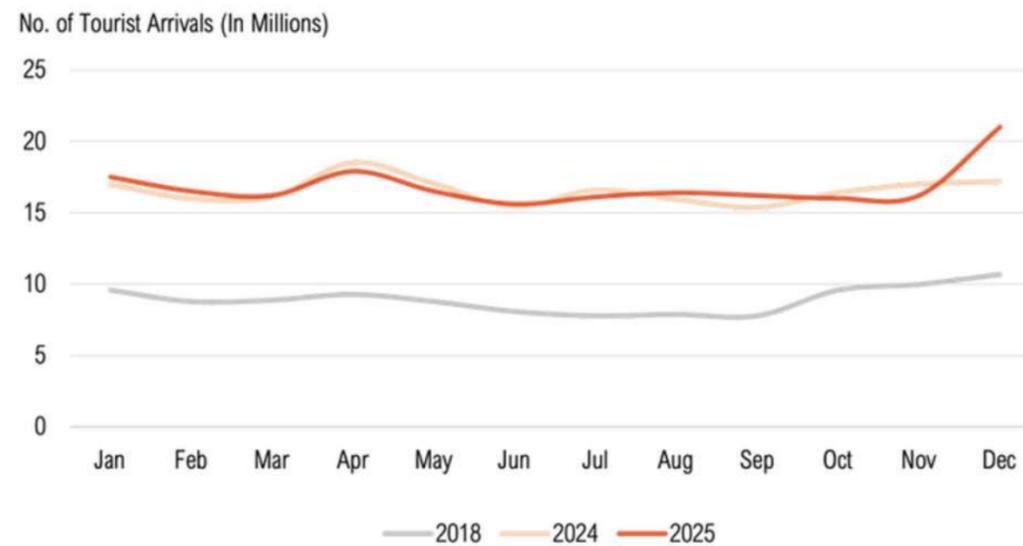
At a national level, domestic travel provides seasonal buffering. This includes both Thai residents and international visitors redistributing across multiple destinations. However, seasonality intensity varies by destination, with resort-driven and airlift-dependent markets typically exhibiting greater intra-year volatility than diversified urban markets such as Bangkok.

Seasonality – International Tourist Arrivals



Source: C9 Hotelworks Market Research, MOTS

Seasonality – Domestic Tourist Arrivals



Source: C9 Hotelworks Market Research, MOTS



Key Destinations

International demand remains concentrated in urban gateways and established coastal markets, while domestic tourism demonstrated increased concentration in drive-in destinations within a three-hour radius of Bangkok, including Pattaya, Ayutthaya, Khao Yai, and Kanchanaburi.

- **Bangkok**

Bangkok recorded 24.9 million international visitor arrivals and 32.0 million domestic visits in 2025, reinforcing its position as Thailand's primary international gateway and largest domestic destination.

The capital functions as the central redistribution node within the national tourism system, capturing both point-of-entry demand and multi-destination itineraries supported by nationwide air and land connectivity.

Forward performance is structurally anchored by aviation throughput, transport integration, and policy direction under Thailand's National Tourism Strategy (2025–2030), which emphasizes higher-quality growth, income diversification, and system resilience.

Compared with resort markets, Bangkok benefits from a broader demand base spanning corporate, leisure, transit, and government-linked travel, supporting lower seasonal volatility.

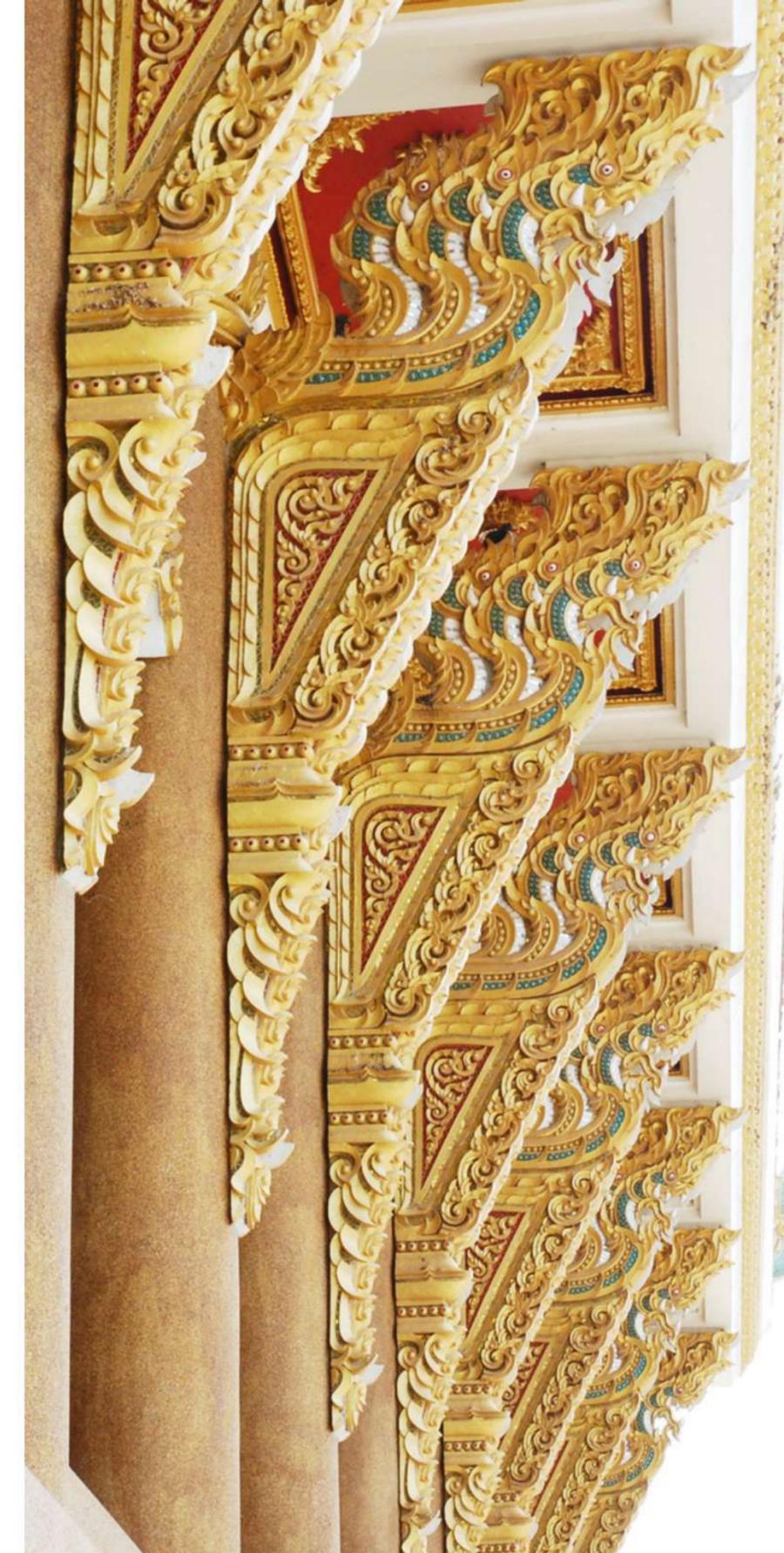
From an infrastructure perspective, Suvarnabhumi Airport is undergoing a multi-phase expansion program with planned East and South Terminal developments targeted for completion in 2028 and 2033, respectively. Upon full delivery, the expansion is designed to increase annual passenger handling capacity to approximately 150 million, strengthening Bangkok's role as Thailand's primary international gateway.

At the urban level, the Bangkok Metropolitan Administration has advanced feasibility planning for a pedestrian and cycling bridge across the Chao Phraya River. While still under review, the project is intended to enhance connectivity between Bangkok Old Town and Thonburi, supporting more seamless tourism circulation within the historic core.

- **Phuket**

Phuket recorded 10.5 million international visitor arrivals and 3.7 million domestic visits in 2025, reflecting its strong exposure to international leisure demand. Phuket's medium-term growth outlook is supported by a planned expansion of Phuket International Airport under the Airports of Thailand (AOT) development program.

The Phase 2 project, currently in detailed design, aims to increase annual passenger capacity from the existing 12.5 million to up to 18 million passengers per year by around 2029, including a larger international terminal and enhanced aircraft parking and airside infrastructure to support higher flight frequencies and improved operational efficiency.



Key Destinations (continued)

- **Chonburi / Pattaya (EEC Corridor)**

Chonburi recorded 10.3 million international visitor arrivals and 17.3 million domestic visits in 2025, highlighting its dual profile as both a leisure destination and a high-frequency drive-in corridor within a three-hour radius of Bangkok.

The province's medium-term outlook is linked to infrastructure delivery under the Eastern Economic Corridor (EEC), which includes 77 projects totaling approximately THB 337 billion across aviation, rail, and port upgrades, including U-Tapao Airport and Laem Chabang expansion.

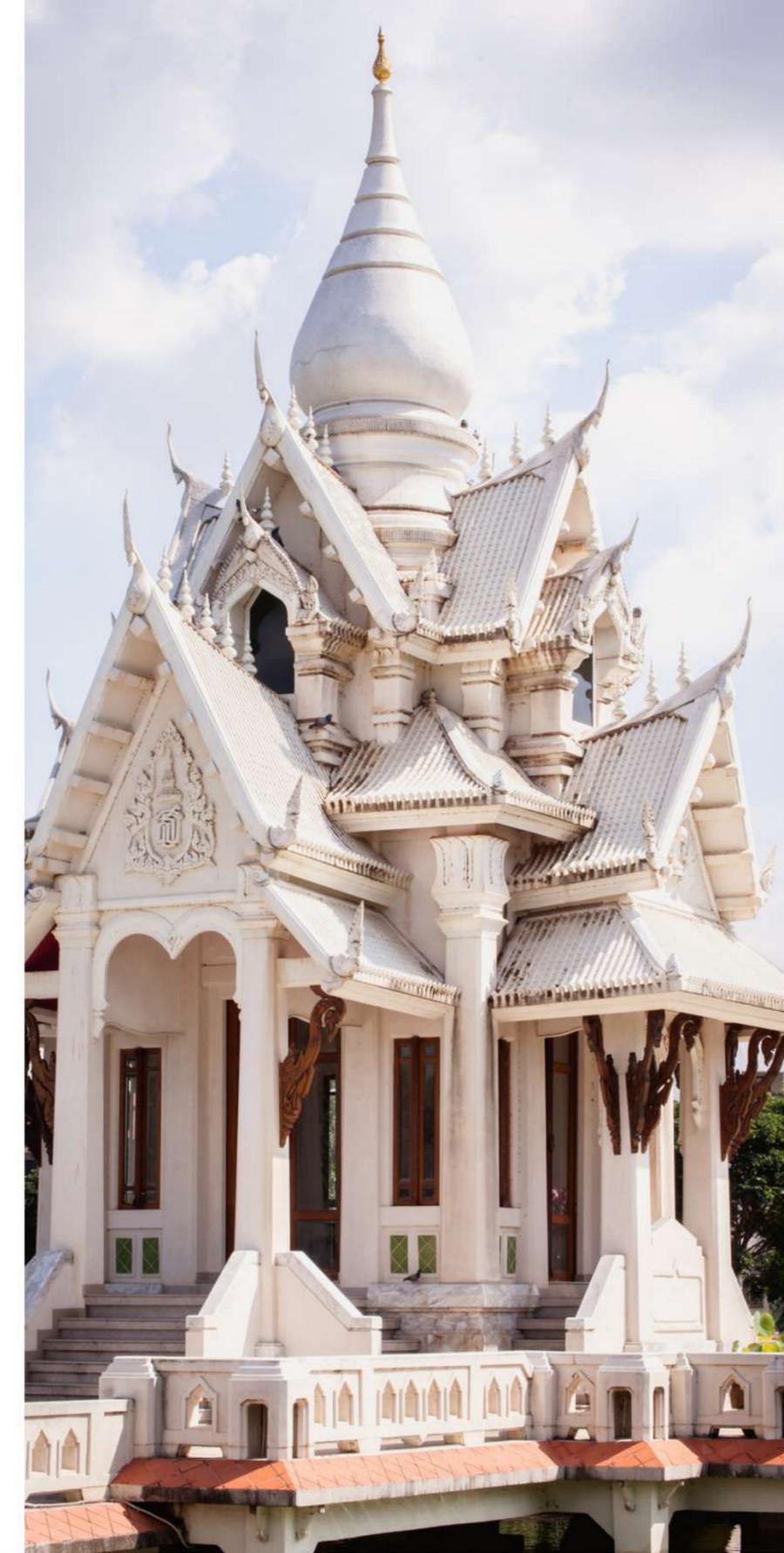
The long-delayed three-airport high-speed rail project is reported to be progressing toward Notice to Proceed (NTP), with current timelines indicating potential commencement by August 2026, subject to regulatory and contractual clearance.

Connectivity improvements and industrial development are expected to broaden the demand base over time, increasing exposure to business-linked and regional travel flows alongside leisure demand.

Thailand Visitor Arrivals in Key Destinations 2025

Destination	Domestic	International	Total	YoY %
Bangkok	32.0	24.9	56.9	▼ -1.9
Chonburi	17.3	10.3	27.6	▼ -0.3
Phuket	3.7	10.5	14.2	▼ -0.3
Prachuab Khirikhan	10.7	0.8	11.5	▲ 0.1
Chiang Mai	8.6	3.4	12.0	▲ 0.5

*Note: Visitor arrival data are presented in millions.
Source: C9 Hotelworks Market Research, MOTs*



Emerging Resort Markets

- **Koh Samui**

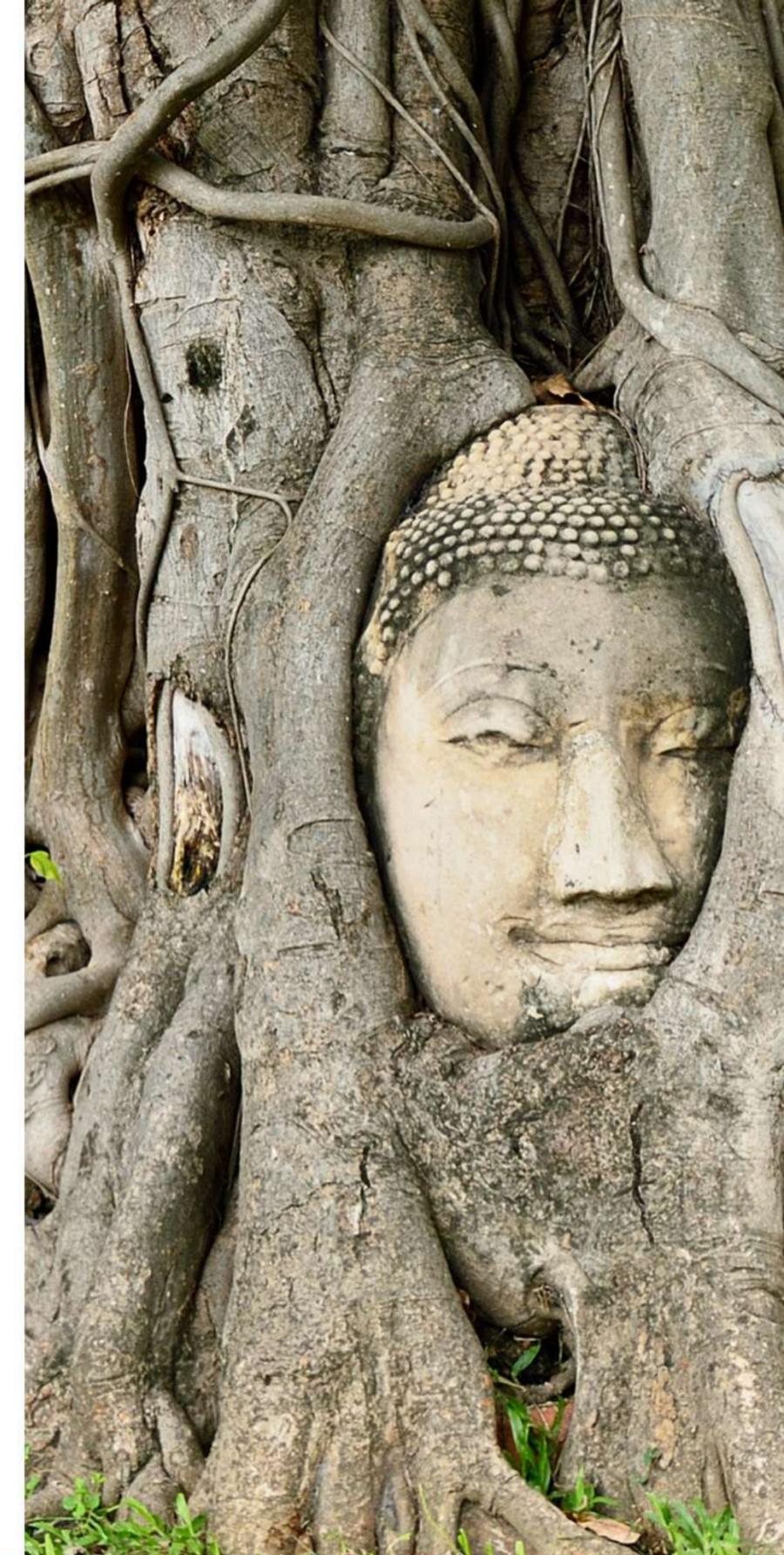
Koh Samui recorded 3.8 million total visitor arrivals in 2024, including 2.3 million international visitors, reflecting continued recovery in long-haul leisure demand. The island's performance remains closely tied to aviation capacity, as air access is the primary constraint on volume growth.

According to public statements from relevant transport authorities, Bangkok Airways has initiated terminal renovation works at Samui Airport with an investment of approximately THB 1.5 billion, aimed at increasing operational capacity and improving passenger handling efficiency.

In parallel, the Ministry of Transport and the Expressway Authority of Thailand are conducting feasibility studies for a proposed 37-kilometer bridge (Koh Samui Expressway Project) linking Don Sak to Koh Samui, with an estimated investment of approximately THB 33–40 billion.

The proposed bridge is designed to reduce travel time between Don Sak and Koh Samui from approximately 1.5 hours by ferry to an estimated 15–20 minutes by road. If approved and delivered, the project would represent a structural shift in the island's accessibility profile, materially lowering transport friction and integrating Koh Samui more directly into mainland transport networks.

Such a change would expand the island's effective catchment area and alter its long-term demand dynamics. The project remains under feasibility review and is subject to environmental, financial, and regulatory approvals.



Emerging Resort Markets (continued)

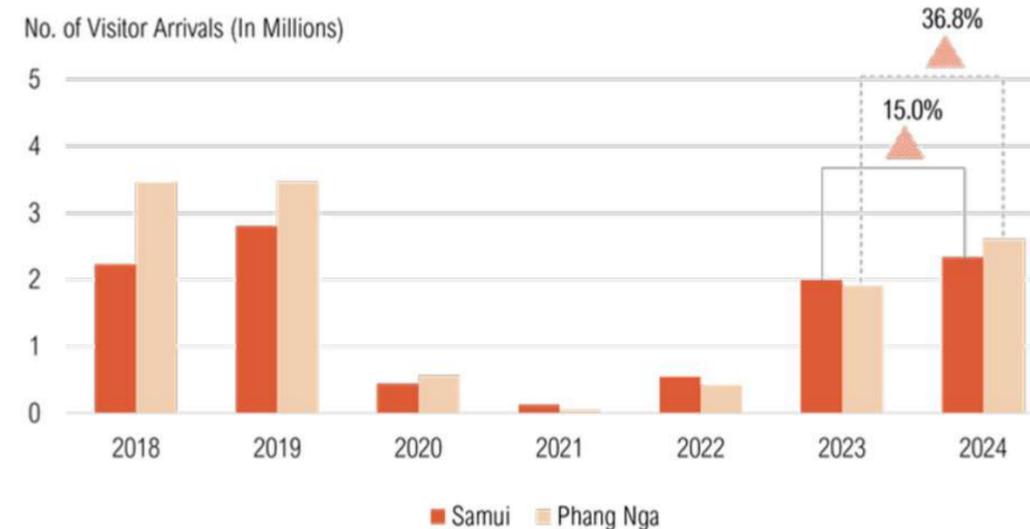
- **Khao Lak (Phang Nga Province)**

Phang Nga Province recorded tourism revenue of approximately THB 56.6 billion in 2025, with visitor arrivals stabilizing at 4.3 million. The province's recovery has been driven primarily by international demand, with European long-haul markets accounting for a significant share of inbound visitation.

The Ministry of Transport has advanced feasibility and planning studies for a proposed Andaman International Airport in Khok Kloi, Phang Nga, with an indicative ultimate capacity of approximately 22.5 million passengers per year and an estimated investment value in the range of THB 70–80 billion under a proposed PPP structure. The project remains in study and approval phases, with construction timing subject to environmental clearance and funding arrangements.

If implemented, the airport would provide long-term capacity support to the Andaman corridor and reduce reliance on Phuket International Airport. In addition, provincial and transport authorities have outlined plans to enhance port and marine transport infrastructure across Phuket, Phang Nga, and Krabi to improve inter-destination connectivity. These initiatives remain at planning and upgrade stages.

International Visitor Arrivals in Emerging Resort Markets

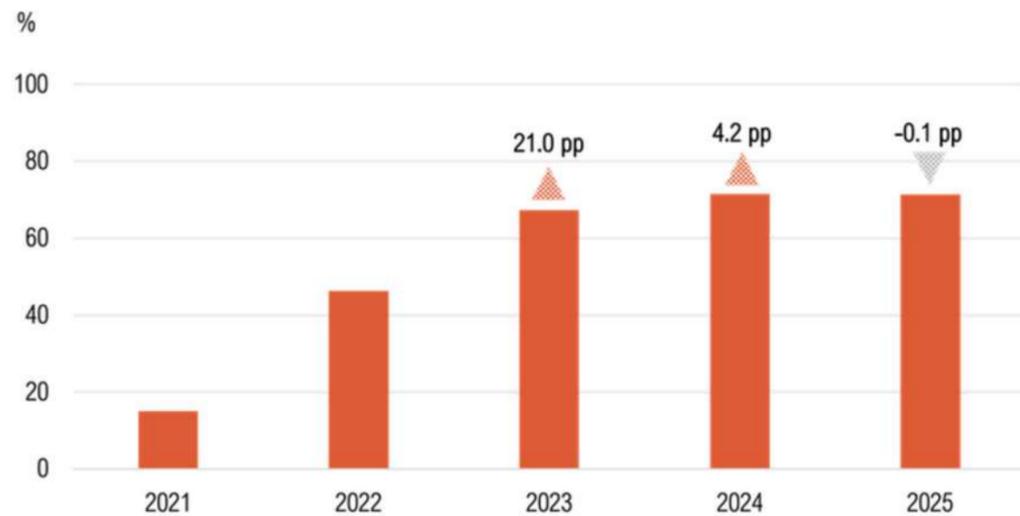


Thailand Hotel Market

From Recovery to Competitive Value Creation

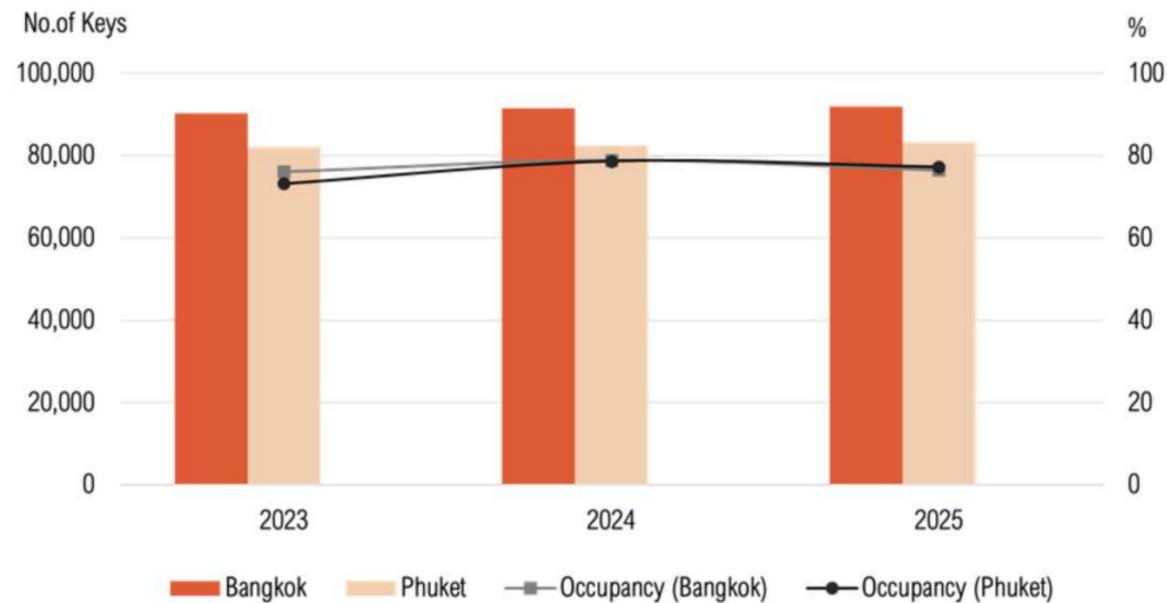
Thailand recorded a total of 771,536 keys across 20,437 registered accommodation establishments in 2025, of which 87% comprise hotels and resorts. National occupancy reached approximately 71.4% in 2025, a significant recovery from pandemic lows of 15.1% in 2021, reflecting a four-year compound annual growth rate of 47.4%. Total guests at registered accommodation establishments reached 175.2 million in 2025, increasing by only 0.4% year-on-year, indicating that the rapid recovery phase has plateaued and performance is now driven by incremental demand rather than reopening momentum. In this environment, future hotel performance will increasingly reflect product competitiveness, segment clarity, and effective revenue and cost management. Assets supported by ongoing reinvestment and diversified demand exposure are expected to demonstrate greater performance consistency across market cycles.

Thailand Nationwide Registered Accommodation Establishments Occupancy



Note: Occupancy change is shown in percentage points (pp) on a year-on-year basis.
Source: C9 Hotelworks Market Research, TAT

Registered Accommodation Establishments



Source: C9 Hotelworks Market Research, TAT



Thailand Hotel Market

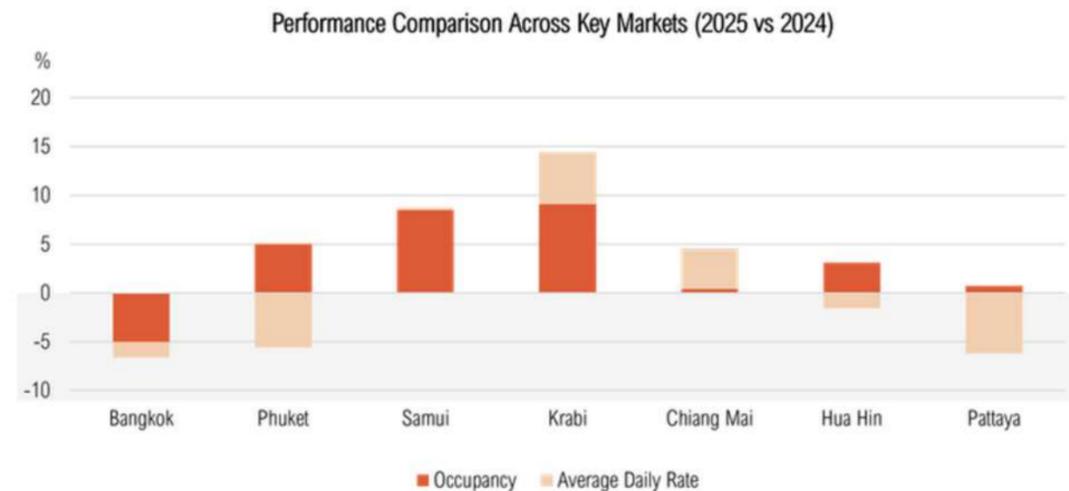
Performance Comparison Across Key Markets (2025 vs 2024)

Hotel performance in 2025 displayed increasing dispersion across Thai markets, reflecting differences in demand composition, airlift exposure, and domestic reliance. At the regional level, the South recorded marginal occupancy growth of 0.3% year-on-year, but ADR increased significantly by 20.4%, indicating strong rate expansion in resort-driven markets (E.g. Phuket, Samui, Krabi). In contrast, the Central and North region experienced a 4.6% decline in occupancy, while ADR grew 5.6%.

Among primary markets, both Bangkok and Phuket recorded occupancy contraction. Bangkok occupancy declined 5.0% year-on-year, with ADR decreasing 1.6%. Phuket occupancy declined 5.6%, but ADR increased 5.0%. The divergence suggests that Phuket maintained pricing power in peak leisure segments.

Secondary and resort markets showed more varied performance. Krabi outperformed nationally, with occupancy increasing 5.3% and ADR rising 9.1%, supported by limited hotel inventory. Chiang Mai recorded stable occupancy (+0.4%) alongside ADR growth of 4.1%, while Samui posted similar occupancy stability (+0.2%) with strong ADR growth (+8.5%). Hua Hin experienced a 1.6% decline in occupancy but maintained ADR growth of 3.1%. Pattaya recorded the largest occupancy decline (-6.2%) with minimal ADR growth (+0.7%), indicating competitive pressure in more commoditized segments.

Overall, 2025 performance indicates that rate resilience was concentrated in resort-oriented and supply-constrained markets, while urban and mass-market destinations faced greater occupancy volatility.



Source: C9 Hotelworks Market Research, STR



Thailand Hotel Market

Cost Structure Realignment

Thailand's hotel sector has undergone a structural recalibration of its operating cost base since the pandemic. Rather than relying on temporary cost suppression, operators have embedded ongoing expense discipline into core operating models to protect gross operating profit and preserve margin integrity.

STR data for January–November 2025 indicates that GOPPAR growth exceeded total expense growth at the national level, reflecting improved operating leverage and margin improvement across the sector. Profitability is therefore increasingly supported by structural cost controls rather than revenue expansion alone.

Labor and utilities remain the primary focus of cost optimization. Labor intensity per occupied room has been reduced through automation and process digitization, including mobile check-in/out, digital room access, and automated guest communication platforms—particularly within midscale and select-service hotel segments. Flexible staffing models, including multi-skilling and cross-deployment across hotels, allow operators to adjust labor allocation dynamically in response to seasonality rather than relying on cyclical hiring and attrition.

On utilities, hotels have accelerated deployment of energy management systems and occupancy-based controls to optimize HVAC usage and reduce energy intensity in vacant rooms. These measures are increasingly complemented by renewable installations and operational efficiency programs. Linen and towel reuse initiatives have reduced laundry volumes by approximately 17% compared to pre-pandemic operating levels, contributing to measurable reductions in energy, water, and chemical consumption.

Collectively, these adjustments represent a permanent shift in cost structure rather than a temporary efficiency phase. Margin resilience is now driven not only by revenue growth but by disciplined expense frameworks embedded at the asset level. For investors, this structural realignment enhances downside protection and improves long-term earnings visibility across cycles.



Thailand Hotel Market

Forward Outlook

Looking ahead, Thailand's hotel sector enters the 2026–2030 period from a structurally stable base, with future growth increasingly tied to national competitiveness rather than cyclical recovery. The next phase of expansion will depend on three core drivers: infrastructure delivery, international accessibility, and sustained destination positioning.

Improved air connectivity—particularly direct international access to secondary and emerging destinations—will be critical to broaden demand distribution beyond primary gateways. Expansion of airport capacity and route networks will determine how effectively Thailand can capture incremental regional and long-haul flows.

Safety perception remains foundational. International travel flows are increasingly sensitive to destination confidence, regulatory clarity, and crisis preparedness. Sustained investment in infrastructure, security standards, and tourism governance will directly influence inbound recovery trajectory and repeat visitation patterns.

Thailand's competitive positioning within Asia will also shape performance outcomes. While ADR growth in prime markets has supported margin resilience, regional competitors such as Vietnam and Japan continue to compete aggressively on perceived value and experiential differentiation. Maintaining pricing discipline while reinforcing destination value—across accommodation, culinary, cultural and wellness offerings—will be essential to preserving demand share.

Thailand retains structural advantages that support long-term resilience. Strong destination awareness, established hospitality standards, and a high proportion of repeat visitation provide demand stability across cycles. However, continued commercialization in certain primary markets has diluted elements of authenticity.

Future competitiveness will depend on strengthening destination quality rather than expanding capacity alone. This requires coordinated public infrastructure investment and disciplined private sector development to preserve experience standards and long-term value.



Lending Landscape

'While the cost of debt for hotel assets in Thailand has broadly normalized to pre-pandemic levels, underwriting standards have tightened. In today's environment, developer's track record, location quality, cash flow stability, and sponsor strength carry greater weight than before. Capital remains available — but it is increasingly selective.'

Viona Zhang | Deputy Managing Director | C9 Hotelworks

Cost of Debt and Credit Conditions

The post-pandemic cost of debt for hotel assets in Thailand remains broadly in line with pre-COVID levels. However, while pricing has broadly normalized, underwriting standards have tightened materially. Lenders are placing greater emphasis on sponsor credibility, asset quality, location fundamentals, and downside protection.

Thailand's hospitality sector has maintained a relatively stable share of total outstanding credit, accounting for approximately 2.6%–2.7% of the banking system's loan portfolio between 2019 and 2025. This reflects institutional confidence in the long-term resilience of the tourism sector, despite cyclical volatility.

For new hotel developments, debt is typically structured at **MLR (Minimum Lending Rate) minus 1.5% to 2.5%**, depending on sponsor strength, asset profile, and market positioning. Refinancing or repositioning of stabilized operating properties may achieve more competitive pricing, particularly where assets demonstrate consistent cash flow performance and established operating histories.

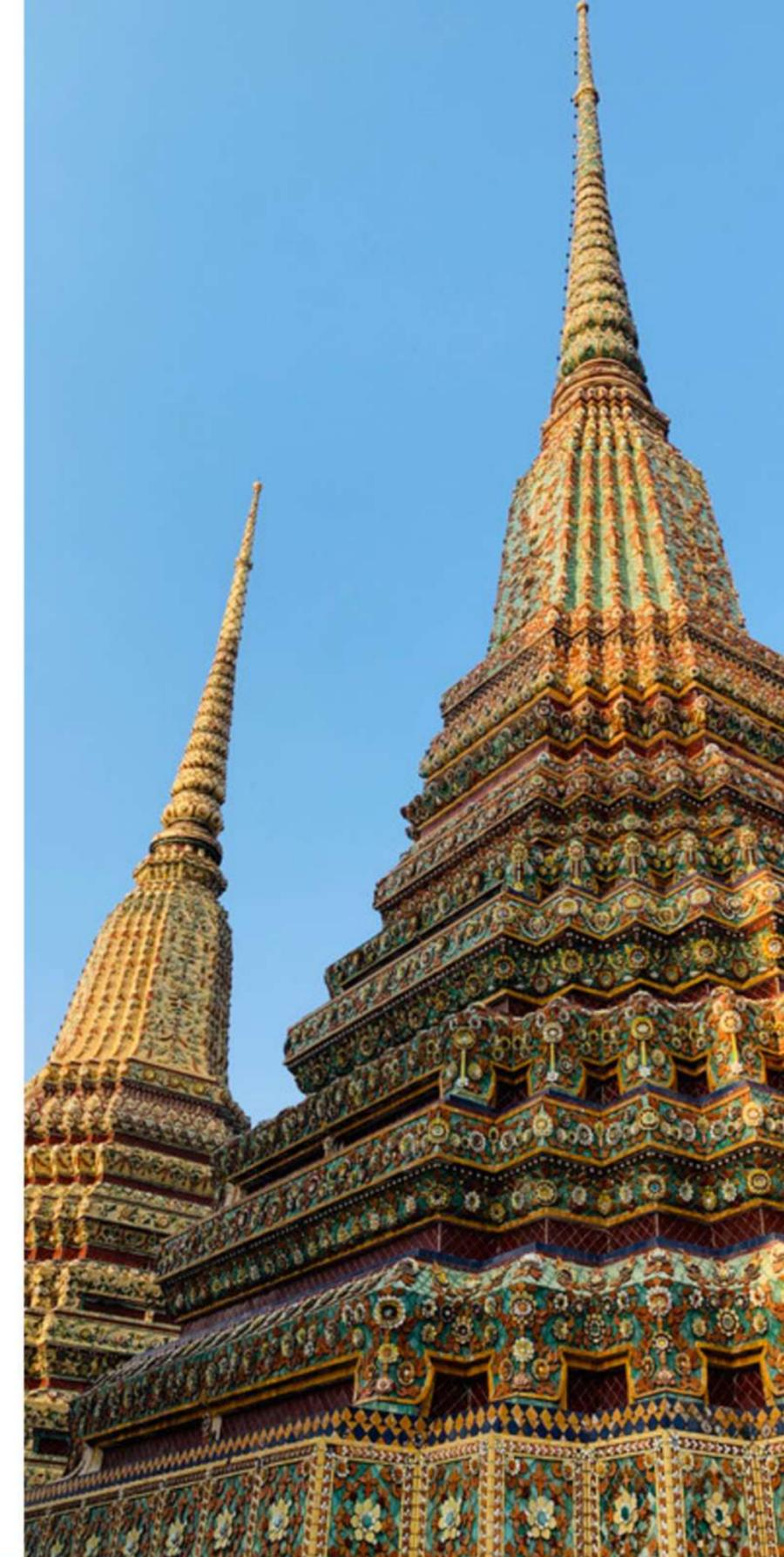
Underwriting Discipline and Capital Structure

While pricing has remained stable, lenders have adopted more conservative underwriting criteria following lessons from pandemic-related non-performing loans. A clear indicator of this shift is the reduction in loan-to-value (LTV) ratios. Current LTV levels for hotel developments typically range between 50%–60%, compared to 55%–65% pre-COVID. As a result, equity requirements have increased, placing greater emphasis on developer's past track record and sponsorship lending.

Lenders typically require:

- Minimum DSCR (Debt Service Coverage Ratio) of 1.2x for new developments
- DSCR of 1.4x–1.5x for stabilized operating assets (refinancing, acquisition, or repositioning)

These thresholds reflect heightened sensitivity to demand volatility and interest rate risk.



Key Credit Considerations

Thai financial institutions typically evaluate the following factors:

- **Developer Track Record**

A proven development and operating history significantly enhances creditworthiness. Developers with established portfolios and demonstrated performance are better positioned to secure financing for new projects.

- **Local Partnership and Credibility**

For foreign investors, credible local partners positively influence credit assessment, particularly in navigating regulatory processes and operational execution.

- **Collateral Quality**

Asset valuation, land tenure structure, and default risk history are central to credit evaluation.

- **Sponsor Strength and Corporate Profile**

Publicly listed companies and financially strong corporate sponsors are generally perceived as lower-risk borrowers and may access more favorable debt structures.

- **Hotel Operator Quality**

Affiliation with established operators that possess a track record in Thailand enhances lender confidence, particularly in underwriting projected cash flows.

- **Location Fundamentals**

Gateway destinations such as Bangkok and Phuket remain preferred due to diversified demand bases and liquidity depth. Emerging markets with structural government support may be considered selectively, subject to demonstrated demand resilience.

- **Business Outlook and Cash Flow Stability**

Projected future cash flows remain a primary underwriting driver. Lenders place significant weight on demand sustainability, market supply pipeline, and asset positioning.

Forward Outlook

Looking ahead, Thailand's hotel lending environment is expected to remain stable but disciplined. Tourism remains a long-term national priority, and the sector's resilience has been demonstrated across multiple economic cycles.

With anticipated improvement in international arrivals and tourism revenue in 2026–2027, financing activity is likely to increase selectively. However, capital deployment will continue to favor well-capitalized sponsors, established markets, and assets with clear downside protection.



Sustainability Development

Sustainability as a Capital Market Lever

Sustainability-led hotel development has evolved from a branding consideration into a strategic capital markets lever. Increasingly, environmental performance influences financing access, cost of debt, and long-term exit optionality.

This structural shift is reinforced by Thailand's sustainable finance direction, including the Thailand Taxonomy and broader green finance frameworks, alongside growing institutional ESG mandates.

Impact on Financing and Development

Sustainability integration enhances bankability and may improve lending terms. Developments that pursue recognized certifications such as LEED, EDGE, or TREES are better positioned to qualify for green or sustainability-linked financing structures.

Incentives may include:

- Margin step-down mechanisms tied to verified ESG performance
- Preferential pricing
- Enhanced access to institutional or international lenders.

While sustainability does not universally translate into immediate ADR premiums, it increasingly influences underwriting confidence and lender risk perception.

Exit Liquidity and Institutional Appeal

Beyond operational considerations, sustainability enhances exit optionality by expanding the potential buyer pool. Institutional investors and private equity funds are progressively applying ESG screening criteria during acquisition.

Assets with verifiable sustainability credentials — including certification history, energy efficiency metrics, lifecycle capital expenditure planning, and climate resilience measures — reduce perceived long-term risk and support stronger underwriting assumptions. In practice, sustainability:

- Reduces future cash flow volatility
- Mitigates unexpected capital expenditure risk
- Enhances alignment with institutional mandates
- Improves transaction liquidity at exit.

As global capital allocators continue integrating ESG considerations into investment mandates, sustainability is becoming an embedded risk-adjustment factor in valuation rather than a discretionary feature.

Strategic Implication

For hotel investors in Thailand, sustainability should be evaluated not solely as an operational initiative, but as part of long-term capital structuring and exit strategy. In an environment characterized by disciplined lending and heightened institutional scrutiny, sustainability credentials increasingly function as a de-risking mechanism that enhances financing access and supports asset liquidity over the investment lifecycle.

Thailand Hotel Investments Legal Perspective



Market Entry & Foreign Ownership

Foreign Ownership Restrictions

Foreign investors are generally restricted from wholly owning hotels in Thailand. In this regard, two key legal regimes are applicable: the Foreign Business Act (1999) (“**FBA**”), which regulates the operation of businesses by foreigners, and the Land Code, which governs land ownership.

Under the FBA, a “foreigner” is defined as:

- a non-Thai individual,
- a company incorporated outside Thailand, or
- a Thai-incorporated company in which 50% or more of the issued shares are held by non-Thai individuals or majority foreign-owned entities.

Hotel operations are restricted business activities under the FBA, unless an exemption applies. Consequently, a foreign investor cannot operate a hotel business in Thailand through a wholly foreign-owned entity unless an exemption applies.

Separately, land ownership is governed by the Land Code, which adopts a stricter foreign ownership threshold. A Thai-incorporated company is considered “foreign” for land ownership purposes if more than 49% of its issued shares are held by non-Thai individuals or majority foreign-owned entities. Foreign entities are generally prohibited from owning land in Thailand unless an exemption applies, most commonly through investment promotion privileges granted by the Board of Investment of Thailand (“**BOI**”).

In practice, foreign investors typically hold hotel land on a leasehold basis. Each such lease carries a maximum statutory term of 30 years and must be registered to be enforceable beyond three years. In other words, if a lease with a term of more than 3 years is not registered, the lease can only be enforced in its first 3 years. The registration of a lease involves a registration fee of 1% and a stamp duty currently of 0.1%, in each case calculated based on the total rental throughout the lease term. The parties can agree to equally share the above fees or to have one party solely responsible for these fees. Given this calculation base, the rent must be clearly specified in the lease agreement and cannot be or include a variable rent, i.e. as a percentage over revenue/profit of the hotel. If a variable component is required, there are different mechanisms and contractual arrangement which may be appropriate. Any renewal or extension beyond the statutory limit of 30 years is subject to the renewal terms of the lease agreement, or, in the case of state property, the discretion of the relevant authorities. Once renewed, the renewal must be registered to be enforceable beyond three years.

Accordingly, even where a foreign investor complies with the FBA thresholds for business operations (i.e. 49.99% or less), land ownership restrictions under the Land Code may still be triggered at a lower foreign shareholding percentage (i.e. 49% or less).

Crucially, the use of Thai nominee structures and nominee shareholders to circumvent these restrictions is strictly prohibited and constitutes a criminal offence punishable by fines and/or imprisonment. Investors who use nominee structures and shareholders should expect an investigation into the ownership structure. The Thai authorities are likely to maintain their current focus on investigating and prosecuting parties involved in nominee structures in the hospitality and tourism sector for the foreseeable future.

BOI, FBL & FBC

Despite the foreign ownership restrictions described above, foreign investors may participate in hotel investments in Thailand through two principal routes – most commonly by obtaining investment promotion privileges from the BOI, or less commonly by obtaining a foreign business license (“**FBL**”) under the FBA.

Under Thailand’s Investment Promotion Act, certain activities that are deemed important and beneficial to the economic and social development of Thailand can be promoted by the Board of Investment (BOI). BOI approved businesses benefit from privileges and exemptions which would otherwise be prohibited or restricted under the FBA. This includes importantly tax incentives, exemption from the requirements to be a majority Thai-owned business, and the ability to own land.

BOI investment promotions and incentives are the most commercially viable route for foreign investors in hotel projects, subject to the satisfaction of eligibility criteria such as minimum room numbers and minimum capital investment per room. For example, hotel projects with 100 or more rooms are generally required to meet a minimum capital investment of THB 2 million per room (excluding the cost of the land), with lower thresholds applicable to qualifying SME hotel projects. Hotel projects with less than 100 rooms are required to meet a minimum capital investment of THB 500 million (excluding the cost of the land). Renovation projects require a major revamping of the real estate asset, and this will involve more than a typical refurbishment. All cases of major renovations are assessed and considered by the BOI on a discretionary basis. Applications must be submitted prior to the commencement of construction or major renovation.

Depending on the location and nature of the hotel project, BOI-promoted hotel businesses may benefit from both tax incentives (including corporate income tax exemptions and import duty exemptions on machinery) and non-tax incentives (including relaxed visa and work permit requirements for expatriates and, critically, the right to own land).

BOI investment promotion certificates are project-specific and juristic-person specific; while they are transferable in principle, any transfer is subject to prior BOI approval and is assessed on a discretionary basis.

Where a foreign investor operates a BOI-promoted hotel business, it must obtain a foreign business certificate (“**FBC**”) from the Foreign Administration Bureau, Department of Business Development. The application for an FBC does not involve a substantive approval process, and is instead a procedural process confirming that the foreign investor is permitted to operate the hotel business pursuant to privileges granted under the relevant BOI project.



BOI, FBL & FBC (continued)

Aside from the privileges granted by the BOI, a US citizen, a qualified US-incorporated company or a qualified Thailand-incorporated and majority US-owned company could benefit from privileges granted under the US-Thai Treaty of Amity. By virtue of the Treaty of Amity, such an American company can undertake/engage in almost any businesses a Thai company is permitted to do under Thai law, except for specific business activities strictly reserved for Thais, which includes land ownership. Investors meeting the requirements of the Treaty of Amity must first obtain certification from the US Department of Commerce that a majority of its ultimate shareholders are US citizens and then an FBC from the Foreign Administration Bureau of the Department of Business Development.

Alternatively, a foreign investor may apply for an FBL under the FBA to operate a hotel business without BOI investment promotion. While legally available, FBL applications are discretionary and require the applicant to demonstrate that the proposed hotel business will bring material benefits to Thailand. In practice and given the significant number of Thai investors and companies that own, manage and operate hotels in Thailand, the likelihood of obtaining an FBL for hotel operations is low, as such businesses are generally considered capable of being operated by Thai nationals.

In light of the foregoing, foreign investors typically adopt one of the following structures to enter the hotels market:

- a joint venture company with a Thai partner holding a majority interest,
- a BOI-promoted Thai company operating the hotel with an accompanying FBC, or
- less commonly, a wholly foreign-owned Thai company operating under an FBL.

To provide ample comfort to foreign investors, the joint venture arrangements with a Thai partner can be carefully curated through a shareholders' agreement; where rights of shareholders can be tailored as contractually agreed, subject to certain key requirements.



Hotel Business Licence & Environmental Impact Assessment

Hotel Business Licence

The key operational license for hotel projects is a hotel business licence, the type of which will depend on offered facilities and the number of rooms. Properties with up to 8 rooms with a maximum total occupancy of 30 guests (“**Exempt Accommodation**”) are exempt from obtaining a hotel business licence but are required to notify their operations to the Department of Provincial Administration of the Ministry of Interior (“**DOPA**”). In addition, the hotel manager must have the qualifications as prescribed under the HA and must notify with the DOPA of their appointment.

In practice, for hotels located in Bangkok, applications for hotel business licences and other notifications under the HA must be submitted to the DOPA, and for hotels located outside Bangkok, to the local District Office.

Environmental Impact Assessment

Where the project involves construction of buildings, an environmental impact assessment will generally be required. Owners of projects that are expected to have limited environment impact must conduct this assessment and submit an initial environmental examination report (“**IEE**”), while an environmental impact assessment report (“**EIA**”), which is a more detailed assessment, is required for projects with potentially more significant environmental effects.

Both IEE and EIA reports must cover the following topics with narratives of the project:

- project description;
- current environmental situation;
- an environmental impact assessment;
- mitigation measures; and
- a monitoring plan.

Where the project requires an EIA, the report must identify and assess the environmental impact on all aspects of the project’s operation. On the other hand, an IEE focuses only on the substantial environmental impact. Accordingly, the mitigation measures in an EIA must address all identified impacts comprehensively, whereas the mitigation measures in an IEE will, in practice, address the substantial impact.

The requirement to submit an IEE or an EIA depends on the type, size, and location of the project. In general, construction of hotels with at least 80 units or at least 4,000 square metres of usable area will require an EIA to be submitted in support of construction permit application. However, in some certain specific areas prescribed by the MNRE Notification, construction of hotels with less than 80 units or less than 4,000 square metres of usable area may require an IEE report if the project meets the applicable thresholds set out in the MNRE Notification relevant to the location of the project.

Share Deal vs. Asset Deal

Transaction Structuring

A local private limited company must be set up to acquire hotels in Thailand in an **asset purchase transaction**, in which the maximum foreign shareholding in the local entity is 49%, unless exempt by virtue of the BOI's privileges to own land.

On the other hand, in a **share purchase transaction**, a foreign investor may directly acquire shares in the Thai hotel-owning entity, provided that foreign shareholding does not exceed 49% of the issued shares. The foreign shareholding restriction does not apply if the Thai hotel-owning entity is a BOI-promoted company with an approved right of land ownership.

From a structuring perspective, asset purchase transactions carry higher regulatory execution risk, as operational licences and permits are tied to the operating entity and do not automatically transfer with the assets. Regulatory approvals and re-licensing are therefore key execution considerations. Certain core operational licences, including the hotel business licence, may be transferable to the buyer subject to approval by the relevant authority. Such approvals are discretionary in nature and assessed on a case-by-case basis. Other operational licences require the buyer to re-apply for the licence in its own name, typically including licences for places of service (e.g. restaurants), health-hazardous businesses, and food storage. Investors should be mindful of potential risks of regulatory timing and business interruption when opting for an asset deal structure.

Conversely, in a share purchase transaction, the continuity of the licensed operating entity generally allows operational licences and permits to remain in full force and effect, thereby reducing regulatory friction. Nonetheless, notification obligations may arise in connection with the change of control of the operating entity, depending on the terms of the relevant licences and contracts.

The table shown on next page summarises the key structuring considerations assessed by investors when evaluating an asset deal as compared to a share deal.

Share Deal vs. Asset Deal (continued)

Structure	PROs	CONs
<p>Asset deal</p>	<ul style="list-style-type: none"> • Often more limited due diligence scope compared to a share deal • No exposure to historic tax liabilities of target entity • Buyer can “step up” the tax basis of acquired assets and claim depreciation and/or amortisation • Buyer can dictate what, if any, liabilities it is going to assume, thereby reducing the buyer’s exposure to large, unknown or undisclosed liabilities • If the asset deal is an entire business transfer (“EBT”), which involves a transfer of all assets and liabilities of the seller, the seller/transferor may be entitled to exemptions on income tax and indirect taxes if the EBT complies with conditions prescribed by the Thai Revenue Department. If the asset deal is an EBT, Thai Revenue Department offers tax exemptions on income tax and indirect taxes if the transaction complies with prescribed conditions, such as a transferor company must register for dissolution in the same calendar year in which the EBT occurs. 	<ul style="list-style-type: none"> • Regulatory approvals, the BOI investment promotion certificate, licences and permits for hotel operations need to be re-issued in the buyer’s name • Contracts, especially with customers and suppliers, may need to be renegotiated and/or novated and assignability may be limited • Employment transfer requires employees’ prior consent; employees who do not consent and whose employment must then be terminated are entitled to statutory severance (based on length of service), with responsibility generally resting with the current owner as the employer
<p>Share deal</p>	<ul style="list-style-type: none"> • Simpler structure, as no transfer or assignment of assets required • No business disruption, as existing licences, permits and regulatory approvals remain in force in the name of the target entity (including the BOI investment promotion certificate, in which respect there is a notification requirement only if there is a change of shareholders’ nationality/ies) • Commercial relationships with suppliers, customers and financiers transfer automatically as assets of the target entity (unless change of control provisions apply) • No employment transfer, as a change of shareholding does not constitute a change of employer 	<ul style="list-style-type: none"> • More extensive due diligence scope compared to an asset deal • Buyer assumes historic tax exposure of target entity; while this may be mitigated through tax indemnities, effectiveness depends on the seller’s creditworthiness • Target entity is acquired “as is”, with limited ability for buyer to “cherry-pick” assets and liabilities

Stamp Duty, Fees & Taxes

Share purchase transaction

A share transfer document is subject to stamp duty levied at the rate of 0.1% of the higher value of (a) paid-up value of the transferred shares or (b) the transfer price. Unless otherwise agreed between the parties, the stamp duty is borne by the transferor/seller of the shares. Stamp duty is payable within 15 days if the share transfer document is executed in Thailand, and, if executed abroad, 30 days from the first day the share transfer document is received by the first holder in Thailand.

Thailand does not have separate capital gains tax. Any capital gain derived from the sale of shares is subject to personal income tax at progressive rates of 5% to 35%, or, in case of a corporate seller, a corporate income tax at a fixed rate of 20%.

Asset purchase transaction

The sale of movable assets (e.g. furniture, equipment) is subject to VAT, currently levied at the rate of 7%, unless the seller is not a VAT registrant. It is mandatory to register for VAT if annual revenue or income from the provision of services exceeds THB 1.8 million (approximately USD 57,000). As such, the price of movable assets needs to be expressed separately in the SPA as part of the hotel sale on an asset purchase transaction.

The sale of hotel through an asset purchase transaction is subject to the following fees and taxes:

- Transfer fee at the rate of 2% of the price of the property as appraised by the relevant Land Office (“**Appraised Price**”).
- Specific Business Tax (“**SBT**”) at the rate of 3.3% (including municipal tax) of the greater of the selling price and the Appraised Price.
- In the case of an individual seller, stamp duty at the rate of 0.5% of the greater of the selling price and the Appraised Price. If SBT has already been paid for the sale, the sale is exempt from stamp duty.
- In case of a corporate seller, withholding tax at the rate of 1% levied on the greater of the selling price and the Appraised Price.

SBT and stamp duty are generally borne by a seller while transfer fees are generally equally borne by the parties.



Corporate Governance

For hotel investment and operations in Thailand, the forms of legal entities with limited liability are (i) private limited companies and (ii) limited partnerships.

A private limited company is the most common and commercially appropriate vehicle for hotel ownership in Thailand. This is primarily due to the ability to customise the equity structure through bespoke Articles of Association (“**AoA**”), including different classes of shares with distinct economic and voting rights, as well as the ring-fencing of liability through its separate legal personality.

By contrast, a limited partnership is not preferred for hotel investments as it may be dissolved upon the death of a partner, with the partner’s interest not freely inheritable in the same manner as shares in a company. This makes it unsuitable for long-term, asset-heavy investments such as hotels.

The key requirements for establishing a private limited company in Thailand include the following:

- **Promoters:** At least two individual promoters required at incorporation, who will become the initial shareholders upon registration of the company
- **Shareholders:** At least two shareholders at all times
- **Directors:**
 - o No statutory minimum
 - o No nationality restrictions
 - o No local residency requirement unless imposed under activity-specific licences, although it is common to appoint at least one locally-based director for ease of operations
- **Use of paid-up share capital:** Fund working capital requirements and acquisition of hotel assets
- **Incorporation timeline:** Usually completed on the same day as filing of the application documents
- **Share capital:**
 - o No general minimum share capital requirement, aside from a minimum par value of THB 5 per share, and at least 25% of the registered capital must be paid up upon incorporation
 - o Exceptions:
 - Companies operating under an FBL: minimum capital requirement of THB 3 million, and registered capital to be fully paid up upon incorporation
 - BOI-promoted companies: capital requirements prescribed under the relevant investment promotion conditions, and registered capital to be fully paid up before the commencement of operation

Shareholders' Agreement and Governance Rights

Shareholder arrangements are typically documented through a combination of the company's AoA and private contractual arrangements, such as a shareholders' agreement ("**SHA**") and/or the SPA. While Thai law generally recognises the freedom of contract between shareholders, the enforceability of governance rights beyond the contracting parties, particularly against the company and third parties, turns on whether such rights are documented in the AoA.

As part of the SHA the shareholders may agree on, e.g.:

- governance rights, including board nomination rights,
- authorised signatory arrangements,
- reserved matters,
- deadlock resolution mechanisms,
- buy-out provisions,
- drag-along,
- tag-along rights,
- rights of first refusal,
- anti-dilution protections.

Such provisions are generally valid and enforceable under Thai law, provided that they are not illegal or contrary to public order or good morals, in which case only the offending provisions would be severed.

However, to be fully effective and enforceable against the company and third parties, certain key governance rights – notably, board nomination rights and binding signatory powers - must be expressly reflected in the company's AoA and registered with the Department of Business Development. Where such rights are documented only in a SHA or SPA, they will typically be enforceable only as contractual obligations between the parties and not recognised by the Registrar of the Department of Business Development or binding on third parties.

As a practical consideration, foreign investors should carefully assess which governance rights are commercially critical and ensure that these are appropriately embedded in the AoA, rather than relying solely on private agreements.

Consideration should be given as to which provisions should be included in the AoA, as it is a document of public record and can be accessed on payment of a search fee.

Hotel Financing & Security

Debt and Equity Financing

Thailand does not have a thin capitalisation rule. Accordingly, companies are not subject to statutory loan-to-value (“LTV”) or debt-to-equity (“D/E”) caps, which affords investors a degree of flexibility in structuring debt and equity funding for hotel acquisitions. That said, this flexibility is subject to compliance with specific regulatory regimes. For example, BOI-promoted companies are subject to a maximum D/E ratio of 3:1, while foreign-owned companies operating under an FBL are subject to a D/E ratio of 7:1.

Security

Foreign financiers, whether banks or non-bank lenders, may take and register security interests over immovable property in Thailand, including mortgages over land and buildings affixed to such land (unless expressly excluded, albeit uncommon in practice), without establishing any local presence or entity in Thailand. Mortgages over land and buildings must be made in writing and registered with the relevant Land Department to be valid and enforceable under Thai law.

In the event of borrower default, enforcement of a registered mortgage is typically carried out through judicial proceedings. The foreign lender must commence a claim against the borrower for the outstanding secured debt, following which the mortgaged property may be sold to a qualified purchaser, usually by public auction as part of the court-supervised enforcement process, with the proceeds applied towards repayment of the secured obligations.

Cross-border Lending

Cross-border lending is generally not subject to any licensing, permit, approval, notification or regulatory reporting requirements at any stage of the loan lifecycle for the Thai borrower, whether the foreign financier is a regulated financial institution (e.g. a bank) or a non-bank lender (e.g. a private equity fund or other private lender). While the remittance of loan proceeds into Thailand and related outbound payments are subject to Thailand’s foreign exchange control regulations, such requirements relate to the conversion and remittance of currency rather than the lending activity itself.

Repatriation of returns by foreign investors is generally permitted. Dividends, as well as repayments of principal and interest, are typically declared or paid in THB, and may be converted into foreign currency (e.g. USD) and remitted offshore through authorised Thai banks. There are no substantive legal or regulatory restrictions under Thai law on the repatriation of dividends or debt payments, so long as the supporting documentation (e.g. SPA, loan documents, and corporate resolutions) is presented to the remitting bank.

Sale and purchase agreement (“SPA”)

Governing Law and Dispute Resolution

An SPA for a hotel acquisition in Thailand may be governed by foreign law (e.g. Singapore law) and provide for foreign arbitration (e.g. SIAC), whether the transaction is structured as a share or an asset purchase transaction.

Regardless of the location of the seat of the arbitration and given that an SPA is typically negotiated and executed in English, the arbitration clause should specify that the language of the arbitration is English.

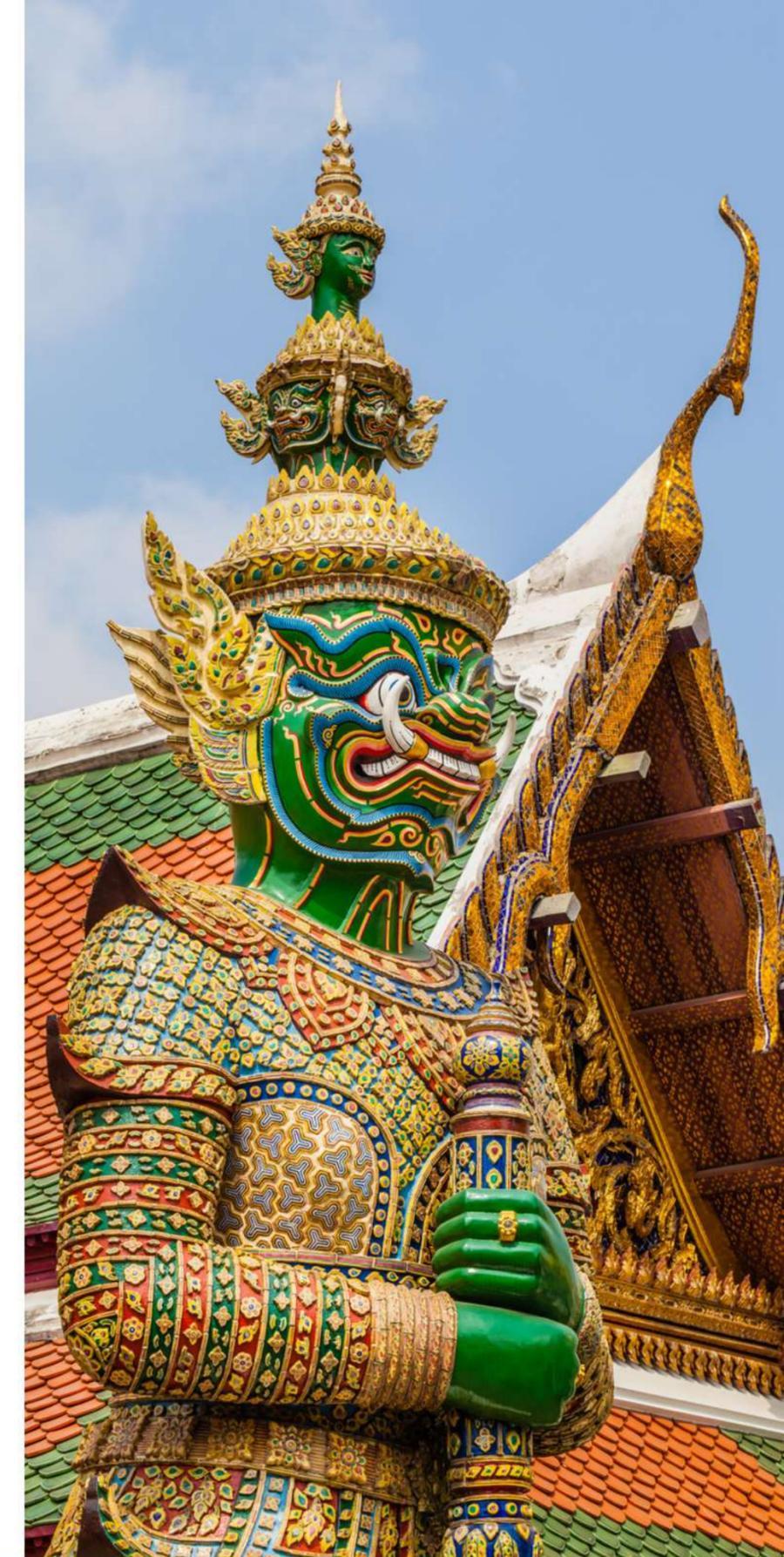
Thailand is a party to the New York Convention and foreign arbitral awards rendered in Convention jurisdictions are, in principle, recognised and enforceable in Thailand pursuant to the Thai Arbitration Act (2002). Recognition or enforcement may, however, be refused on limited grounds, including those specified in the New York Convention, where enforcement would be contrary to Thailand’s public policy or morals, where the arbitral tribunal lacked jurisdiction, or where the award grants relief that is prohibited under Thai law (e.g. compound interest) or is inconsistent with parties’ contractual arrangements.

Currency

The purchase price may be denominated in a foreign currency (e.g. USD) in the SPA, whether the transaction is structured as an asset deal or a share deal. While the consideration may be paid in a foreign currency, inward remittances to a Thai-resident seller are subject to Thailand’s foreign exchange control regulations. In practice, such inbound foreign currency proceeds are typically converted into THB by the receiving Thai bank. There is no distinction in this respect between asset and share purchase transactions, although the accounting and tax treatment of such payments may differ depending on the transaction structure.

Language

Transaction documents relating to hotel acquisitions in Thailand may be prepared and executed in English only. Where a contracting party is not proficient in English, a Thai translation is commonly prepared, and in such situations, parties should expressly agree that the English version prevails in case of any inconsistencies between the English and Thai versions. Nevertheless, a Thai translation of the SPA is required if it must be submitted to the Thai authorities and/or in a Thai court as evidence. Additionally, application forms and supporting materials (as opposed to contractual documents) submitted to Thai authorities must be prepared in the Thai language.



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About WFW Hotels & Hospitality

Watson Farley & Williams (WFW) Hospitality team delivers unparalleled commercial and strategic insight, has deep sector expertise and the necessary resources to help our clients buy or sell hotels, a hotel portfolio or a hotel operating platform. Our Hospitality experts are fully and exclusively dedicated to this asset class and industry. For the past 20 years we have developed long-standing working relationships with all major hospitality players, from global and regional private equity funds, REITs, corporates, owner-operators, to family offices and HNWI's. We champion our clients' interests, locally and globally, from offices across the Asia-Pacific region, the Middle East, Europe and US.

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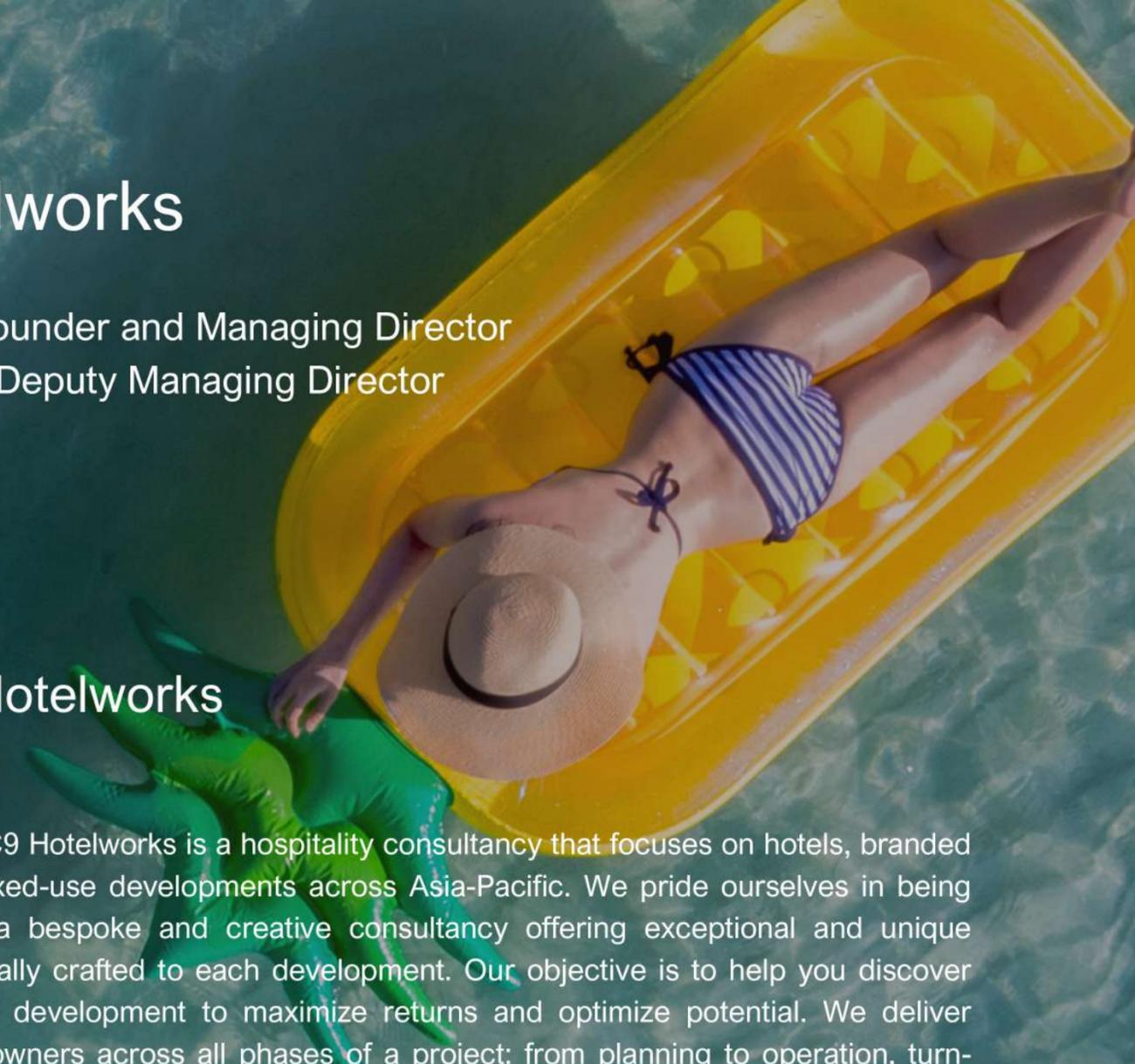
About C9 Hotelworks

Founded in 2003, C9 Hotelworks is a hospitality consultancy that focuses on hotels, branded residences and mixed-use developments across Asia-Pacific. We pride ourselves in being different. We are a bespoke and creative consultancy offering exceptional and unique solutions – specifically crafted to each development. Our objective is to help you discover and build the best development to maximize returns and optimize potential. We deliver tangible value for owners across all phases of a project: from planning to operation, turn-around, re-use and disposal. The C9 Hotelworks portfolio is diverse, including world renowned brands, independent boutiques, hostels, branded residences and tented camps. We have worked on over 700 projects across 110 locations.

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Glossary

Tourist Arrivals

Refers to the number of non-resident individuals who travel to a destination and stay at least one night for leisure, recreation, business, or other tourism-related purposes.

Visitor Arrivals

Refers to the number of non-resident individuals entering a destination for tourism or other non-remunerated purposes, including both overnight visitors (tourists) and same-day visitors.

Accommodation Establishment

Refers to registered daily rental accommodation providers, including hotels, resorts, guest houses, bungalows, motels, serviced apartments, apartments, homestays, and other legally recognized rental accommodation types.

