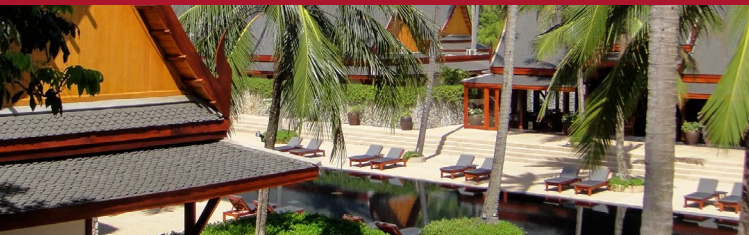


ASIA PACIFIC HOTELS MONITOR

OCTOBER 2016

ISSUE 3





**WHITE
BRIDGE**

Whitebridge Hospitality is a specialist advisor to investors, developers and operators in the hospitality industry around the globe. We provide investment, operational and planning advice, and guidance in respect of the entire hospitality spectrum, including: hotels, mixed-use resorts, leisure facilities, casinos, visitor attractions and sporting venues. Our uniquely qualified team can provide services throughout an asset's life cycle.

RLB | Rider Levett Bucknall

Rider Levett Bucknall is an award winning independent, global property consultant, providing advice focused on the value, quality and sustainability of the built environment. The firm, which has 3,600 staff globally, operates from more than 120 offices, and offers a range of complementary cost consultancy, project management, building surveying, and advisory services.



STR provides clients with access to hotel research with regular and custom reports covering over 54,000 hotels globally. They provide a single source of global hotel performance data, offering concise, accurate and thorough industry research worldwide and they track a variety of Profitability, Pipeline, Forecast and Census data covering all aspects of the industry.

ASIA PACIFIC HOTELS MONITOR

OCTOBER 2016

Introduction

The economies of Asia have continued to grow at a reasonable clip, with regional growth of 6.1% in Q2. Growth was below expectations largely due to weak performances in India (slowing urban consumption and declines in investment). China delivered on its promise to ensure the world's second largest economy did not decelerate too quickly, thus ensuring economic stability in the region. Although Australia's economy also slowed in Q2, it passed a notable landmark, 25 years without a recession.

Hotel performances appear to have reflected economic trends, with encouraging RevPAR growth in Australia and New Zealand (Sydney +6.6%, Wellington +12.5%) and less so in Asian destinations (Beijing +4.3%, Delhi-NCR +5.2%). Biggest decline occurred in Maldives (RevPAR -11.7%), where the islands lost a little of their romantic sparkle due to political events and associated travel warnings.

From a construction cost perspective, similar regional variances prevail, with Aus/NZ seeing strong construction sectors and parts of Asia witnessing slowing trends.

The spread of deals has increased dramatically, with many more countries witnessing multiple hotel transactions in the last 12 months. As perceived safe heavens, Australia and New Zealand have enjoyed high levels of transaction activity, with mostly Asian investors acquiring. Vietnam is of particular note, where few deals typically occur, in 2016 several large deals closed.

The spread of deals has increased dramatically, with many more countries witnessing multiple hotel transactions.

Assuming the new normal is a future of uncertainty and variable inflation, surely anything that helps to mitigate these trends is worthy of consideration. In our final page feature, RLB consider the pros and cons of modular construction as a way of derisking the hotel development process.

Philip Camble

*Director, Whitebridge Hospitality
Editor, Asia Pacific Hotels Monitor*

Performance Trends

City	September-August		2016	
	ADR	Occ	RevPAR	ADR
	LC	%	LC	LC
Bangkok	3,325	77.5	2,575	3,219
Beijing	569	72.7	414	559
Delhi-NCR	6,077	65.1	3,953	6,140
Ho Chi Minh City	2,539,752	67.9	1,724,145	2,437,103
Hong Kong SAR	1,380	85.2	1,176	1,462
Jakarta	1,101,477	58.5	644,324	1,130,542
Kuala Lumpur	358	66.1	237	357
Maldives	10,781	60.9	6,570	11,234
Manila	5,373	67.8	3,643	5,280
Mumbai	7,553	73.6	5,560	7,306
Phuket	3,782	75.8	2,867	3,848
Seoul	182,599	74.1	135,306	189,797
Shanghai	629	75.0	471	619
Singapore	285	82.5	235	291
Sydney	218	85.4	186	206
Taipei	6,304	66.2	4,175	6,487
Tokyo	19,121	84.5	16,153	17,361
Wellington	174	79.4	138	159

Source: STR

LC = Local Currency

- Numerous markets in the region achieved positive growth rates on a rolling 12-month average basis between September 2015 to August 2016. Wellington, Sydney, Tokyo, Ho Chi Minh City, and Bangkok all achieved RevPAR growth rates of 6.0% or more, where Average Daily Rate has been the driving key performance indicator.
- On the flip side, several key markets in the region experienced downturns on a rolling 12-month average basis. The steepest decline was seen in Maldives, where recent political unrest caused both Occupancy (-8.0%) and ADR (-4.0%) to drop significantly. Taipei, Hong Kong, and Jakarta have also witnessed negative trends over the same period.

2015		Growth					
Occ	RevPAR	ADR		Occ		RevPAR	
%	LC	Abs (LC)	%	Abs %	%	Abs (LC)	%
75.5	2,429	107	3.3	2.0	2.6	147	6.0
70.9	397	9	1.6	1.8	2.6	17	4.3
61.2	3,756	-63	-1.0	3.9	6.3	197	5.2
64.8	1,578,286	102,649	4.2	3.1	4.8	145,858	9.2
85.3	1,247	-83	-5.7	0.0	-0.1	-71	-5.7
61.1	690,268	-29,065	-2.6	-2.6	-4.2	-45,944	-6.7
66.7	238	1	0.3	-0.6	-1.0	-2	-0.7
66.2	7,440	-453	-4.0	-5.3	-8.0	-870	-11.7
67.8	3,579	93	1.8	0.0	0.0	64	1.8
73.1	5,342	246	3.4	0.5	0.7	218	4.1
72.0	2,771	-66	-1.7	3.8	5.3	96	3.4
70.6	134,077	-7,198	-3.8	3.5	4.9	1,229	0.9
73.5	455	10	1.6	1.5	2.0	17	3.7
82.1	239	-6	-2.0	0.4	0.5	-4	-1.6
84.7	174	12	5.7	0.7	0.9	12	6.6
70.2	4,555	-182	-2.8	-4.0	-5.7	-380	-8.3
87.4	15,166	1,760	10.1	-2.9	-3.3	987	6.5
77.0	123	15	9.2	2.4	3.1	15	12.5

- Pipeline in the APAC region is active, with over 580,000 rooms in the planning, final planning, or construction stage. From the markets compared above, Shanghai, Jakarta, Manila and Kuala Lumpur have the most active pipelines, each market with over 8,900 rooms in their respective pipelines.

Hotel Construction Costs

Country	Currency	Budget hotels
		LC per sqm
Australia	AUD	2,400 - 3,250
China	CNY	7,760 - 11,190
Hong Kong	HKD	24,100 - 28,000
India	INR	50,000 - 65,000
Indonesia	IDR*	12,340 - 13,960
Japan	JPY	300,000 - 390,000
Macau	MOP	20,070 - 24,150
Malaysia	MYR	2,500 - 3,500
Myanmar	MMK*	1,410 - 1,800
New Zealand	NZD	2,200 - 2,900
Philippines	PHP	40,100 - 44,000
Singapore	SGD	2,750 - 3,400
South Korea	KRW*	1,670 - 2,140
Thailand	THB	37,000 - 42,000
Vietnam	VND*	21,000 - 27,000

Source: Rider Levett Bucknall

* '000s

LC = Local Currency

- China's rate of growth in the construction sector is slowing, but public investment programs are still supporting the sector.
- After a prolonged period of growth, Hong Kong's economic slow down and gradual completion of a number of infrastructure projects is leading to some uncertainty in the construction sector resulting in more competitive bidding.
- Singapore's construction growth has slowed, reflecting less output in the residential, commercial and industrial sectors. The construction market is stable, with many contractors eager to take on more projects.
- The number of hotel projects in Australia is going through a surge at present, with a number of large scale, high end hotels in major cities.

Mid market – low	Mid market – high	Luxury
LC per sqm	LC per sqm	LC per sqm
2,700 - 3,700	3,200 - 4,500	3,800 - 5,500
8,700 - 12,450	10,450 - 15,200	11,600 - 17,200
28,900 - 33,400	32,100 - 38,000	35,100 - 42,800
58,000 - 69,000	72,500 - 84,000	78,000 - 100,700
14,750 - 16,660	17,370 - 20,880	21,130 - 26,260
357,000 - 467,000	430,000 - 582,000	504,000 - 714,000
24,500 - 28,300	27,500 - 33,000	30,000 - 37,000
2,700 - 4,100	3,900 - 5,100	5,100 - 7,000
1,670 - 2,160	1,910 - 2,470	2,470 - 3,030
2,500 - 3,700	2,900 - 4,200	3,400 - 4,600
43,190 - 48,854	47,640 - 54,800	58,000 - 65,000
3,300 - 3,700	3,600 - 4,500	4,300 - 5,600
1,970 - 2,510	2,630 - 3,860	3,060 - 4,540
45,000 - 61,000	50,000 - 65,000	54,000 - 70,000
23,000 - 30,000	30,000 - 35,000	33,000 - 40,000

- New Zealand’s population growth is driving demand in the construction sector, although new consents are easing in the non-residential sectors.

These costs have been prepared from a survey of Rider Levett Bucknall worldwide offices. Costs are expressed in local currency per square metre of Gross Floor Area except:

- China, Macau and Hong Kong which are expressed per square metre of Construction Floor Area (measured to outside face of external walls); and
- Singapore, Vietnam, Indonesia and Malaysia which are expressed per square metre of Construction Floor Area (measured to outside of external walls and inclusive of covered basement and above ground parking areas).

The costs include FF&E (except New Zealand and Australia), but exclude operator’s stock and equipment. Fees, land costs and local taxes (Sales Taxes or similar) are also excluded. Costs are generally based on constructing hotels to international design standards. Data is prepared to highlight key cost trends and differences between markets. Users should verify the suitability of general cost data to their specific circumstances. Exchange rates and inflation can distort generic data, for specific project guidance please contact Rider Levett Bucknall.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	2x Art Series hotels ¹	Australia
	3x Japan hotels ²	Japan
Single Asset Transactions		
Australia	Rydges Esplanade	Cairns
	Rydges Tradewinds	Cairns
	Greenmount Beach Resort	Gold Coast
	Tune Swanston Street	Melborne
	Quest East Perth	Perth
	Novotel Twin Waters Resort	Sunshine Coast
	Grand Chancellor	Surfers Paradise
	Sofitel Wentworth	Sydney
China	Holiday Inn Central Plaza	Beijing
	Somerset Zhong Guan Cun	Beijing
India	Ganesh Meridian Hotel	Ahmedabad
	Leela Goa	Goa
	Aura Grande Hotel	Mumbai
Japan	Urawa Royal Pines	Saltama
	Grand Pacific Le Daiba	Tokyo
	Sunroute Shinagawa Seaside	Tokyo
	Tomamu Ski Resort	Tomamu
Malaysia	Aloft Sentral	Kuala Lumpur
	Renaissance Kuala Lumpur	Kuala Lumpur
New Zealand	Novotel-Ibis Ellerslie	Auckland
	Novotel Queenstown	Queenstown
	Novotel Wellington	Wellington
Thailand	Dhara Dhevi Chang Mai	Chiang Mai
	Rocky's Boutique Resort	Koh Samui
Vietnam	Novotel Saigon Centre	Ho Chi Minh City
	InterContinental Asiana Saigon	Ho Chi Minh City
	Nam Hoi	Hoi An
Other	Westin Guam	Guam
	Anantara Ubud	Bali, Indonesia
	Zitahli Kuda-Funafaru Resort	Noonu Atoll, Maldives
	Big Hotel	Singapore
	Grand Hi Lai	Kaohsiung, Taiwan

Source: Whitebridge Hospitality

¹ The Olsen, The Cullen

- Corporate deals included: Goldman Sachs acquiring SAMHI Hotels (India) and investing USD70m in Red Planet Hotels (Thailand); Jin Jiang Hotels acquiring Vienna Hotels Group (China); MGM Resorts acquiring MGM China; DoubleDragon Properties acquiring 70% of Hotel of Asia (Philippines).

No. of Keys	Total Price	Price per Key
	USD	USD
342	105,200,000	308,000
1,027	453,100,000	441,000
242	29,900,000	124,000
246	25,300,000	103,000
120	19,300,000	161,000
235	38,700,000	165,000
130	32,800,000	253,000
361	74,800,000	207,000
404	58,300,000	144,000
436	163,100,000	374,000
322	96,900,000	301,000
154	92,500,000	601,000
156	20,300,000	130,000
206	109,500,000	531,000
94	15,100,000	161,000
196	152,200,000	777,000
884	604,700,000	684,000
300	45,300,000	151,000
800	149,000,000	186,000
482	103,300,000	214,000
921	190,800,000	207,000
247	37,200,000	151,000
273	58,800,000	215,000
139	22,300,000	160,000
123	68,400,000	556,000
49	12,200,000	250,000
247	46,700,000	189,000
305	74,900,000	246,000
100	66,100,000	661,000
432	125,800,000	291,000
100	41,400,000	414,000
50	31,000,000	620,000
308	146,700,000	476,000
436	190,100,000	436,000

² Hilton Nagoya, Vista Grand Osaka, Ascent Fukuoka

- Other notable deals: sale of Jeju Sun Hotel & Casino (South Korea, USD100m); proposed IPO of 6x Greenland Group hotels (China).

Prices have been rounded where appropriate. We do not warrant the accuracy of this data which was obtained from publicly available sources and reported in industry journals. Conversions to euros were made according to the exchange rate at the time of the announcement.

MODULAR CONSTRUCTION

Introduction

Prefabrication (prefab) is the practice of assembling components of a building in a factory and transporting them to site for installation. Modular prefab is where a modular component is assembled off-site, such as complete rooms, bathrooms or sub-components (such as mechanical and electrical risers or plant rooms).

Prefab is on government and commercial agendas across Europe, the USA, Australia and in Singapore, where it is seen as an important way of improving quality and value. In Australia, it is becoming more prevalent for 2* and 3* properties, while in Singapore, the extension of the Crowne Plaza Changi Airport utilised the prefab, pre-finished volumetric construction method.

Generally speaking, modular construction lends itself to projects where there is high volume of repetition, both on individual projects and across a portfolio - such as branded hotel developments.

International Markets

Different pressures impact national markets differently. Frequently skills shortages come into play, where local contractors are unable to install such modular units correctly (as fixing post installation can be challenging). In mature markets, a key driver behind modular is the savings on payroll that can be achieved. In markets with extreme climates, modular can also improve productivity on sites.

Advantages

Quality

- Computer controlled fabrication processes
- Defects significantly reduced

Time

- Construction unaffected by many external variables
- Lower chance of delays
- Shorter on site program than traditional construction

Cost

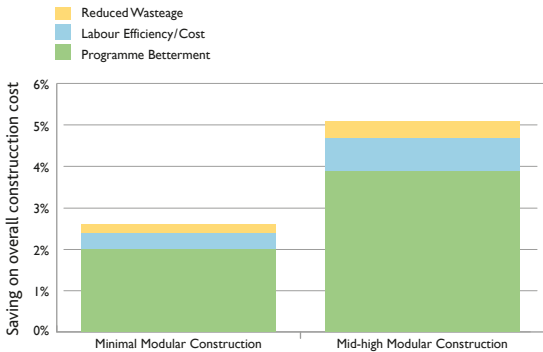
- Repeated process resulting in higher efficiency
- Shorter program results in additional revenue

Site Impacts, Safety & Sustainability

- Factory environment results in safer working
- Reduced waste (and cost)

Cost Impacts

In a world where transportation and logistics costs are continuously increasing, the impact of modular construction on total cost can have a material effect on program betterment. Typical savings on a hotel project may be as follows:



*Notes:

1. Costs assume importing modular construction from a lower wage economy to a higher wage economy.
2. Minimal modular based on podded bathrooms; mid-high modular based on podded bathrooms, plus a further 5% modular construction.
3. Costs exclude impact of increased transportation, taxes and value benefit of earlier practical completion.

Source: RLB

Disadvantages

Quality

- Earlier and better design coordination required
- Quality assurance becomes critical on structural components

Time

- Often longer lead in
- Factories can suffer periods of downtime due to inconsistent workload

Cost

- Transportation, logistic constraints and cost
- High set up costs (cash flow implications)

Site Impacts, Safety & Sustainability

- Storage and installation of heavy/bulky modular items may impact site logistics

Conclusions

Modular construction is not appropriate for all developments and careful analysis is required before committing to such an approach, as there are many hidden cost and timing implications.



**WHITE
BRIDGE**

Telephone: +44 (0)20 7195 1482
philip.camble@whitebridgeh.com
www.whitebridgehospitality.com

RLB | Rider Levett Bucknall

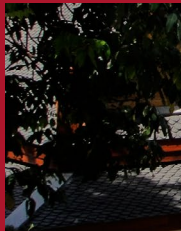
Australia: stephen.mee@au.rlb.com
+61 2 9922 2277

Hong Kong: stephen.lai@hk.rlb.com
+852 2823 1823

Singapore: silas.loh@sg.rlb.com
+65 6339 1500

EMEA: paul.beeston@uk.rlb.com

www.rlb.com



Telephone: +44 (0)20 7922 1930
info@strglobal.com
www.strglobal.com