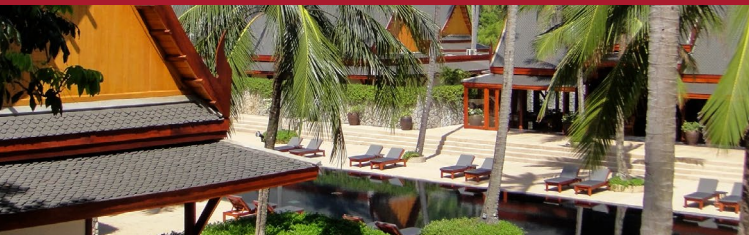


# ASIA PACIFIC HOTELS MONITOR

OCTOBER 2017

ISSUE 4





**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 independent, global property consultant, providing advice focused on the cost, quality and sustainability of the built environment. The firm, which has over 3,600 staff operating from more than 120 offices, offers Quantity Surveying, Building Surveying, Project Management and Advisory Services.



STR provides clients with access to hotel research with regular and custom reports covering over 55,000 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.

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# ASIA PACIFIC HOTELS MONITOR

## OCTOBER 2017

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### Introduction

According to the World Bank, improved global growth and strong domestic demand trends underpin a positive outlook for the region in 2017 (growth in China has exceeded expectations so far this year) and in 2018. Growth in 2018 (+6.2%) is expected to be slightly slower compared to 2017 (+6.4%) because of China's continuing gradual slowdown.

APAC hotel performance levels continue to vary widely across the region, ranging from Ho Chi Minh City again recording high RevPAR growth (+10.2%, the highest in this year's Monitor) to Seoul, the weakest market (-6.8%, RevPAR decline). Sydney remains highly resilient and popular (+5.6%, RevPAR growth), and in high demand for hotel investors too (with Australia in general being the busiest transaction market in APAC again in 2017).

Increases in development costs appear to be slowing across much of Asia, but continue to grow above the rate of inflation in Australia and New Zealand.

Aside from Australia being the busiest transaction market in APAC, it is worth noting that China was also particularly busy, with numerous single asset, portfolio and corporate deals occurring during the last 12 months. Other notable trends in the region include: multiple transactions involving Four Seasons branded hotels and resorts; and Accor buying and selling holdings across APAC - and who knows, they may even bring an Orient-Express Hotel to the region, which would be highly appropriate given the brand.

**APAC hotel performance levels continue to vary widely across the region.**

A notable star performer in terms of RevPAR growth has been Hong Kong. For the first time in five years, Hong Kong recorded positive growth in RevPAR (+3.5%) and we felt that such a landmark needed to be investigated further. Hence, our final page feature this issue is a snapshot on Hong Kong's intriguing hotel market.

### Philip Camble

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

## Performance Trends

September-August	2017			
City	ADR	Occ	RevPAR	ADR
	LC	%	LC	LC
Bangkok	3,375	77.2	2,606	3,296
Beijing	577	75.2	434	565
Delhi-NCR	6,056	66.2	4,010	6,063
Ho Chi Minh City	2,521,339	74.3	1,872,426	2,472,651
Hong Kong SAR	1,358	88.2	1,198	1,360
Jakarta	1,048,326	57.9	607,400	1,097,678
Kuala Lumpur	359	69.4	249	358
Maldives	9,694	63.5	6,151	9,319
Manila	5,171	66.9	3,460	5,191
Mumbai	7,884	74.8	5,897	7,545
Phuket	3,879	76.2	2,955	3,838
Seoul	166,570	70.5	117,464	173,721
Shanghai	629	75.6	476	627
Singapore	273	80.7	220	284
Sydney	227	85.8	195	216
Taipei	5,769	64.0	3,693	5,922
Tokyo	18,806	86.2	16,212	18,749
Wellington	182	76.5	139	174

Source: STR

LC = Local Currency

- Numerous markets in the APAC region achieved positive growth rates on a rolling 12-month average basis between September 2016 to August 2017. Ho Chi Minh, Mumbai, Sydney, Beijing and Kuala Lumpur all achieved RevPAR growth rates of 5.0% or more, where both Occupancy and ADR have been the driving key performance indicators.
- On the other side, several key markets in the region experienced downturns on a rolling 12-month average basis. The steepest declines were seen in Seoul, Singapore, Taipei and Jakarta, where ADR made the most significant downward contribution.

2016		Growth					
Occ	RevPAR	ADR		Occ		RevPAR	
%	LC	Abs (LC)	%	Abs %	%	Abs (LC)	%
77.3	2,548	80	2.4	-0.1	-0.2	58	2.3
72.8	412	12	2.1	2.4	3.3	22	5.4
65.0	3,943	-7	-0.1	1.2	1.8	67	1.7
68.7	1,698,525	48,688	2.0	5.6	8.1	173,902	10.2
85.1	1,158	-2	-0.2	3.1	3.6	40	3.5
58.5	642,131	-49,352	-4.5	-0.6	-1.0	-34,731	-5.4
66.1	237	1	0.3	3.3	5.0	12	5.3
64.3	5,991	374	4.0	-0.8	-1.3	160	2.7
66.5	3,453	-20	-0.4	0.4	0.6	7	0.2
73.4	5,539	339	4.5	1.4	1.9	357	6.5
75.5	2,899	40	1.1	0.7	0.9	56	1.9
72.5	125,983	-7,151	-4.1	-2.0	-2.8	-8,519	-6.8
74.9	470	3	0.4	0.7	1.0	7	1.4
82.3	233	-11	-3.8	-1.6	-2.0	-13	-5.7
85.2	184	11	4.9	0.6	0.6	10	5.6
66.0	3,906	-153	-2.6	-2.0	-3.0	-213	-5.5
85.2	15,976	57	0.3	1.0	1.2	236	1.5
79.4	138	8	4.6	-2.9	-3.7	1	0.7

- Pipeline in APAC remains very active with over 620,000 rooms in the planning, final planning, or construction stage. From the markets compared above, Shanghai, Jakarta, Manila, Beijing, and Bangkok have the most active pipelines, each market with over 8,500 rooms expected to open in the coming years.

## Hotel Construction Costs

Country	Currency	Budget hotels LC per sqm
Australia	AUD	2,500 - 3,450
China	CNY	8,650 - 11,240
Hong Kong	HKD	25,270 - 29,450
India	INR	53,000 - 67,000
Indonesia	IDR*	7,700 - 8,800
Japan	JPY	310,000 - 395,000
Macau	MOP	20,660 - 24,770
Malaysia	MYR	2,000 - 3,000
New Zealand	NZD	2,400 - 3,100
Philippines	PHP	40,100 - 44,000
Singapore	SGD	2,400-2,700
South Korea	KRW*	1,720 - 2,200
Thailand	THB	39,000 - 45,000
Vietnam	VND*	NA

Source: Rider Levett Bucknall

\* '000s

LC = Local Currency

- Asia's Market Activity Cycle is highlighted by an overall sector movement from peak to mid since our last report. The house, apartment and hotel sectors have all shown that construction activity may have peaked across the region.
- RLB's forecasted TPI across Asia shows lower than inflation increases over the next few years with the majority of RLB offices across the region forecasting within a band of 2% to 3% for 2017. Both Hong Kong and Singapore are forecasting negative or zero TPI growth for 2017.
- Hong Kong has seen a Q3.17 year-on-year decline of 0.6%, resulting from fewer projects being approved by the Legislative Council. With input pressures expected to continue, it is not a trend that is expected to continue.
- Most cities in Australia and New Zealand are forecasting slightly above inflation results for construction cost increases with the exception of the heated markets of Sydney, Auckland and Wellington, which are all above 4.2% for 2017.

Mid market – low	Mid market – high	Luxury
LC per sqm	LC per sqm	LC per sqm
2,800 - 3,800	3,200 - 4,500	3,800 - 6,500
9,700 - 12,500	11,710 - 15,200	13,000 - 17,200
30,300 - 35,100	33,670 - 39,360	36,800 - 45,000
60,000 - 71,000	74,000 - 89,000	82,000 - 110,000
10,410 - 11,880	11,800 - 13,670	13,670 - 17,420
362,000 - 475,000	437,000 - 590,000	507,000 - 720,000
25,200 - 29,000	28,700 - 34,340	31,300 - 38,500
2,700 - 4,100	3,900 - 5,100	5,100 - 7,000
3,500 - 4,000	3,900 - 4,800	4,500 - 6,000
43,190 - 48,850	47,650 - 54,800	53,300 - 61,600
3,250 - 3,650	3,550 - 4,400	4,250 - 5,500
2,030 - 2,580	2,710 - 3,920	3,150 - 4,680
43,000 - 49,000	51,000 - 55,000	55,000 - 59,000
23,610 - 30,540	30,250 - 35,850	33,610 - 44,640

- Hotel construction in Australia is seeing a resurgence, unusually for the region, as part of large mixed use developments. These are spread widely including Perth, Sydney, Melbourne & Brisbane..

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		
	7x Art Series Hotel Group <sup>1</sup>	Australia
	77x Wanda hotels	China
	5x Premier Inn	India
	2x Chinatown hotels <sup>2</sup>	Singapore
Single Asset Transactions		
Australia	Acacia Ridge Hotel	Brisbane
	Beach Hotel	Byron Bay
	Novotel Oasis	Cairns
	Mercure Geelong	Geelong
	Hilton South Wharf	Melbourne
	Travelodge Docklands	Melbourne
	InterContinental Double Bay	Sydney
	Jephson Hotel	Toowong
China	Bay Bridge Hotel	Hong Kong
	J Plus Hotel	Hong Kong
	Newton Place Hotel	Hong Kong
	Newton Inn North Point	Hong Kong
	Graceland International	Huangpu
Japan	Tenmabashi Grand	Osaka
	Sheraton Grand Tokyo Bay	Tokyo
	New Otani Inn	Yokohama
Malaysia	Majestic Hotel	Kuala Lumpur
	Four Seasons Langkawi	Langkawi
	Lone Pine	Penang
	The Summit Bukit Mertajam	Penang
Singapore	Chinatown Hotel	Teck Lim Road
	Sloane Court Hotel	District 10
Other	Novotel-Ibis Christchurch	Christchurch, New Zealand
	Nine Tree Premier Myeongdong II	Seoul, South Korea
	Swissotel Nai Lert Park	Bangkok, Thailand

Source: Whitebridge Hospitality

<sup>1</sup> Including leases and HMAs

- Corporate deals in China: Banyan Tree and China Vanke established JV (USD295m); China Lodging Group acquired Crystal Orange Hotel Holdings; Jingrui Holdings acquired China Hotels (USD80.8m).
- Accor transactions: acquired 5% stake in Banyan Tree (USD16m, Sin); sold 40% stake in Barque Hotels (India).
- Four Seasons transactions: Gaw Capital acquired Bora Bora; Brookfield assessing Mumbai.



No. of Keys	Total Price	Price per Key
	USD	USD
987	41,100,000	42,000
23,202	2,940,000,000	127,000
583	29,300,000	50,000
99	93,900,000	948,000
44	19,000,000	432,000
22	56,600,000	2,572,000
314	39,000,000	124,000
138	19,100,000	138,000
396	171,500,000	433,000
290	81,500,000	281,000
140	104,300,000	745,000
51	12,300,000	241,000
438	232,300,000	530,000
56	28,500,000	509,000
598	295,500,000	494,000
317	141,300,000	446,000
138	87,300,000	633,000
154	26,800,000	174,000
1,016	885,800,000	872,000
240	44,900,000	187,000
300	89,100,000	297,000
91	90,500,000	994,000
90	19,300,000	215,000
147	4,600,000	31,000
42	22,800,000	543,000
32	61,200,000	1,912,000
309	31,600,000	102,000
408	116,300,000	285,000
336	312,100,000	929,000

<sup>2</sup> Naumi Liora, The Club Hotel

- Other corporate deals: The Ascott Limited acquired 60% stake in Quest Apartments (USD140m, Aus); Prince Hotels acquired Staywell (Aus); Daiwa Living acquired 75% stake in Waldorf Group (Aus); Louvre Hotel Group acquired Sarovar Hotels (USD48.5m, India); Minor International acquired Metro Suites (NZ); Mapletree Investments acquired Oakwood Worldwide (Sin); HNA Group acquired Kumho Asiana Group (SKor); Warburg Pincus and VinaCapital established USD300m JV (Vie).

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.

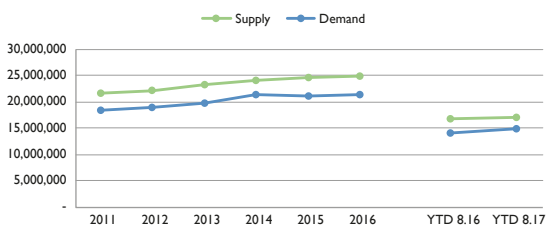
## HONG KONG - BOUNCING BACK

### Introduction

High land values have prompted some owners to consider a sale of their properties, including one of Hong Kong's older hotels. Hotels are considered particularly vulnerable as high-end Chinese travellers opt for other destinations. But is this a fair assessment of Hong Kong's potential for hotel investors?

### Supply & Demand

It is true that demand from China did fall in 2015 (-5.7%) and in 2016 (-3.6%), however, latest projections from Oxford Economics indicate growth of +3.9% is expected in 2017 (and accounting for over 65% of total overnight tourist arrivals this year). The graph below clearly shows the sensitivity of Hong Kong's hotel market to trends in Chinese visitation.

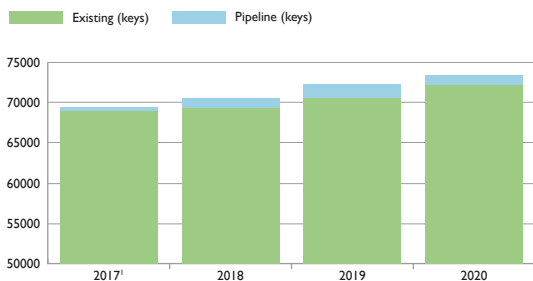


Source: STR

Note the falling levels of supply growth in recent years, as developers considered other uses to offer higher returns.

### Pipeline

Graph below provides a snapshot of Hong Kong's hotel pipeline, with continued modest growth expected (a CAGR of +1.9% from 2017 to 2020, compared to +3% between 2011 and 2016).

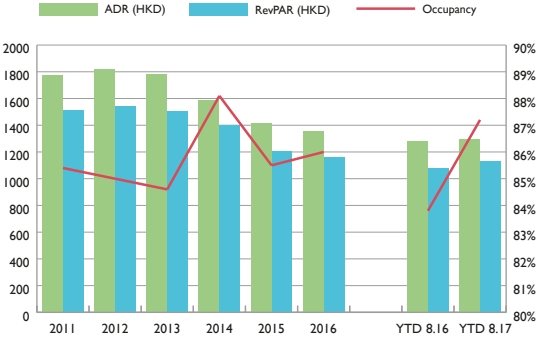


Source: STR

<sup>1</sup> Pipeline (keys) Oct to Dec only

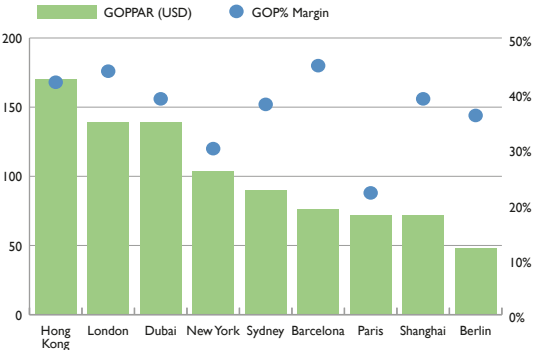
### Performance Trends

Reasons for declining demand from China include: slow down in the Chinese economy and devaluation of the Yuan in 2015. However, these events are cyclical and recent hotel performance trends indicate that Hong Kong is bouncing back, as shown in the graph below (with RevPAR recording positive growth for the first time since 2012).



Source: STR

Graph below compares the profitability of hotel markets in key international cities around the world to that achieved by Hong Kong. This data clearly shows that Hong Kong is the most profitable city hotel market in the world on a GOPPAR basis and one of the most efficient in terms of GOP% Margin.



Source: STR

### Future Prospects

With demand from China expected to grow by +4.9% in 2018 and new supply likely to remain limited for some years (the lowest level of any major city in Asia), hotel performance levels are expected to continue to improve in the medium to long term. Over the next three years, occupancy is expected to grow by a CAGR of 1.3% per annum and ADR by 2.7% per annum



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