

ASIA PACIFIC HOTELS MONITOR

NOVEMBER 2014

ISSUE 1





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.

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STR Global provides clients with access to hotel research with regular and custom reports covering over 49,000 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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Introduction

We are thoroughly delighted to launch this new industry publication, the inaugural issue of the Asia Pacific Hotels Monitor, which effectively means that we now cover the world outside North America between the three sister Hotels Monitor publications.

In terms of performance levels, the region is generally buoyant, although markets in Thailand are continuing to suffer in light of recent unrest and poor press. By contrast, Maldives is going from strength-to-strength in terms of ADR as occupancy levels achieve their ceiling and hotels are able to yield manage more effectively.

Development costs vary enormously across the region, with Singapore being the most expensive destination and with costs continuing to rise. In China, where the pipeline is the largest in the world, costs are stable and perhaps even falling slightly.

Although not as active as the transactions market in EMEA, the APAC region has seen a good number of trading hotels change hands. Australia has been particularly active, with many Asian investors targeting the island continent. Japan is the most active country in the region, with multiple portfolio deals closing in the last 12 months (a reflection of its scale and maturity). But for sheer deal volume by size of country, Maldives must take first prize, with multiple transactions to note.

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In recognition of Asia's growing strength as a tourist destination, we conclude this first edition with a special feature on the global development pipeline in the luxury hotel sector. The data clearly shows that Asia is charging forward and striving for first place. Indeed, four of the Top 10 country-pipelines are in Asia.

Philip Camble

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

Performance Trends

October-September City	2014			2013			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	US\$	%	US\$	US\$	%	US\$	Abs (US\$)	%	Abs %	%	Abs (US\$)	%
Bangkok	96.73	61.8	59.80	100.73	74.9	75.46	-4.00	-4.0	-13.1	-17.5	-15.66	-20.8
Beijing	92.62	69.7	64.52	94.79	69.0	65.39	-2.17	-2.3	0.7	1.0	-0.87	-1.3
Delhi-NCR	106.02	59.1	62.71	124.22	59.1	73.37	-18.20	-14.7	0.1	0.1	-10.66	-14.5
Ho Chi Minh City	119.37	66.5	79.40	121.92	67.6	82.40	-2.55	-2.1	-1.1	-1.6	-3.00	-3.6
Hong Kong SAR	233.04	86.5	201.54	229.91	84.9	195.14	3.14	1.4	1.6	1.9	6.41	3.3
Jakarta	95.70	66.7	63.83	102.36	69.4	71.08	-6.66	-6.5	-2.7	-4.0	-7.25	-10.2
Kuala Lumpur	120.09	72.0	86.47	119.91	72.5	86.98	0.18	0.2	-0.5	-0.7	-0.51	-0.6
Maldives	738.04	70.3	519.04	655.17	70.7	463.10	82.87	12.6	-0.4	-0.5	55.95	12.1
Manila	127.28	67.3	85.69	132.14	67.1	88.70	-4.86	-3.7	0.2	0.3	-3.01	-3.4
Mumbai	118.74	69.6	82.68	131.86	65.0	85.75	-13.13	-10.0	4.6	7.1	-3.07	-3.6
Phuket	128.25	70.1	89.95	133.53	73.3	97.92	-5.28	-4.0	-3.2	-4.4	-7.98	-8.1
Seoul	195.91	78.0	152.88	186.87	77.3	144.40	9.04	4.8	0.8	1.0	8.48	5.9
Shanghai	97.97	71.0	69.59	96.66	64.9	62.76	1.31	1.4	6.1	9.4	6.83	10.9
Singapore	239.50	83.7	200.38	238.58	83.5	199.21	0.91	0.4	0.2	0.2	1.17	0.6
Sydney	182.30	83.8	152.73	189.56	81.8	155.15	-7.26	-3.8	1.9	2.4	-2.42	-1.6
Taipei	213.59	66.5	142.12	208.23	65.6	136.67	5.35	2.6	0.9	1.4	5.45	4.0
Tokyo	158.76	86.5	137.26	163.75	85.2	139.56	-4.99	-3.0	1.2	1.4	-2.30	-1.6
Wellington	122.71	73.3	89.91	117.74	74.1	87.27	4.97	4.2	-0.9	-1.2	2.64	3.0

Source: STR Global

- Southeastern Asia was the only sub-region to see occupancy losses (-4.9%) in Sep 2014 (driven by declines in Thailand, Vietnam and Indonesia), whereas Central and South Asia reported occupancy growth (primarily driven by India). Confidence in the newly elected Indian government and an upgraded economic outlook have been cited as reasons for performance increases.
- From a YTD perspective, at this time last year supply growth in Asia Pacific was outpacing demand. The equilibrium has shifted and this year demand is outpacing supply. Since the recovery in 2010, demand outpacing supply has become the usual trend for the region.
- Philippines (+4.5%), New Zealand (+3.0%), India (+3.1%) and China (+2.8%) experienced the strongest increases in occupancy YTD Sep 2014 within the region, while Thailand (-15.5%) is still impacted by political unrest and continuous uncertainty.
- Maldives showed the largest increase in ADR (over 13%), measured in local currency, resulting in double digit growth in RevPAR (circa 11%) compared to the previous 12 months.
- In local currency, Sydney recorded an increase in ADR of 4.0% and in RevPAR of 6.4% during the period under review.
- Indonesia (+9.3%) and Japan (+7.7%) came second and third in terms of ADR growth YTD Sep 2014, while China (-2.9%) and India (-2.9%) were the only countries posting declines in this measure in local currency.
- In both China and India, continuous supply growth is impacting on ADR performance, whilst increasing demand is driving positive occupancy trends.

Note: Data is displayed in USD, meaning performance data will be impacted by foreign exchange rate effects.

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	US\$ per sqm	US\$ per sqm	US\$ per sqm	US\$ per sqm
Australia	2,500 - 3,280	3,160 - 3,700	3,800 - 4,200	4,300 - 4,700
Cambodia	1,310 - 1,520	1,590 - 1,790	1,750 - 2,040	2,090 - 2,490
China	1,360 - 1,750	1,520 - 1,950	2,040 - 2,680	2,700 - 3,110
Hong Kong	3,090 - 3,570	3,440 - 3,960	4,160 - 5,080	5,090 - 5,870
India	1,050 - 1,230	910 - 1,090	1,140 - 1,315	1,230 - 1,580
Indonesia	840 - 970	980 - 1,000	1,100 - 1,410	1,500 - 2,100
Japan	2,400 - 2,750	2,700 - 3,360	3,250 - 3,850	3,700 - 4,475
Kazakhstan	800 - 1,200	880 - 1,400	1,490 - 1,900	1,950 - 2,500
Macau	2,470 - 2,850	2,740 - 3,170	3,290 - 4,090	4,110 - 4,720
Malaysia	760 - 1,160	1,200 - 1,400	1,460 - 1,980	2,100 - 2,520
New Zealand	2,500 - 2,700	2,910 - 3,300	3,370 - 3,800	3,780 - 4,400
Philippines	790 - 950	960 - 1,090	1,100 - 1,250	1,200 - 1,420
Singapore	3,360 - 3,880	3,760 - 4,680	4,440 - 6,000	6,100 - 7,000
South Korea	1,660 - 2,140	1,840 - 2,350	2,860 - 4,240	4,290 - 4,940
Vietnam	1,040 - 1,340	1,350 - 1,500	1,380 - 1,690	1,800 - 2,200

These costs have been prepared from a survey of Rider Levett Bucknall worldwide offices. Costs are expressed per square metre of gross internal floor area. The costs include FF&E, but exclude operator's stock and equipment. Fees, land costs and local taxes (VAT or similar) are also excluded. Costs are generally based on constructing international hotels to Western European specifications. 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.

Source: Rider Levett Bucknall

- Australia's leading construction companies are forecasting a decline in non-residential construction work for both the 2014 and 2015 calendar years. This is due to falls in resource-related construction, as mining investment within Australia winds back from peak levels.
- In New Zealand, building activity is recovering strongly for the non-residential sector but unevenly, with much of the strength being in Auckland and Canterbury.
- Overall, growth in Asia is forecast to remain firm. Domestic demand is set to continue its solid activity and external demand is expected to strengthen.
- Inflation should also remain quite flat across most of Asia. China's growth is in a phase of relative slowdown as the government implements administrative economic tightening.
- Singapore's construction sector grew at a slower pace of 4.4% year-on-year in Q2 of 2014, down from the 6.4% growth in the previous quarter. This is due to the fall in private construction output due to weakness in private sector construction activities. Construction costs continue to experience upward pressures from the impact of regulatory changes, higher labour costs and general resource shortages.
- In Hong Kong, tender prices in the past five years have been rising at an average annual rate of about 7% to 9%, thanks to the significant increase in construction expenditure in both public and private sectors.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				US\$	US\$
	31 x Accor hotels	Australia	4,097	804,600,000	196,000
	21 x Chisun Inn hotels	Japan	1,988	143,400,000	72,000
	9 x Comfort hotels	Japan	757	58,500,000	77,000
	3 x Ryokan	Japan	72	36,400,000	505,000
	5 x Toyoko Inns	Japan	1,386	65,100,000	47,000
Single Asset Transactions					
Australia	Oaks on Lonsdale	Melbourne	148	64,800,000	438,000
	Park Hyatt Melbourne	Melbourne	240	118,300,000	493,000
	Blue Hotel	Sydney	100	30,000,000	300,000
	Four Seasons Sydney	Sydney	531	306,000,000	576,000
	Hotel 1888	Sydney	90	30,400,000	338,000
	Sofitel Wentworth	Sydney	481	197,300,000	410,000
China	Shama Luxe Grand Centrl	Dalian	195	91,300,000	468,000
	Mercer	Hong Kong	55	70,300,000	1,278,000
	Sheung Wan hotel	Hong Kong	90	63,000,000	700,000
	La Palazzo Hotel	Maoming	299	93,400,000	312,000
	Galaxy Hotel	Shanghai	666	191,700,000	288,000
Japan	Hotel Alpha-1	Yokohama	342	44,800,000	131,000
	Namba Washington Plaza	Osaka	869	86,800,000	100,000
	Tokyo Bay Maihama Hotel	Tokyo	703	288,600,000	410,000
Maldives	Jumeirah Dhevanafushi	Gaafu Dhaalu	35	59,500,000	1,700,000
	Niyama Resort ¹	Niyama	86	22,500,000	262,000
	Six Senses Laamu	Laamu	97	70,000,000	722,000
Singapore	Park Hotel Clarke Quay	Clarke Quay	336	235,200,000	700,000
	The Sentosa Singapore	Sentosa	215	168,000,000	781,000
	Westin Singapore	Marina Bay	305	366,900,000	1,203,000
South Korea	Pullman Ambassador	Changwon	321	69,500,000	217,000

Source: Whitebridge Hospitality

¹ For a 50% stake

- Other single asset transactions (for which pricing information is not confirmed) include: Grand Park Orchard, Hotel Grand Chancellor (Singapore); E Hotel Higashi Shinjuku, Mercure Ginza (Tokyo); Hyatt Regency (Osaka); URBN Hotel (Shanghai); Manafu Resort (Maldives); Sutera Harbour Resort (Malaysia); former Hotel So (Christchurch, NZ); Hyatt Regency (Manila).
- Outrigger has been very active in the region, acquiring three resorts in Fiji and Maldives.
- Other portfolio transactions included: 54 ALH Holdings hotels (Australia); 18 limited service hotels and 2 aparthotels sold by Fortress (Japan); 3 Sonaisali Group hotels (Fiji); 27 Yunshang Siji hotels (China).
- Corporate deals included: Ayala Land Inc acquiring El Nido Resorts (Philippines); Millennium & Copthorne acquiring Quantum Limited (NZ); Hony Capital investing in Shanghai Jin Jiang International Hotels (China).
- IPOs included: Seibu Holdings (Japan); Mantra Group (Australia); Franshion Hotels (Hong Kong); Jimao Investments (China); Fraser Hospitality Trust (Singapore).
- Finally, the deal that caught everyone's imagination, and is still making the news, Peak Hotels and Tarek Investments acquisition of the legendary Aman Resorts group.

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.

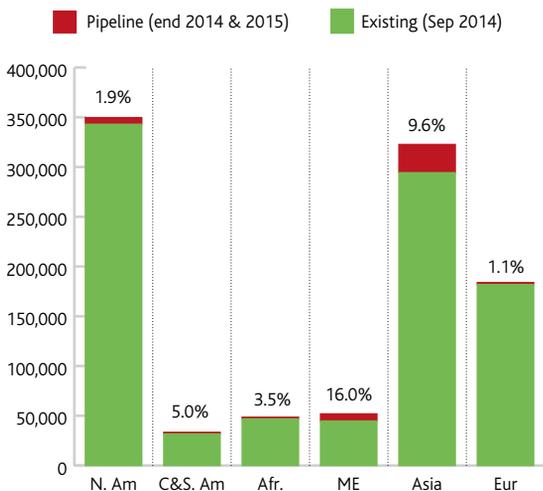
GLOBAL LUXURY HOTEL PIPELINES FOR 2015

Introduction

Based on data provided by STR Global, we review the anticipated global pipeline of luxury hotels from Oct 2014 to end of 2015, and demonstrate the rapidly increasing volume of supply in Asia across a number of countries, not just China.

Existing v Pipeline 2015

The graph below shows that North America is still the largest hotel market in the world (by number of keys) and will remain number one through to 2016. Europe was knocked into third place some years ago and stagnation in new development continues with very few new luxury hotels planned and the lowest rate of growth in the world (1.1% to end of 2015).



Source: Whitebridge Hospitality research, STR Global

The fastest growing region to the end of 2015 will be the Middle East (+16.0%), followed by Asia (9.6%) and C&S America (5.0%).

In terms of quantum of new keys, Asia has the largest pipeline (over 28,000 new keys planned), compared to C&S America with the smallest pipeline of just 1,584 new luxury hotel keys, Africa with 1,656 keys and Europe with 1,987 keys.

A Shifting Top 10

The table below tracks the positioning of the Top 10 countries by anticipated total number of luxury hotel keys in 2015 and compares them to the previous year and their respective total GDP performances (in US\$ terms).

	Supply Ranking			GDP Ranking		
	2014	2015	Change	2014	2015	Change
USA	1	1		1	1	
China	2	2		2	2	
Mexico	3	3		15	15	
Japan	4	4		3	3	
India	8	5	↑↑↑↑	10	8	↑↑
UAE	7	6	↑	29	29	
UK	5	7	↓↓	6	5	↑
Spain	6	8	↓↓	14	14	
Canada	9	9		11	11	
Italy	10	10		8	9	↓

Source: Whitebridge Hospitality research, STR Global, IMF

USA is by far the largest luxury hotel market and economy in the world, with China rapidly catching up. In early 2014, Mexico overtook an ailing Japan as the third largest luxury hotel market.

In 2015, India's enormous potential is expected to manifest itself as it moves up three places in terms of available luxury hotel keys and up two places in terms of GDP (overtaking Russia and Italy).

Although there is a degree of correlation between GDP and the number of luxury hotel keys, there are some countries that materially breach this trend. Spain (to some extent), Mexico and especially the UAE clearly punch above their weight. Notable underperforming economic heavy weights include: Germany (a relatively weak international leisure destination), France (surprisingly, as the spiritual home of luxury goods) and Brazil (where the complexities of doing business may be a hindrance to growth in the capital intensive luxury hotel sector).

Within the Top 10 countries by pipeline (due to open from Oct 2014 to end 2015), four are in Asia: China and India are 1st and 2nd respectively, Indonesia (6th) and Philippines (10th). Three of the Top 10 are in the Middle East: UAE (3rd), Saudi Arabia (7th) and Qatar (8th). The remainder are in North America: USA (4th), Mexico (5th) and Bahamas (9th). The highest placed European country is Italy (15th).



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