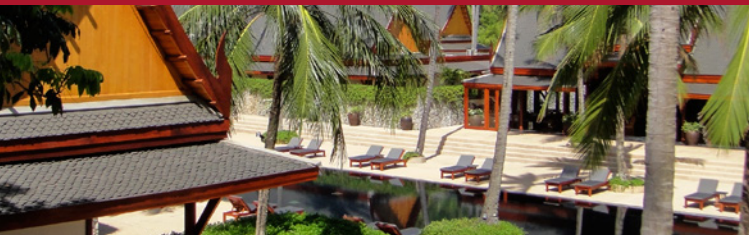


ASIA PACIFIC HOTELS MONITOR

OCTOBER 2015

ISSUE 2





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. It utilises a Responsible Management philosophy, helping clients spend less money by delivering more efficient, cost conscious and sustainable results on both a corporate and asset basis. The firm has over 3,000 staff across more than 100 international offices and offers three core services - Quantity Surveying, Building Surveying and Project Management, alongside advisory services.

Download the free RLB Intelligence app at rlb.com/app



STR Global provides clients with access to hotel research with regular and custom reports covering over 50,000 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 2015

Introduction

Recent economic data suggests that growth in APAC has decelerated due to weak demand from China and lower private consumption in India. Continuing concerns over the health of China's economy (including strong capital outflows and overcapacity in certain sectors) are starting to impact hotel performances and transactions in the region.

In performance terms, the APAC region is much less cohesive in its trends compared to EMEA and LAC. An assessment of RevPAR growth ranges from +24.2% in Bangkok (as the city recovers from a difficult 2014) to -15.4% in Seoul (as the city contends with its sabre-rattling and unpredictable northern neighbour). Overall 10 of the 18 cities surveyed showed positive RevPAR growth, a sign that the region is still in relatively good health.

The extensive press inches devoted to the volume of deals closed in the perceived safe haven of Australia in the last 12 months have been well warranted. A large number of single asset transactions have occurred, with many sizeable assets changing hands in Sydney and Surfers Paradise. A large proportion of the investment in these deals has come from China and Singapore.

The pace of hotel development globally is still strong, but RLB note that the pace of growth in China may be beginning to wane, with a 5.5% drop in the total floor area under construction in new projects across the country. For the moment construction costs remain relatively stable.

Overall 10 of the 18 cities surveyed showed positive RevPAR growth, a sign that the region is still in relatively good health.

Currency has become a hot topic in the recent months, particularly since China devalued the CNY twice in two days in August 2015. In our final page feature, we comment on hotel performances and visitor trends in the region in light of these currency issues.

Philip Camble

Director, Whitebridge Hospitality
Editor, Asia Pacific Hotels Monitor

Performance Trends

City	2015			2014			Growth					
	September-August		RevPAR	ADR		RevPAR	ADR		Occ		RevPAR	
	LC	%		LC	%		Abs (LC)	%	Abs %	%	Abs (LC)	%
Bangkok	3,247	75.1	2,439	3,148	62.4	1,964	98.22	3.1	12.8	20.5	475	24.2
Beijing	564	71.0	400	571	69.0	394	-6.98	-1.2	2.1	3.0	7	1.7
Delhi-NCR	6,203	61.9	3,841	6,521	58.6	3,824	-318.47	-4.9	3.3	5.6	17	0.4
Ho Chi Minh City	2,494,196	66.0	1,646,985	2,481,619	67.0	1,663,466	12,576.34	0.5	-1.0	-1.5	-16,480	-1.0
Hong Kong SAR	1,676	83.3	1,396	1,808	86.3	1,561	-132.14	-7.3	-3.1	-3.5	-165	-10.6
Jakarta	1,130,556	60.9	688,096	1,087,513	67.4	732,680	43,043.27	4.0	-6.5	-9.7	-44,583	-6.1
Kuala Lumpur	367	67.5	247	375	72.1	271	-8.69	-2.3	-4.6	-6.4	-23	-8.6
Maldives	11,502	64.9	7,460	11,249	71.2	8,007	252.94	2.2	-6.3	-8.9	-546	-6.8
Manila	5,761	67.5	3,889	5,554	67.5	3,751	206.77	3.7	0.0	0.0	138	3.7
Mumbai	7,300	73.5	5,363	7,204	69.1	4,980	95.91	1.3	4.3	6.3	382	7.7
Phuket	3,943	72.2	2,849	4,237	69.5	2,946	-293.71	-6.9	2.7	3.9	-98	-3.3
Seoul	190,418	70.4	134,076	205,631	77.1	158,522	-15,212.87	-7.4	-6.7	-8.7	-24,446	-15.4
Shanghai	619	73.7	456	599	70.2	420	20.46	3.4	3.5	5.0	36	8.6
Singapore	291	82.1	239	300	83.3	250	-8.98	-3.0	-1.2	-1.4	-11	-4.4
Sydney	207	84.9	175	198	83.5	165	8.69	4.4	1.4	1.7	10	6.1
Taipei	6,458	70.5	4,555	6,386	67.8	4,332	72.35	1.1	2.7	4.0	223	5.1
Tokyo	17,303	87.3	15,101	15,776	86.5	13,643	1,527.00	9.7	0.8	0.9	1,458	10.7
Wellington	161	77.0	124	148	72.2	107	12.60	8.5	4.8	6.7	17	15.7

Source: STR Global LC = Local Currency

- Many of the key cities in Asia Pacific experienced negative occupancy growth on a rolling 12 month average (R12) basis. At the opposite end of the spectrum, Bangkok (+20.5%) and Wellington (+6.7%) were the two strongest of only a few that managed to produce positive occupancy growth results.
- As with variations in occupancy, there were mixed trends seen for ADR, where Tokyo (+9.7%) and Wellington (+8.5%) were top performers, and, on the other hand, Seoul (-7.4%) and Hong Kong (-7.3%) at the bottom of the scale.
- The most extreme developments were seen in RevPAR, where numerous cities experienced double digit growth rates: Bangkok (+24.2%), Wellington (+15.7%), and Tokyo (+10.7%). The worse performers in terms of RevPAR growth on a R12 basis were: Seoul (-15.4%), Hong Kong (-10.6%) and Kuala Lumpur (-8.6%).

Hotel Construction Costs

Country	Currency	Budget hotels	Mid market – low	Mid market – high	Luxury
		LC per sqm	LC per sqm	LC per sqm	LC per sqm
Australia	AUD	2,300 - 3,150	2,700 - 3,700	3,175 - 4,275	3,650 - 4,850
China	CNY	7,760 - 11,190	8,700 - 12,450	10,450 - 15,200	11,600 - 17,200
Hong Kong	HKD	24,100 - 28,000	28,900 - 33,400	32,100 - 38,000	35,100 - 42,800
India	INR	59,200 - 75,350	55,970 - 66,740	69,970 - 80,730	75,350 - 96,880
Indonesia	IDR*	10,840 - 12,460	12,750 - 14,660	14,370 - 17,880	16,130 - 21,260
Japan	JPY	289,000 - 378,250	340,000 - 445,000	410,000 - 562,500	480,000 - 680,000
Kazakhstan	KZT	172,800 - 231,200	180,000 - 272,000	260,000 - 371,000	340,000 - 470,000
Macau	MOP	20,070 - 24,150	24,500 - 28,300	27,500 - 33,000	30,000 - 37,000
Malaysia	MYR	2,300 - 3,300	2,500 - 3,800	4,000 - 5,150	5,000 - 6,500
New Zealand	NZD	2,000 - 2,890	2,350 - 3,400	2,875 - 3,800	3,400 - 4,200
Philippines	PHP	36,710 - 41,530	43,190 - 48,854	48,349 - 55,227	53,507 - 61,599
Singapore	SGD	2,750 - 3,400	3,300 - 3,700	3,500 - 4,300	4,300 - 5,600
South Korea	KRW*	1,670 - 2,140	1,970 - 2,510	2,630 - 3,860	3,060 - 4,540
Thailand	THB	37,000 - 42,000	45,000 - 61,000	50,000 - 65,000	62,000 - 90,000
Vietnam	VND*	22,000 - 28,000	25,000 - 32,000	30,000 - 37,000	35,000 - 53,000

Source: Rider Levett Bucknall * '000s LC = Local Currency

- The hotel market is in a global growth phase with 69% of RLB offices indicating that the sector is experiencing a surge in construction activity.
- China has seen a year-on-year drop of 5.5% in total floor area under construction in new projects.
- Hong Kong's skills shortage remains a concern to tender price inflation, but has been mitigated by stable material prices.
- 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 Australian construction market remains strong in the residential sector, but growth is weaker in other sectors.
- New Zealand's growth has begun to spread beyond Canterbury and Auckland. It is expected that capacity issues will surface as construction activity grows further.

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	No. of Keys	Total Price	Price per Key
Portfolio Transactions				USD	USD
	3x Hong Kong hotels ¹	Hong Kong	1,955	1,200,000,000	614,000
	2x MyStays Hotels	Japan	255	50,100,000	196,000
	4x ANA Crowne Plaza hotels	Japan	1,229	332,200,000	270,000
Single Asset Transactions					
Australia	Adina Apartment Hotel	Brisbane	162	39,100,000	241,000
	Novotel Palm Cove	Cairns	140	8,500,000	61,000
	Pacific Hotel	Cairns	176	18,300,000	104,000
	Elan Soho Suites	Darwin	301	41,900,000	139,000
	Crowne Plaza Surfers Paradise	Gold Coast	270	53,600,000	198,000
	Hilton Surfers Paradise	Gold Coast	169	38,600,000	228,000
	Marriott Resort Surfers Paradise	Gold Coast	329	68,900,000	209,000
	Chateau Elan Hotel	Hunter Valley	100	31,200,000	312,000
	Citadines Bourke	Melbourne	380	122,100,000	321,000
	Ibis Melbourne Airport	Melbourne	73	8,800,000	121,000
	Prince of Wales Hotel	Melbourne	39	35,100,000	901,000
	Quest Dobbo	New South Wales	65	11,500,000	177,000
	Four Points by Sheraton	Perth	278	67,100,000	241,000
	Diamant Hotel	Sydney	76	14,800,000	195,000
	Hilton Sydney	Sydney	577	337,000,000	584,000
	Sheraton on the Park	Sydney	557	394,200,000	708,000
	Westin Sydney	Sydney	414	340,700,000	823,000
	Quest Shepparton	Victoria	69	9,200,000	134,000
India	Radisson Blu Resort & Spa	Alibaug	156	21,200,000	136,000
	Park Hyatt	Goa	248	83,600,000	337,000
	Four Points by Sheraton	Vizag	124	14,600,000	117,000
Japan	Citadine Karasuma-Gojo	Kyoto	124	8,800,000	71,000
	Citadine Shinjuku ²	Tokyo	160	11,800,000	74,000
Malaysia	DoubeTree Kuala Lumpur	Kuala Lumpur	540	106,800,000	198,000
	The Guernsey Resort	Penang	259	44,100,000	170,000
Other	InterContinental Hong Kong	Hong Kong, China	503	928,400,000	1,846,000
	Ascott Kuningan	Jakarta, Indonesia	185	61,800,000	334,000
	Hotel Grand Chancellor	Auckland, New Zealand	193	16,900,000	88,000
	Crowne Plaza Changi Airport	Singapore	320	290,000,000	906,000

Source: Whitebridge Hospitality

¹ For a 50% stake.

² For a 40% stake.

- Hotel-mixed-use transactions included: W Singapore (USD1.1bn), Perisher Ski Resort (Australia, USD135m), Four Seasons Pudong (China, USD371m).
- Corporate deals included: Ooedo-Onsen Holdings (Japan, USD418m), Parnas Hotels (South Korea, USD 681m), Outrigger Australia (4x hotels, USD22.5m), Granvista Hotels (Japan, USD42m), Concept Hospitality (India, USD5.4m), Vienna Hotel Group (China, USD282m).

- Other notable deals: Mandarin Oriental rights issue (USD140m), merger of Jin Jiang Hotels and Plateno Group.

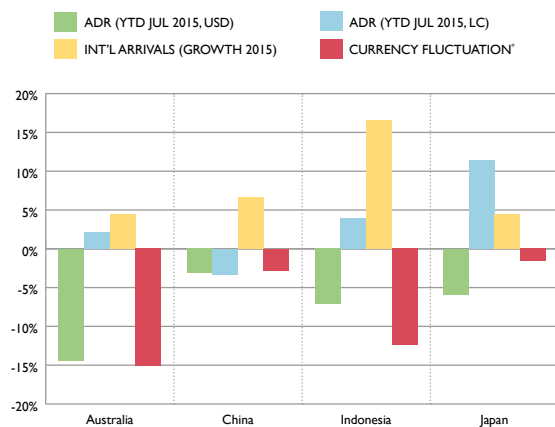
Prices have been rounded where appropriate. We do not warrant the accuracy of this data which was obtained from publicly available sources and reported in industry journals. Conversions to euros were made according to the exchange rate at the time of the announcement.

THE EFFECT OF REGIONAL CURRENCY FLUCTUATIONS IN 2015

Introduction

It is evident from speaking with local stakeholders that a popular and concerning topic of conversation in the region this year is the recent fluctuations in local currencies. In this feature we take a quick look at a few metrics and comment on the likely effects in Australia, China, Indonesia and Japan.

The graph below compares growth rates in ADR in the period YTD July 2015 to the same period in the previous year, denominated in USD and local currency (LC), compared to growth in international arrivals in 2015 (as estimated by STR Global and Tourism Economics) and fluctuations in currency in 2015 to the USD.



*USD exchange (1 Jan 2015 to 31 Aug 2015, % change)
Source: STR Global, Tourism Economics, IMF, Whitebridge Hospitality analysis

Australia

The AUD has fallen by around 15% since the beginning of 2015, and fell by more than 2% in August following the surprise back-to-back devaluations of the CNY (such decline being reflected in the USD denominated ADR in the graph above). By comparison, in local currency, Australia's ADR has performed reasonably well, increasing slightly YTD. This ADR growth was underpinned by the increase in visitor arrivals to the Land Down Under (+4.4%), driven by not only Australia's increased affordability, but also because it hosted the AFC Asian Cup (January) and the ICC Cricket World Cup (March) in early 2015.

China

China is a major trading partner not only in the region but globally, and its recent devaluations caused ripples throughout the world's stock markets and currency exchanges. For a while Grexit was no longer the global economy's major concern. The impact of such devaluations are yet to be seen in China; however, growth in international arrivals remains strong (perhaps a lower CNY will help drive this growth further, longer term also). The declines in ADR (in both USD and LC) are likely to be related to the very significant increases in supply that are being realised in the Middle Kingdom (home to the largest hotel pipeline in Asia).

Indonesia

The IDR recently fell to a 17-year low, dragged down by weak demand, slow growth and devaluation of the CNY. Indonesia has the third highest hotel pipeline in APAC (after China and India), with more hotels in development than Thailand. Despite a recent decline in visitation from Australia (largely blamed on the execution of two Australian nationals in April 2015 in Bali for alleged drug related issues), visitors from other countries appear to be increasing, with impressive annual growth of over 15% expected in 2015 to the Emerald of the Equator.

Japan

China's recent devaluations have to some degree undermined Prime Minister Shinzo Abe's goal of keeping the value of the JPY low in an effort to boost Japan's economy. That said, although currency fluctuations to the USD have been minimal (see graph left), the ADR in USD fell by more than 5% (compared to an over 10% increase in local currency terms). The fall in ADR in USD may be underpinning the growth in international arrivals as the Land of the Rising Sun becomes more affordable. Longer term, the ADR prospects for Japan should be secure as the pipeline is very limited (land is very expensive and it is the sixth most expensive country in which to develop hotels, after the city states of HK, Macau and Singapore; and Australia and NZ).

Closing Remarks

Despite the recent losses in currency values in the APAC region, recent conversations with local hotel operators indicate that large numbers of Asian travellers are now choosing to travel to Europe instead of staying in Asia. This is because the euro has also been losing value (-8% against the USD) and the feeling is that currently Europe is as cheap as it will likely ever be.



**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: winston.hauw@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