ASIA PACIFIC HOTELS MONITOR

NOVEMBER 2019

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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 construction, property and management consultant, providing advice focused on the cost, quality and sustainability of the built environment. Worldwide the firm has over 3,600 staff operating from more than 120 offices. Its international reach ensures that it provides services in line with the latest innovations and examples of best practice, supporting expertise across all sectors of the built environment. Achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.

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STR provides clients with access to hotel research with regular and custom reports covering over 60,000 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

According to the IMF, despite global economic uncertainties (who is going to call the timing for the impending recession, certainly not me) and slowing regional growth (for example, China recorded GDP growth of 6% in Q3 2019, the slowest rate of growth in 30 years), Asia remains the fastest growing region in the world and in 2019 could account for more than two-thirds of global GDP growth.

Perhaps the economic uncertainties of the region are beginning to influence local hotel markets. Certainly there are more cities in negative RevPAR territory than in recent years. Notable fallers include: Hong Kong SAR (most likely due to the umbrella-filled streets deterring visitors) and the island paradise of Phuket (-10.8%, reportedly due to a sluggish world economy and political uncertainty in Thailand).

In what is still a relatively buoyant region in terms of construction activity, construction cost inflation is expected to continue to grow in most markets (aside from Hong Kong, where tender prices are in decline).

A rich variety of transactions were concluded in the last 12 months, including some big corporate deals, mixed use schemes, portfolios, resorts and deals out of administration. Australia was the most dynamic country, with Singapore shown to be singing from a similar hymn sheet.

> Asia remains the fastest growing region in the world and in 2019 could account for more than two-thirds of global GDP growth.

For the final page feature, STR is sharing some valuable opinions on future trends within the key cities in China, thereby highlighting growing regional differences, and varying future supply and demand trends.

Philip Camble
Director, Whitebridge Hospitality
Editor, Asia Pacific Hotels Monitor

Performance Trends

Oct 2018 - Sep 2019		2019		
City	ADR	Occ	RevPAR	ADR
	LC	%	LC	LC
Bangkok	3,424	78.1	2,674	3,386
Beijing	626	75.7	474	609
Delhi-NCR	6,501	71.8	4,670	6,264
Ho Chi Minh City	2,724,346	69.7	1,899,323	2,562,166
Hong Kong SAR	1,427	83.8	1,196	1,460
Incheon & Seoul	158,316	71.2	112,733	163,478
Jakarta	999,629	61.3	612,387	1,002,957
Kuala Lumpur	330	67.0	221	346
Maldives	8,278	67.5	5,584	8,232
Metro Manila	5,181	68.7	3,557	5,038
Mumbai	8,330	76.9	6,402	8,038
Phuket	3,885	70.3	2,733	4,096
Shanghai	641	71.3	457	647
Singapore	269	84.6	227	269
Sydney	223	83.0	185	228
Taipei	5,525	68.2	3,766	5,450
Tokyo	19,558	86.8	16,972	18,850
Wellington Area	189	77.9	147	181

Source: STR LC = Local Currency

- Numerous markets in the region declined on a rolling 12-month average basis between October 2018 and September 2019. Hong Kong SAR's RevPAR declined by -7.5%, which was mostly driven by the drop in Occupancy due to recent protests. Phuket and Kuala Lumpur have both recorded steep RevPAR declines at -10.8% and -7.7%, respectively, as a result of decreases in both ADR and Occupancy.
- On the positive side of growth, several key markets in the region (such as Delhi NCR, Mumbai and Metro Manila) reached RevPAR growth above +4%, primarily driven by an increase in ADR. Mumbai is also doing well, with a +4.3% increase in ADR, which is driven by a +3.6% increase in ADR.

2018		Growth					
Occ	RevPAR	ADR		Occ		RevPAR	
%	LC	Abs (LC)	%	Abs %	%	Abs (LC)	%
79.4	2,690	38	1.1	-1.3	-1.7	-15	-0.6
76.4	465	17	2.9	-0.7	-0.9	9	1.9
69.6	4,357	236	3.8	2.3	3.3	313	7.2
73.6	1,884,789	162,181	6.3	-3.8	-5.2	14,534	0.8
88.5	1,292	-33	-2.2	-4.7	-5.3	-96	-7.5
66.6	108,956	-5,162	-3.2	4.6	6.8	3,777	3.5
63.1	632,395	-3,328	-0.3	-1.8	-2.8	-20,008	-3.2
69.2	239	-16	-4.7	-2.1	-3.1	-18	-7.7
67.7	5,574	46	0.6	-0.2	-0.4	11	0.2
67.7	3,411	143	2.8	0.9	1.4	145	4.3
76.4	6,139	292	3.6	0.5	0.6	263	4.3
74.8	3,062	-211	-5.2	-4.4	-5.9	-330	-10.8
73.0	472	-6	-0.9	-1.7	-2.3	-15	-3.2
82.8	223	-0	-0.2	1.8	2.1	4	2.0
84.2	192	-5	-2.3	-1.2	-1.5	-7	-3.7
67.6	3,682	75	1.4	0.6	0.9	84	2.3
88.1	16,599	708	3.8	-1.3	-1.5	373	2.2
78.3	141	8	4.5	-0.4	-0.5	6	3.9

- The region boasts a strong active pipeline, with over 840,206 rooms in the planning, final planning, or construction stages. From the markets compared above, Shanghai, Bangkok, Tokyo and Jakarta have the largest pipelines, with each market having over 10,000 rooms in pipeline.

Hotel Construction Costs

Country	Currency	Budget hotels
		LC per sqm
Australia	AUD	2,700 - 3,600
China	CNY	9,800 - 12,700
Hong Kong	HKD	23,700 - 27,700
India	INR	55,000 - 70,000
Indonesia	IDR*	8,200 - 12,400
Japan	JPY	319,300 - 406,900
Macau	MOP	19,900 - 23,900
Malaysia	MYR	2,100 - 3,100
New Zealand	NZD	2,800 - 3,800
Philippines	PHP	40,700 - 44,700
Singapore	SGD	2,500 - 3,400
South Korea	KRW*	1,700 - 2,300
Thailand	THB	40,200 - 46,400
Vietnam	VND*	NA - NA

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

- South Asia is seeing an increase in hotel construction activity in 60% of cities reported, North Asia in only 12% and Oceania 80%.
- New Zealand construction activity eased through the summer, but expected to pick up through the second half of 2019.
- Australia is seeing significant investment in infrastructure, but with building work expected to fall.
- Hong Kong tender prices are declining.
- Southeast Asia cities have been recording low levels of cost growth over the past few years and we are anticipating a gradual increase in escalation rates.
- Ho Chi Minh City and Jakarta are forecasting the highest rates of tender price inflation growth across the region.
- Singapore construction output is growing, but exposed to any risk of a global slowdown.

Mid market – low	Mid market – high	Luxury
LC per sqm	LC per sqm	LC per sqm
2,800 - 4,100	3,300 - 4,800	3,700 - 6,600
11,000 - 14,100	13,200 - 17,000	14,600 - 19,200
28,400 - 33,100	31,600 - 37,400	34,500 - 42,100
63,000 - 74,000	77,000 - 93,000	86,000 - 115,000
11,800 - 13,900	3,900 - 17,500	15,500 - 20,600
372,900 - 489,300	450,100 - 607,700	522,200 - 741,600
24,300 - 27,900	27,900 - 33,200	30,400 - 37,200
2,500 - 3,600	4,100 - 6,100	5,100 - 7,100
3,700 - 4,500	4,400 - 5,400	5,300 - 6,900
43,900 - 49,600	48,400 - 55,700	58,900 - 66,000
3,300 - 3,700	3,800 - 4,600	4,300 - 5,600
2,000 - 2,700	3,100 - 4,500	3,600 - 5,300
44,300 - 50,500	52,500 - 56,700	56,700 - 62,000
26,300 - 33,300	30,900 - 46,400	36,700 - 44,000

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		
	23x AccorInvest hotels	Australia
	4x Accor hotels	Australia
	3x Tasmanian hotels	Australia
	21x Keys hotels[1]	India
	18x Fortress hotels	Japan
	Four Points / Breakfree	New Zealand
	4x Russel/Lockwood hotels	New Zealand
	Mercure / Novotel Stevens	Singapore
	6x Red Planet Hotels	Thailand
Single Asset Transactions		
Australia	LinQ Southbank	Melbourne
	Hilton Surfers Paradise	Queensland
	Four Points by Sheraton Sydney	Sydney
	Seasons Harbour Plaza	Sydney
China	Largos Residences	Hong Kong
	Citadines Mercer	Hong Kong
	Pan Pacific Suzhou Hotel	Suzhou
Japan	Hilton Odawara Resort	Odawara
	Hotel Oriental Express Shinsaibashi	Osaka
	Hilton Odaiba	Tokyo
New Zealand	Waldorf Stadium Apartment Hotel	Aukland
	Novotel New Plymouth	New Plymouth
Singapore	Ascott Raffles Place	CBD
	Oakwood Premier OUE	Marina bay
	Marina Mandarin[2]	Marina Square
	Ibis Novena	Novena
South Korea	Hotel Aropa	Seoul
	Ibis Ambassador	Seoul
Other	Fortune Select Metropolitan Jaipur	Jaipur, India
	Royale Chulan Bukit Bintang Hotel	Kuala Lumpur, Malaysia
	Finolhu Maldives	Baa Atoll, Maldives
	Four Points by Sheraton Bangkok	Bangkok, Thailand
	InterContinental Hanoi West Lake Hotel	Hanoi, Vietnam

Source: Whitebridge Hospitality

* out of administration

- Mixed use deals: Aloft Perth (AUD100m, Aus); Hotham Alpine Resort (AUD120m, Aus); Westin Perth (AUD201m, Aus); Next Brisbane (AUD150m, Aus); Hotel White Bear Osaka (JPY55bn, Jap); W Hotel Sentosa (SGD393m, Sin).
- Corporate deals: Green Tree acquired majority stake in Argyle Hotels (Aus); Oyo acquired Qianyu (Chi); Accor acquired stake in Treebo Hotels (USD50m, Ind); Memories acquired minority stake in Strand Hotel International (SGD3.2m, Mya).

No. of Keys	Total Price	Price per Key
	USD	USD
3,046	210,000,000	68,000
831	240,000,000	287,000
132	24,300,000	184,000
1,911	67,600,000	35,000
3,150	760,000,000	241,000
664	230,000,000	345,000
928	201,000,000	217,000
772	715,000,000	925,000
975	60,000,000	62,000
162	31,000,000	190,000
389	21,000,000	130,000
297	111,000,000	373,000
119	54,000,000	455,000
44	75,000,000	1,701,000
55	101,000,000	1,839,000
480	58,000,000	120,000
163	120,000,000	732,000
124	26,000,000	207,000
453	555,000,000	1,226,000
178	37,000,000	210,000
85	16,000,000	187,000
146	267,000,000	1,826,000
268	210,000,000	782,000
575	501,000,000	871,000
241	126,000,000	522,000
127	31,000,000	247,000
363	70,000,000	192,000
90	5,300,000	59,000
400	49,000,000	123,000
125	90,000,000	723,000
268	73,000,000	271,000
293	56,000,000	191,000

[1] includes managed properties
[2] includes part of Marina Square

- Out of admin deals: Brookfield acquired Hotel Leelaventure (INR39.5bn, Ind); Blackstone acquired Golden Jubilee Hotels (Ind).
- Other notables: Blackstone acquired Conrad Rangali Island (Mal); Marriott acquired 6x Chalet Hotels (Ind); HPL acquired Weligama Bay Marriott (SLa).

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.

WHICH FACTORS ARE DRIVING TOURISM IN CHINA?

Introduction

STR reports on over 170 markets in China, with the market forecast available in Beijing, Chengdu, Guangzhou, Hangzhou and Shanghai.

Overview

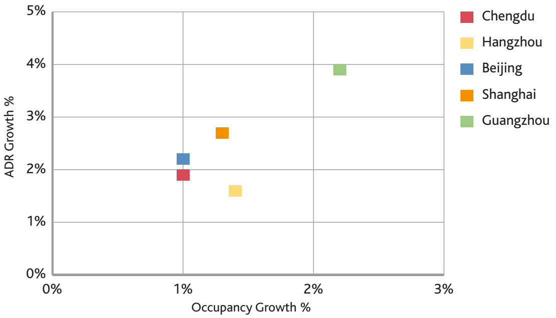
We with GDP having grown at a staggering average rate of +9.3% per annum over the past 25 years, China has become an economic powerhouse and the world's largest economy (source: Tourism Economics).

China's current GDP growth remains strong, relative to the global economic environment, but the strain of its trade war with the US and a global economic slowdown have created a downward trends of late. This has caused uncertainty that has affected the number of Chinese travellers heading abroad and disrupted global markets. But what impact is it having on markets in China?

Key Takeaways

The graph below plots ADR and occupancy growth in key cities in China.

Chinese Markets ADR Growth %, Occupancy Growth %, 2020



Source: STR

Despite a challenging macro-economic landscape, China's key markets remain resilient. ADR continues to drive RevPAR increases and demand growth continues to outpace supply. The decline of Chinese international arrivals into other countries is driving demand in China's key markets. However, there is concern that these markets may feel the pinch if the trade war continues to decelerate China's economy.

An Indepth Look at Key Markets

Beijing - STR expects growth to continue with +3.1% RevPAR increase projected for 2020, underpinned by +2.2% jump in ADR. Demand growth of +2.3% is significant, outpacing supply's 2020 projection of +1.3% (supported by newly open Beijing Daxing International Airport, to be the world's busiest). Further ahead, city will host Winter Olympic Games in 2022.

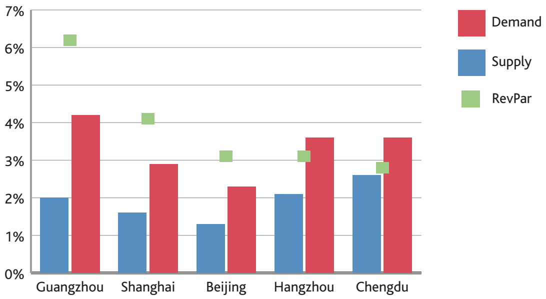
Chengdu - experienced challenging start to the year, but its fortunes are expected to change in 2020, as RevPAR is forecast to grow +2.8%, driven by +1.9% ADR increase. City benefits from being part of China's high-speed train system which boosts MICE demand. It has largest pipeline in China for 2020.

Guangzhou - an industrial centre expected to produce strong RevPAR growth in 2020 (+6.2%), as both occupancy and ADR increase. This follows strong showing in first nine months of 2019 (RevPAR up +3.8%) and largest anticipated demand growth of all markets in 2020 (+4.2%).

Hangzhou - home to Ali Baba's HQ, known for its proximity to the Grand Canal of China (longest in world) and its mix of leisure and business. Since 2010, demand has increased at CAGR of +7% per annum. Growth to continue through 2020 thanks to slower supply growth, with healthy increases in occupancy and ADR expected to drive RevPAR +3.1%.

The graph below plots growth in supply, demand and RevPAR in key cities.

Chinese Markets Growth In Supply %, Demand %, RevPAR % in Renminbi 2020



Source: STR

Shanghai - following three years of occupancy declines caused by impact of new supply, 2020 is likely to be city's year of recovery. RevPAR growth expected to return, +4.1% in 2020, driven by +2.7% growth in ADR (this follows two consecutive years of RevPAR declines in last two years). Likely to be a city that will pick up displaced demand lost from Hong Kong following continued protests in the territory, owing to its similarities as a financial centre.

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