

ASIA PACIFIC HOTELS MONITOR

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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.



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.



HotStats provides a unique monthly profit and loss data benchmarking service to hoteliers from across the globe that enables monthly comparison of hotels' performance against competitors. It is distinguished by the fact that it maintains in excess of 500 key performance metrics covering revenue, cost, profit and other statistics, providing far deeper insight into the hotel operation than any other tool. The HotStats database totals millions of hotel rooms worldwide.

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Introduction

Recent IMF projections have indicated that GDP could grow more slowly in 2021 than anticipated in April this year because of new C19 outbreaks in various locations around the region. Although APAC remains the fastest growing region in the world, there is increasing diversion within between advanced and emerging market economies, reflecting differing vaccination rates and levels of policy support.

More positively, the APAC region is beginning to show that there is a way out of the pandemic, with signs of recovery evident in several hotel markets and particularly strong performance growth levels in China and the Maldives.

Development costs continue to fluctuate depending on the country as regional differences are accentuated by rising C19 cases in some countries, lower hotel construction activity in others and a disrupted supply chain across the region.

The transaction space was relatively busy, particularly given the context of C19 and everything that follows in light of such uncertainty. In particular, the region witnessed quite a few corporate-style deals, with companies acquiring companies and selling stakes in others. Quite a few single asset deals were particularly noteworthy, with a number of assets selling at around about USD1m per key.

Increasing divergence between advanced and emerging market economies, reflecting differing vaccination rates and levels of policy support.

In our final page feature, our friends at HotStats review the uneven recoveries across the region in a little more detail.

Philip Camble

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Performance Trends

| City | 2021 | | | | 2020 | | | | Growth | | | |
|---------------------|--------|------|--------|--------|--------|------|--------|--------|--------|-------|--------|--------|
| | ADR | Occ | RevPAR | GOPPAR | ADR | Occ | RevPAR | GOPPAR | ADR | Occ | RevPAR | GOPPAR |
| | LC | % | LC | LC | LC | % | LC | LC | % | % | % | % |
| Bangkok | 2,415 | 17.7 | 427 | -391 | 4,116 | 37.0 | 1,522 | 467 | -41.3 | -52.2 | -72.0 | -183.8 |
| Beijing | 839 | 54.4 | 457 | 200 | 875 | 42.8 | 374 | 119 | -4.1 | 27.3 | 22.0 | 67.3 |
| Delhi - NCR | 3,904 | 47.4 | 1,850 | 791 | 7,033 | 44.1 | 3,098 | 1,882 | -44.5 | 7.6 | -40.3 | -58.0 |
| Ho Chi Minh & Hanoi | 2,262 | 20.0 | 453 | 128 | 3,761 | 37.5 | 1,410 | 982 | -39.9 | -46.6 | -67.9 | -86.9 |
| Hong Kong SAR | 1,074 | 40.3 | 433 | 58 | 1,438 | 32.1 | 462 | 76 | -25.3 | 25.4 | -6.3 | -23.7 |
| Incheon & Seoul | 1,761 | 43.7 | 769 | 38 | 1,893 | 44.7 | 847 | 145 | -7.0 | -2.3 | -9.1 | -73.7 |
| Jakarta | 936 | 43.1 | 403 | 77 | 1,373 | 35.4 | 486 | 153 | -31.9 | 21.6 | -17.2 | -49.8 |
| Kuala Lumpur | 309 | 15.5 | 48 | -52 | 396 | 39.8 | 158 | 22 | -22.1 | -61.0 | -69.6 | -333.5 |
| Maldives | 870 | 43.3 | 377 | 254 | 929 | 30.8 | 286 | 95 | -6.4 | 40.6 | 31.7 | 167.5 |
| Mumbai | 4,454 | 52.5 | 2,337 | 692 | 9,113 | 50.3 | 4,580 | 2,997 | -51.1 | 4.4 | -49.0 | -76.9 |
| Phuket | 2,118 | 12.8 | 271 | -527 | 4,562 | 35.9 | 1,636 | 488 | -53.6 | -64.4 | -83.5 | -208.0 |
| Shanghai | 763 | 60.9 | 465 | 240 | 813 | 49.3 | 401 | 182 | -6.1 | 23.5 | 16.0 | 32.4 |
| Singapore | 124 | 64.7 | 80 | 34 | 208 | 69.3 | 144 | 79 | -40.6 | -6.6 | -44.5 | -57.3 |
| Sydney | 186 | 35.5 | 66 | 32 | 247 | 55.4 | 137 | 69 | -24.6 | -36.0 | -51.7 | -53.0 |
| Taipei | 4,255 | 29.2 | 1,240 | 147 | 5,994 | 37.9 | 2,274 | 1,070 | -29.0 | -23.2 | -45.5 | -86.2 |
| Tokyo | 39,555 | 28.8 | 11,412 | 36 | 43,730 | 43.4 | 18,998 | 8,191 | -9.5 | -33.6 | -39.9 | -99.6 |

Source: HotStats

LC = Local Currency

- A year back, when looking at the data, all but three destinations were running a negative GOPPAR growth YOY, with Shanghai, Beijing and the Maldives running in the green. Now, the picture has completely flipped with all but three running with positive GOPPAR, with only Bangkok, Phuket and Kuala Lumpur in the red.
- Bangkok had a rough past 12 months, a roller-coaster ride of restrictions and protests. And it shows: ADR was down -41% YOY, while GOPPAR was down -184%. Phuket was suffering even more, with a -208% drop in GOPPAR even though its Sandbox scheme has been running since July 1. Now, however, the eyes of the world are on Thailand with its planned 1 Nov 2021 opening date.
- Shanghai was just 80 yuan below Beijing in ADR, that gap widened from 60 yuan in the same period last year. It, however, was ahead of its compatriot mega city in RevPAR. Only looking at the top line one would think that Shanghai reigns supreme. However, the reality is that Beijing has managed to grow its GOPPAR by +67% YOY, while Shanghai has only grown by +32%.
- India's decline seems to have hit Mumbai harder than New Delhi and our understanding is that Delhi, being the capital, managed to hold on to its share of government related travel, diplomatic core and similar. While Mumbai, which relies heavily on business, still has a way to go before it can recover its previously sizeable lead over Delhi.
- Thailand unfortunately runs counter to success in the Maldives. The latter's heady YOY growth dwarfs other destinations and at +167% YOY GOPPAR growth, it shows how much pent-up demand was out there for this idyllic destination.

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 | 2,600 - 3,950 | 2,600 - 5,300 | 3,100 - 6,000 | 3,600 - 6,600 |
| China | CNY | 9,300 - 11,650 | 9,300 - 14,000 | 11,000 - 17,250 | 12,250 - 19,500 |
| Hong Kong | HKD | 28,250 - 30,500 | 28,250 - 32,750 | 32,000 - 37,750 | 34,000 - 41,750 |
| India | INR | 50,000 - 65,000 | 60,000 - 68,000 | 70,000 - 85,000 | 80,000 - 110,000 |
| Indonesia | IDR* | 13,500 - 16,250 | 13,500 - 19,000 | 17,625 - 20,400 | 18,000 - 24,000 |
| Japan | JPY | 320,000 - 408,000 | 370,000 - 492,000 | 450,000 - 610,000 | 520,000 - 745,000 |
| Macau | MOP | 24,000 - 25,875 | 24,000 - 27,750 | 27,000 - 32,500 | 30,000 - 36,750 |
| Malaysia | MYR | 2,500 - 3,000 | 2,500 - 3,500 | 3,500 - 4,500 | 5,000 - 7,000 |
| New Zealand | NZD | 4,300 - 5,150 | 4,300 - 6,000 | 4,850 - 7,000 | 5,300 - 7,500 |
| Philippines | PHP | 55,700 - 62,950 | 55,700 - 70,200 | 66,400 - 84,300 | 86,000 - 101,200 |
| Singapore | SGD | 3,200 - 3,430 | 3,200 - 3,650 | 3,500 - 4,100 | 4,200 - 4,850 |
| South Korea | KRW* | 1,900 - 2,280 | 1,900 - 2,650 | 3,000 - 4,425 | 3,500 - 5,200 |
| Thailand | THB | 41,000 - 47,000 | 45,000 - 53,000 | 53,000 - 57,000 | 56,000 - 65,000 |
| Vietnam | VND* | 25,180 - 28,900 | 25,180 - 32,600 | 32,250 - 38,230 | 35,850 - 43,000 |

Source: Rider Levett Bucknall

* '000s

LC = Local Currency

- Many countries have started to see post-covid economic surges, affecting general GDP trajectories.
- In the medium term the decline of international travel and tourism along with slower vaccine roll outs are likely to affect hotel construction activity particularly in emerging market economies.
- Across the region Hotel Construction activity is lagging behind many other sectors, with 75% of cities reporting declining activity. Australia appears to be bucking the trend with growing activity.
- Resurgences of the COVID pandemic are affecting the sector in some locations.
- The impact of global supply chain disruption is being felt in many regions. Both on input costs and availability.
- Whilst the hotel sector may be seeing declining activity, construction pricing is generally now been driven by more buoyant sectors and also the increase in input costs.
- Tender Price Inflation is showing fastest growth in Singapore, Kula Lumpa and Shanghai, with regional differences being quite noticeable in many countries across the APAC region.

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 |
| | 11x Travelodge hotels | Australia | 2,032 | 450,100,000 | 222,000 |
| | 17x Accor hotels | Australia | 1,797 | 135,600,000 | 75,000 |
| | 8x Kintetsu hotels | Japan | 2,294 | 539,300,000 | 235,000 |
| | Four Seasons & Capella ¹ | Bangkok, Thailand | 400 | 171,800,000 | 429,000 |
| Single Asset Transactions | | | | | |
| Australia | Beachcomber Hotel | Toukley | 79 | 15,000,000 | 190,000 |
| | Capitol Square Hotel | Sydney | 94 | 19,400,000 | 206,000 |
| | Four Points by Sheraton Central Park | Sydney | 297 | 111,300,000 | 375,000 |
| | Hotel Grand Chancellor | Palm Cove | 140 | 7,860,000 | 56,000 |
| | InterContinental Double Bay | Sydney | 140 | 134,600,000 | 961,000 |
| | Lasseters Hotel Casino | Alice Springs | 205 | 79,400,000 | 387,000 |
| | Long Island Resort | Whitsunday Islands | 172 | 15,100,000 | 88,000 |
| | Novotel Brisbane | Brisbane | 296 | 92,300,000 | 312,000 |
| | Oakwood Brisbane | Brisbane | 162 | 36,200,000 | 223,000 |
| | Primus Sydney | Sydney | 172 | 101,000,000 | 587,000 |
| | Radisson Darling Harbour | Sydney | 100 | 28,800,000 | 288,000 |
| | Sands Golf Resort | Torquay | 112 | 9,700,000 | 86,000 |
| China | Butterfly on Prat | Hong Kong | 158 | 124,400,000 | 788,000 |
| | Kai Tak Hotel | Hong Kong | 99 | 49,500,000 | 500,000 |
| | Somerset Xu Hui | Shanghai | 168 | 163,800,000 | 975,000 |
| Malaysia | Copthorne Orchid Hotel & Resort | Penang | 318 | 19,000,000 | 60,000 |
| | Royale Chulan Bukit Bintang Hotel | Kuala Lumpur | 400 | 43,700,000 | 109,000 |
| South Korea | Mercure Ambassador Hongdae | Seoul | 270 | 216,600,000 | 802,000 |
| | Millennium Hilton Seoul | Seoul | 700 | 866,000,000 | 1,237,000 |
| | Sheraton Seoul Palace Gangnam | Seoul | 341 | 308,100,000 | 903,000 |
| Other | Grand Hyatt Fukuoka | Fukuoka, Japan | 372 | 67,100,000 | 180,000 |
| | Cheval Blanc Randheli Resort ² | Noonu Atoll, Maldives | 45 | 209,000,000 | 4,645,000 |
| | Sofitel Queenstown | Queenstown, New Zealand | 82 | 43,200,000 | 527,000 |

Source: Whitebridge Hospitality

¹ for a 51% stake

² including Etihad International Hospitality

- Terrific Thailand: Collective Hospitality acquired Bodega Hotels; Fusion Hotels acquired GLOW Hotels; KSL acquired 3x Manathai Resorts.
- Cagey NZ (busy, but prices not disclosed): Discovery Lodge (Queenstown); Dunedin Leisure Lodge (S. Island); Grand Mercure Monaco (Nelson); Heritage Hammer Springs (N. Canterbury); Huka Lodge (Taupo).
- Other corporate deals: The Ascott acquired remaining 20% of Quest Aparthotels (Aus); Accor sold 1.5% stake in Huazhu (USD280m, Chi); LOLC Holdings acquired 55.6% stake in Serendib Hotel PLC (USD11m, SriL).
- Other interesting deals: NRMA acquired 2x RACT hotels (Aus); Gallant Venture acquired 66.3% stake in Singapore-Bintan Resort Holdings (Indo); HTL acquired Kunahura Villas Hotel (Mald).

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.

C19 PRESSURES MAKE FOR UNEVEN RECOVERY

Introduction

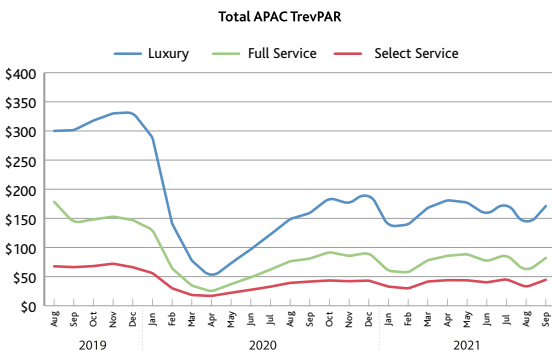
Many hotels throughout Bangkok looked more like triage units than sanctuaries of respite due to the C19 pandemic. Hospitals became so strapped that many of the well-heeled infirmed, looking for more sybaritic surroundings, went to "hospitels", a phenomenon that was ubiquitous in the Thai capital. If no normal demand, why not the sick?

That's how far many hotels in the region have had to come. One minute concocting a Shanghai Slings cocktail; the next concocting a medicinal cocktail and hooking up an IV drip. It's a level of service most hotels never imagined having to dish out.

Location Mattered

But with no business-leisure or otherwise-hotels turned to any-and-all income alternatives and streams-a live-action game of Darwinism. For other hotels and resorts within the Asia-Pacific region, revenue reliance was primarily confined to long-stay business and staycations, as cross-border travel was basically nonexistent.

For hotels and resorts located along coastline, 2020 and into 2021 wasn't a death knell; in fact, some of these fortunate markets have performed better than their pre-pandemic self-a product of pent-up leisure demand and families or otherwise "holing" up for both work and relaxation. For other assets, those unfortunate to be constituted in city-center locations and catering to group, corporate or conference business, the last 18 months have been a fight for survival.

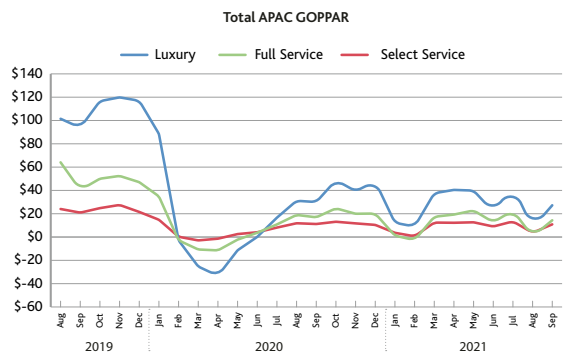


Source: HotStats

Meanwhile, the Phuket Sandbox, which launched on July 1, 2021, was an important step on the road to recovery and a measure that many other destinations in the Asia-Pacific region could mimic. The program effectively turned Thailand's largest island into a quarantine zone for overseas tourists who were fully vaccinated and had negative test results. Yet, it didn't have the impact some thought it would. According to data released by the Tourism Authority of Thailand, since the launch of the Sandbox, Phuket has seen just over 28,000 international arrivals.

Catching Up

From an asset perspective, Asia-Pacific has ground to make to match or exceed pre-pandemic levels. For each class of asset, there remain large profit deltas between August 2021 and August 2019. For luxury hotels, GOPPAR was off 92% YOY, full-service hotels down 99% and select-service hotels down 84%.



Source: HotStats

Performance, we know, is not one size fits all. Before a return to lockdown in August, China's hotels were on a hot streak. In July, Shanghai full-service hotels recorded occupancy of 76% to go along with GOPPAR of \$41.37, an amount that bested its July 2019 level. Meanwhile, select-service hotels in Singapore were one of the only asset classes regionally, or globally for that matter, to not record one negative month of GOPPAR from the start of the pandemic up to now. In fact, Singapore select-service hotels were back to pre-pandemic occupancy less than five months into the pandemic, though much of that attributed to many hotels in the city-state being used as government quarantine facilities or stay-home notice dedicated facilities.

COVID-19 has had a yo-yo impact on Asia-Pacific's hotels. One minute a country opens and the next it puts the padlock on as cases spike. Until there is less fluidity, count on hotel performance in the region to be unsettled.



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