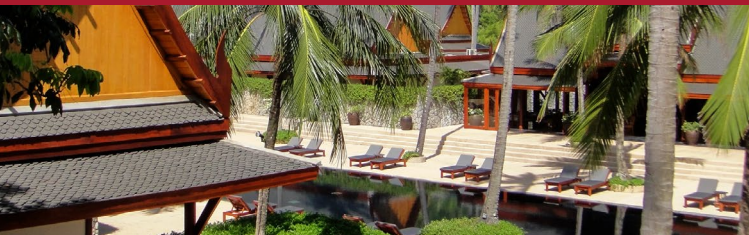


# ASIA PACIFIC HOTELS MONITOR

NOVEMBER 2018

ISSUE 5





**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.



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Rider Levett Bucknall is an independent construction, property and management consultancy, 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.



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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# ASIA PACIFIC HOTELS MONITOR

## NOVEMBER 2018

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### Introduction

The region is waiting and watching as tensions rise between the giant Kaiju of the Pacific Rim, namely China and the USA, over economic principles and regional control. A situation perhaps further complicated by China's uncertain economic outlook. After many years of debt fuelled economic stimuli (estimated at around 12.5% of GDP during the GFC), debt today stands at 300% of GDP. Whilst such levels of debt are large for a normal country, China is somewhat unique. Its large asset reserves, sheer scale and central control structure mean that China will continue to drive growth in the region, including tourism numbers.

China's growing wealth and middle class are reflected in the data, whereby only one city witnessed any significant decline in RevPAR (Seoul, -6.9%) and most cities grew (with the best performer being Hong Kong, +10.3%).

Within the construction sector, many countries are continuing to develop new hotels and have strong pipelines. China, however, has experienced massive growth in supply and the data would indicate that this trend may be topping out, with the scale of new development falling back.

The number of hotel transactions and corporate deals in APAC has been very strong, with Brisbane shining as a beacon of activity (with more than five deals in the last 12 months). In addition to investments across Europe and North America, active Accor has been gobbling up in APAC too, with an investment in Mantra Group.

**The region is waiting and watching as tensions rise between the giant Kaiju of the Pacific Rim.**

For the final page feature, we have invited Benjamin West to provide some much needed guidance on FF&E and OS&E costs around the globe, whereby costs in North America are generally low and are highest in the Middle East.

### Philip Camble

*Director, Whitebridge Hospitality*

*Editor, Asia Pacific Hotels Monitor*

## Performance Trends

City	October-September		2018	
	ADR	Occ	RevPAR	ADR
	LC	%	LC	LC
Bangkok	3,416	79.5	2,715	3,281
Beijing	611	76.5	468	570
Delhi-NCR	6,272	69.5	4,356	6,061
Ho Chi Minh City	2,590,438	75.0	1,942,810	2,451,502
Hong Kong SAR	1,473	89.0	1,311	1,350
Jakarta	1,047,948	62.8	658,500	1,036,697
Kuala Lumpur	351	69.4	244	355
Maldives	9,544	65.9	6,286	9,353
Manila	5,152	68.5	3,531	5,005
Mumbai	8,060	76.3	6,146	7,886
Phuket	4,071	75.2	3,061	3,831
Seoul	164,194	67.1	110,183	169,218
Shanghai	652	73.4	479	627
Singapore	271	82.8	224	270
Sydney	228	84.3	192	226
Taipei	5,452	67.5	3,682	5,710
Tokyo	18,673	87.8	16,394	18,167
Wellington Area	181	78.3	141	183

Source: STR

LC = Local Currency

- Numerous markets in the APAC region achieved positive growth rates on a rolling 12-month average basis between October 2017 and September 2018. Hong Kong SAR achieved the highest RevPAR growth, +10.3%, and occupancy has been the driving key performance indicator. As a result, occupancy increased to 89%. Beijing, Jakarta, Delhi-NCR, Ho Chi Minh City and Phuket achieved RevPAR growth of 5% or more, where both occupancy and ADR have recorded growth.
- 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 and Shanghai, where occupancy made the most significant contribution.

2017		Growth					
Occ	RevPAR	ADR		Occ		RevPAR	
%	LC	Abs (LC)	%	Abs %	%	Abs (LC)	%
77.6	2,545	135	4.1	1.9	2.4	170	6.7
74.9	426	42	7.4	1.7	2.2	42	9.8
66.5	4,029	211	3.5	3.0	4.5	327	8.1
74.0	1,813,368	138,936	5.7	1.0	1.4	129,442	7.1
88.1	1,189	124	9.2	0.9	1.0	122	10.3
58.2	603,536	11,251	1.1	4.6	7.9	54,965	9.1
69.9	248	-3	-1.0	-0.6	-0.8	-4	-1.8
64.2	6,002	191	2.0	1.7	2.6	285	4.7
67.4	3,372	148	2.9	1.2	1.7	159	4.7
74.9	5,904	174	2.2	1.4	1.9	242	4.1
75.1	2,879	239	6.2	0.1	0.1	182	6.3
70.0	118,381	-5,023	-3.0	-2.9	-4.1	-8,198	-6.9
75.4	473	25	3.9	-2.0	-2.6	6	1.2
80.9	219	0	0.1	1.8	2.3	5	2.4
85.4	193	2	0.9	-1.1	-1.3	-1	-0.5
64.7	3,693	-258	-4.5	2.9	4.4	-10	-0.3
86.2	15,653	506	2.8	1.6	1.9	741	4.7
76.9	141	-2	-1.1	1.3	1.8	1	0.6

- Pipeline in APAC remains very active with over 620,000 rooms in the planning, final planning, or construction stage. From the markets compared above, Tokyo, Shanghai, Jakarta, Bangkok and Sydney are the most active, with each market having over 9,000 rooms in pipeline.

## Hotel Construction Costs

Country	Currency	Budget hotels
		LC per sqm
Australia	AUD	2,600 - 3,450
China	CNY	9,600 - 12,350
Hong Kong	HKD	24,200 - 28,300
India	INR	48,000 - 70,000
Indonesia	IDR*	8,500 - 10,000
Japan	JPY	310,000 - 395,000
Macau	MOP	20,300 - 24,350
Malaysia	MYR	1,850 - 2,600
New Zealand	NZD	2,700 - 3,700
Philippines	PHP	42,000 - 46,000
Singapore	SGD	2,400 - 2,700
South Korea	KRW*	1,590 - 2,220
Thailand	THB	39,000 - 45,000
Vietnam	VND*	NA

Source: Rider Levett Bucknall

\* '000s

LC = Local Currency

- Hotel development in Australia is particularly active, with a clear shift in product: smaller bedrooms and more “living space” in lobby and reception areas. The result is an increase in build costs per square metre. Activity is also impacting supply input costs.
- Across China most regions are seeing a decrease in hotel construction activity. Hong Kong and Macau are expecting construction deflation in 2018.
- South East Asia is seeing more construction activity in the hotel sector, with Indonesia, Vietnam and Singapore all on an upward trajectory.
- Construction output in South Korea grew by 1.4% year on year and wage inflation increased by 10.6% in Quarter 1, 2018.

Mid market – low	Mid market – high	Luxury
LC per sqm	LC per sqm	LC per sqm
2,700 - 3,950	3,200 - 4,600	3,600 - 6,400
10,750 - 13,750	12,850 - 16,600	14,250 - 18,750
29,000 - 33,750	32,250 - 38,200	35,250 - 43,000
55,000 - 74,000	77,000 - 93,000	86,000 - 115,000
11,500 - 13,500	13,500 - 15,000	15,000 - 20,000
362,000 - 475,000	437,000 - 590,000	507,000 - 720,000
24,750 - 28,500	28,450 - 33,900	31,000 - 38,000
2,500 - 3,500	3,500 - 4,500	5,000 - 7,000
3,600 - 4,400	4,300 - 5,200	5,100 - 6,700
45,000 - 51,000	55,000 - 85,000	84,600 - 99,500
3,250 - 3,650	3,550 - 4,400	4,250 - 5,500
1,875 - 2,600	2,945 - 4,270	3,425 - 5,100
43,000 - 49,000	51,000 - 55,000	55,000 - 70,000
25,000 - 32,300	32,000 - 37,900	35,600 - 42,700

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		
	2x Accor hotels	Beijing, China
	19x Banyan Tree hotels	China
	2x Denarau Island hotels	Fiji
	4x Red Planet hotels	Japan
	3x WBF hotels	Japan
	6x Outrigger resorts	Various APAC
Single Asset Transactions		
Australia	Emporium Hotel	Brisbane
	Hotel Urban	Brisbane
	Ibis/Mercure Brisbane	Brisbane
	Limes Hotel*	Brisbane
	Quest Springfield	Brisbane
	Novotel Twin Water Resort	Melbourne
	Pullman on the Park	Melbourne
	Sheraton Melbourne	Melbourne
	Padstow Park Hotel	Padstow
	Park Regis Sydney	Sydney
China	Butterfly on Waterfront Sheung Wan	Hong Kong
	Ovolo Sheung Wan	Hong Kong
	Rosedale	Hong Kong
	Landmark Macau	Macau
India	Jaipur Ashok Hotel	Jaipur
	Four Seasons Mumbai <sup>1</sup>	Mumbai
Singapore	Wanderlust Hotel	Little India
	Oasia Hotel Downtown	Outram
	Porcelain Hotel	Outram
	Wangz Hotel	Outram
South Korea	KY Heritage Hotel Dongdaemun	Seoul
	Benikea Hotel	Seoul
Thailand	Shama Lakeview Asoke	Bangkok
	Dusit Island Resort Chiang Rai	Chiang Rai
Other	Hilton Odaiba	Tokyo, Japan
	Hilton Kuala Lumpur	Kuala Lumpur, Malaysia

Source: Whitebridge Hospitality

\* out of administration

- Corporate deals: AccorHotels acquired Mantra Group (AUD1.18bn, Aus); Lemon Tree Hotels possible IPO (Ind); Tencent acquired Oyo Hotels (Ind); The Ascott acquired 70% in Tauzia Hotel Management (USD26m, Indo); IHG acquired 51% in Regent Hotels (USD39m, HK); Nippon Sangyo SK acquired Hotel Castle Inn Group (Jap); Central Group acquired 22.93% in Dusit Thani (THB21.4bn, Tha); Perennial RE acquired 50% in Capitol Singapore (SGD129.6m, Sin); Dusit Thani acquired LVM Holding (THB495bn, Sin).



No. of Keys	Total Price	Price per Key
	USD	USD
703	185,200,000	263,000
3,800	214,000,000	56,000
543	197,100,000	363,000
585	110,500,000	189,000
518	102,000,000	197,000
760	310,000,000	408,000
102	31,800,000	312,000
179	22,800,000	127,000
412	59,400,000	144,000
21	4,400,000	208,000
82	18,000,000	220,000
361	64,300,000	178,000
419	108,200,000	258,000
174	105,900,000	609,000
12	37,200,000	3,098,000
122	39,000,000	320,000
90	107,300,000	1,192,000
248	64,400,000	260,000
299	211,400,000	707,000
439	587,600,000	1,339,000
97	32,500,000	335,000
202	145,200,000	719,000
29	26,900,000	927,000
314	210,000,000	669,000
84	49,200,000	586,000
41	34,200,000	835,000
215	71,200,000	331,000
104	12,100,000	116,000
429	88,300,000	206,000
271	30,500,000	112,000
450	541,000,000	1,202,000
503	121,800,000	242,000

<sup>1</sup> for a 50% stake, part of mixed use scheme

- Other notable deals: Lodgis Hospitality acquired 2x Raffles hotels (Cam); Memories Group acquired 2x hotels & 3x islands (USD40m, Mya); Naumi Hospitality acquired 2x CQ Hotels (NZ); Banyan Tree acquired 45.78% in Laguna Resorts it did not already own (THB3.1bn, Tha).

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.

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## FF&E AND OS&E COSTS

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### Introduction

The subject of FF&E and OS&E costs often crops up and we have invited an expert to opine on the subject.

### Definitions

FF&E: if you took the roof off and turned a hotel upside down, it is everything that would fall out. For example, it would cover: beds, chairs, lamps, moveable wardrobes, rugs and bedside tables to name a few items. Exceptions to the rule include: wallcoverings, carpets and any designer lighting. For the purposes of the following, all FF&E cost estimates exclude the exceptions.

OS&E: is simply everything else you need to operate a hotel. Banqueting and buffet-ware, chinaware, glassware, silverware, light kitchen equipment all come under the OS&E umbrella, as indeed would umbrellas.

Cost Per Key: the whole cost of the hotel FF&E or OS&E divided by the number of guest rooms in that hotel for a complete new-build or full refurbishment.

### Limited Service Hotel

The following graph summarises the range of costs per key for a limited service hotel, such as an Ibis or Holiday Inn Express concept.

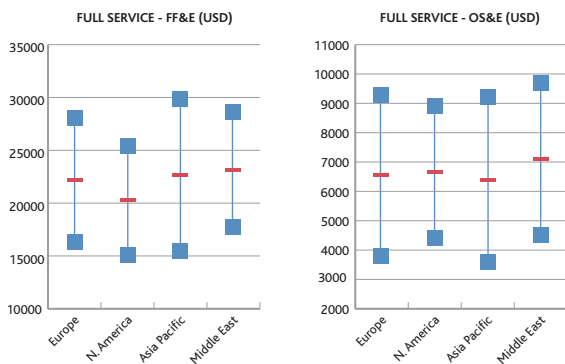


Source: Benjamin West

For FF&E, N. America would appear to be the cheapest location, whilst the most expensive is the Middle East. For OS&E, the Middle East remains the most expensive, whilst the cheapest is Asia Pacific.

## Full Service Hotel

The following graph summarises the range of costs per key for a full service hotel, such as a Novotel or Holiday Inn concept.



Source: Benjamin West

The cost profile for a full service hotel is similar to that of a limited service hotel, whereby Middle East is the most expensive region for both FF&E and OS&E and N. America tends to be one of the cheapest destinations in the world in which to equip a hotel.

## Limitations

Estimates shown allow for all parts of each hotel concept, such as: public areas, restaurants, spa, corridors and back-of-house.

Estimates include an allowance for inbound product logistics to locale, though not delivery to hotel or installation.

There are a number of factors currently affecting costs, such as ongoing adjustments to trade tariffs by the US Government on goods manufactured in or sourced through China (such tariffs may even extend to US suppliers using Chinese-sourced components).

Clients should be well advised where they are best placed to purchase from and should be aware that reduced quotation validity from uncertainty is becoming a critical factor in cost control.

Benjamin West is one of the world's leading hospitality procurement companies and can be reached at [info@benjaminwest.com](mailto:info@benjaminwest.com).



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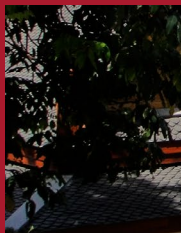
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