ASIA PACIFIC HOTELS MONITOR

NOVEMBER 2022

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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 (RLB) is a global independent construction, property and management consultancy, with a team of more than 4000 people, working across 40 countries to shape the future of the built environment. By providing independent advice through the skills and passion of our people, we deliver value and sustainable solutions for our clients. We are committed to developing new services and techniques that respond to how we build for the future, integrating wellbeing, economic and environmental impacts. 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

Although earlier this year the Pacific Asia Travel Association (PATA) released its international visitor arrvials forecast and indicated that the total number of visitors to Asia Pacific region could recover to pre-C19 levels by 2024, more recent data published by Corporate Travel Community indicated that international travel and tourism remains in the doldrums. Reasons for this slow recovery across the region include: disparate national responses to C19, long border closures and burdensome travel requirements. Hopefully these issues will be addressed in 2023 and PATA's forecast for 2024 will be realised.

Hotel performance trends reflect the wider picture with many markets showing signs of recovery, but such recoveries being slower than other regions around the world. The only APAC markets to show year-on-year declines were Chinese (Beijing and Shanghai). The star performer in terms of GOPPAR was Incheon & Seoul (with a stunning +1,641% growth).

Aside from North East Asia (where lockdowns are having an impact), most countries are in the growth stage of a construction cycle, with many projects underway and cost inflation prevailing.

Despite C19 restrictions, there were multiple deals across the region, from a plethera in Australia to many to China to the odd exotique in Fiji and Guam, and some very big corporate transactions. Good to see such liquidity in the market.

> Total number of visitors to Asia Pacific region could recover to pre-C19 levels by 2024.

The final page feature is deeper dive into a selected number of key markets in APAC, prepared by and with grateful thanks to Tareq Bagaeen of HotStats in Asia.

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

Performance Trends

Oct 2021 - Sep 2022	2022				2021				Growth			
City	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR
	LC	%	LC	LC	LC	%	LC	LC	%	%	%	%
Bangkok	3,468	42.2	1,465	468	2,300	18.3	420	-389	50.8	131.1	248.5	220.5
Beijing	898	42.4	381	90	880	54.0	475	232	2.1	-21.5	-19.9	-61.1
Delhi - NCR	5,983	67.0	4,008	2,973	3,881	45.4	1,764	728	54.2	47.4	127.2	308.4
Ho Chi Minh & Hanoi	2,192	38.2	837	530	1,786	28.5	509	221	22.8	34.1	64.6	140.2
Hong Kong SAR	1,439	48.9	704	210	1,227	39.5	485	67	17.3	23.8	45.2	210.7
Incheon & Seoul	1,887	58.6	1,107	453	1,616	41.2	665	26	16.8	42.4	66.4	1,641.6
Jakarta	1,038	59.3	616	348	769	46.5	357	106	35.1	27.7	72.5	228.3
Kuala Lumpur	377	41.9	158	46	260	16.6	43	-45	44.8	153.0	266.4	201.1
Maldives	858	57.8	496	311	750	46.3	347	231	14.5	25.1	43.1	34.7
Mumbai	8,003	72.8	5,828	4,638	4,440	51.6	2,293	623	80.3	41.0	154.2	644.9
Phuket	3,628	43.5	1,577	539	2,554	11.7	300	-455	42.1	270.0	425.7	218.3
Shanghai	741	47.1	349	94	801	61.2	490	259	-7.5	-23.1	-28.9	-63.7
Singapore	239	68.3	164	91	121	70.5	85	37	98.5	-3.0	92.6	145.1
Sydney	272	47.3	129	59	180	37.6	67	31	51.3	25.9	90.5	89.1
Taipei	4,669	41.8	1,953	847	4,208	31.2	1,314	179	11.0	33.9	48.6	374.0
Tokyo	34,280	42.8	14,674	1,769	38,954	27.8	10,838	-899	-12.0	53.9	35.4	296.8

Source: HotStats LC = Local Currency

- The past year had seen a pendulum rebound graph due to the sudden opening and closing of major Chinese cities.
- Overall though, the trend for APAC has been a steady rise where by the end of Q3 2022, it is 32% behind Jan 2020 levels.
- The region still trails Europe, USA as well as The Middle East, who all have pretty much recovered to their Jan 2020 GOP marks.
- Conference and business groups are still lagging at 8%, compared to 16% of total rooms share from 30 months ago.
- Inflation is very evident in multiple cost areas which has forced hotels to maintain payroll cost saving measures in administrative, commercial and other non-service departments.
- The region is also seeing early signs of energy cost, up by an average of 15% per available room vs same time 2019.

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	2,800	-	4,300	2,800	-	5,800	3,400	-	6,500	3,900	-	7,200
China	CNY	9,600	-	12,050	9,600	-	14,500	11,400	-	17,900	12,700	-	20,200
Hong Kong	HKD	29,900	-	32,300	29,900	-	34,700	33,900	-	40,000	36,000	-	44,300
Indonesia	IDR*	14,190	-	17,080	14,190	-	19,970	18,520	-	21,440	18,920	-	25,220
Macau	MOP	24,100	-	26,000	24,100	-	27,900	27,100	-	32,700	30,200	-	36,900
Malaysia	MYR	2,600	-	3,100	2,600	-	3,600	3,600	-	4,600	5,200	-	7,200
New Zealand	NZD	4,600	-	5,500	4,600	-	6,400	5,200	-	7,400	5,600	-	8,000
Philippines	PHP	58,500	-	66,100	58,500	-	73,700	69,700	-	88,500	90,300	-	106,300
Singapore	SGD	3,400	-	3,650	3,400	-	3,900	3,700	-	4,400	4,500	-	5,200
South Korea	KRW*	2,030	-	2,430	2,030	-	2,820	3,200	-	4,720	3,730	-	5,540
Vietnam	VND*	27,390	-	31,400	27,390	-	35,410	35,090	-	41,590	39,000	-	46,780

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

- Construction activity in the hotel sector is generally in decline in North East Asia but still rising in South East Asia. Across New Zealand and Australia the sector is generally in the growth stage of a cycle.
- The wider construction industry in North Asia has generally been impacted by ongoing lockdown measures. In South East Asia material inflation has been compounded by foreign labour shortages.
- Australia and New Zealand are experiencing volatility and supply chain pressures, which have fed through to tender prices. When combined with interest rate rises the cost pressures are adding uncertainty to the short-term outlook with signs of softening demand.
- Across the region currency fluctuations are impacting purchasing power and where transient labour may be choosing work.

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
	4x Minor hotels[1]	Thailand	775	105,400,000	136,000
Single Asset Transactions					
Australia	Mantra Terrace Hotel	Brisbane	84	11,700,000	139,000
	Campbell5 Hotel	Canberra	63	12,800,000	203,000
	Saltbush Retreat	Longreach	44	6,100,000	140,000
	Ibis Budget CBD	Melbourne	146	17,600,000	121,000
	Hotel Lindrum	Melbourne	59	36,000,000	610,000
	Mercure Centro Hotel	Port Macquarie	72	18,700,000	259,000
	Sofitel Sydney Wentworth	Sydney	436	227,900,000	523,000
	Hilton Sydney	Sydney	587	377,400,000	643,000
	Sir Stamford Circular Quay	Sydney	105	144,600,000	1,377,000
	Rydges Sydney Harbour	Sydney	176	65,300,000	371,000
China	Wanda Realm	Beijing	308	76,600,000	249,000
	Marco Polo Changzhou	Changzhou	302	63,600,000	211,000
	Rosedale Hotel	Hong Kong	435	193,000,000	444,000
	Greenland Jiulong Hotel	Shanghai	320	129,500,000	405,000
Malaysia	Hotel Clover	Jalan Sultan	88	55,200,000	628,000
	Sam Hoe Hotel	Mountbatten Road	41	21,000,000	513,000
	SO/ Singapore Hotel	Robinson Road	134	177,000,000	1,321,000
South Korea	Millennium Hilton	Seoul	680	930,000,000	1,368,000
	Grand Hyatt Seoul	Seoul	615	703,900,000	1,145,000
Other	Hotel Sunshine Utsunomiya	Tochigi, Japan	160	15,000,000	94,000
	Carnmore Hotel	Christchurch, NZ	88	12,500,000	142,000
	Holiday Garden Hotel	Kaohsiung, Taiwan	270	93,800,000	348,000
	dusitD2 Chiang Mai	Chiang Mai, Thailand	130	13,000,000	100,000
	Onward Beach Resort	Guam, Micronesia	428	52,600,000	123,000

Source: Whitebridge Hospitality

[1] for a 40% stake and includes a retail mall

- Corporate compacts: Blackstone acquired Crown Resorts (USD4.4bn, Aus); Michael Kadoorie acquired 12.4% stake in Hong Kong & Shanghai Hotels (USD337.5m, Chi); Artotel acquired Kyriad Hotel Indonesia & (separately) Dafam Hotel Management (Indo); Dash Living acquired InTheHood Hospitality (Jap); CapitalLand acquired Oakwood Worldwide (Sin).
- Rarified resorts: Glenn Piper acquired Hook Island Lodge (Aus); Sequitur Resorts acquired Six Senses Malolo Island (Fij); Outrigger acquired Maafushivou Resort (Mald); KSL acquired Sheraton Full Moon (Mald).
- Portly portfolios: GIC acquired 31x Prince hotels/leisure properties (USD960m, Jap); Polaris acquired 13x Red Planet hotels (Tha).
- Of interest: Alivio Group acquired a former ‘condohotel’ project, Sunshine Tower Hotel, whereby all 63 lots amalgamated to facilitate sale (USD7.6m, Aus).

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.

SELECTED REGIONAL OVERVIEWS

Introduction

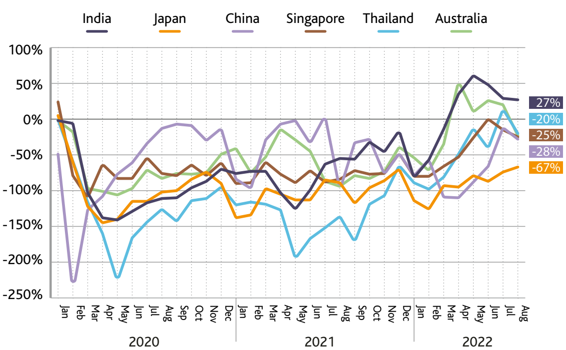
To say that there is a lot going on within the hospitality industry in The Asia Pacific Region is a dramatic understatement. It isn't a tale of 2 sides, rather a tale of 20 sides! There is so much happening that either is affecting demand or has the potential to, that it is quite simply mind boggling.

Let's start with Japan. The nation with the 3rd largest economy in the world has very recently opened its borders for individual leisure travel, but is struggling badly with what the rest of the world had to deal with many months ago: Lack of manpower at airports, restrictions on events, and full on covid controls everywhere. It may not feel like the most welcoming place to visit right now, but at the same time it's never been more appealing, as the Yen is at the weakest it has been against the dollar for well over 10 years. In fact, in the last six months, it has become 40% cheaper if the source of your funds is in USD.

In Q3 2022, Japanese hotels managed a total RevPAR of 210 USD, GOPPAR was just under 30 USD. As Japan has traditionally been an expensive place to run hotels, achieving healthy occupancies & room rates has been and will continue to be critical, but how long will it need to get back to acceptable profitability levels?

Whilst in Singapore, which opened its borders at the end of March 2022, just a few months ahead of Japan, the tiny powerhouse island nation has managed a TREVPAR of 277 USD, payroll costs of 26% of total revenue, and a GOPPAR of 105 USD.

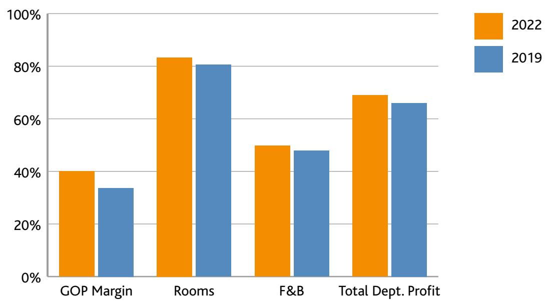
The Recovery Position



Source: HotStats

Onto India, the world's sixth largest economy. It has shown incredible resilience and is the clear leader within APAC for a GOP rebound. In fact, it's bounced back so strong, it is now at 27% ahead of January 2020 levels, which is phenomenal and sits only behind the Maldives, while Thailand and Australia are on the way up and are now just 25% below the benchmark. Japan is way behind at -67%.

Key Labour and Expense Trends



Source: HotStats

Bad things are yet to rear their ugly heads... Generally speaking, there will be a 6 month global recession with some regions mostly being spared, like the Middle East, but Japan and much of Asia doesn't look to be as lucky and this will have an impact on business travel, corporate revenues, and government spending. This will in turn strike yet another blow to the battered hotel industry that is just getting its knees off the ground in places like Vietnam, Indonesia, Malaysia, and others.

Now China, where the Chinese Premier, Xi Jinping, was expected to announce a relaxation of Covid restrictions and border controls, following what Hong Kong, Taiwan, Japan, and other nations have done. Yet, he stayed firm and defended the strategy of zero Covid and shared no indication as to when this will be eased.

In 2019, there were just under 170 million outbound trips from China to the rest of the world. This is not something that can easily be replaced if at all, so the region and the world are holding their breath and waiting…

In summary, the good news, however, seems to be that demand is looming and there is still money to be spent in the world. Just look at Dubai & Maldives for the past 12-18 months and even Thailand in the past 3 months. Now is the time for the most nimble and aggressive of destinations to thrive and eat market share ahead of its competitors. May the fittest win.

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