HVS

OCTOBER 2017

MARKET SNAPSHOT:
ASIA PACIFIC 2017
(EXCLUDING CHINA & INDIA)

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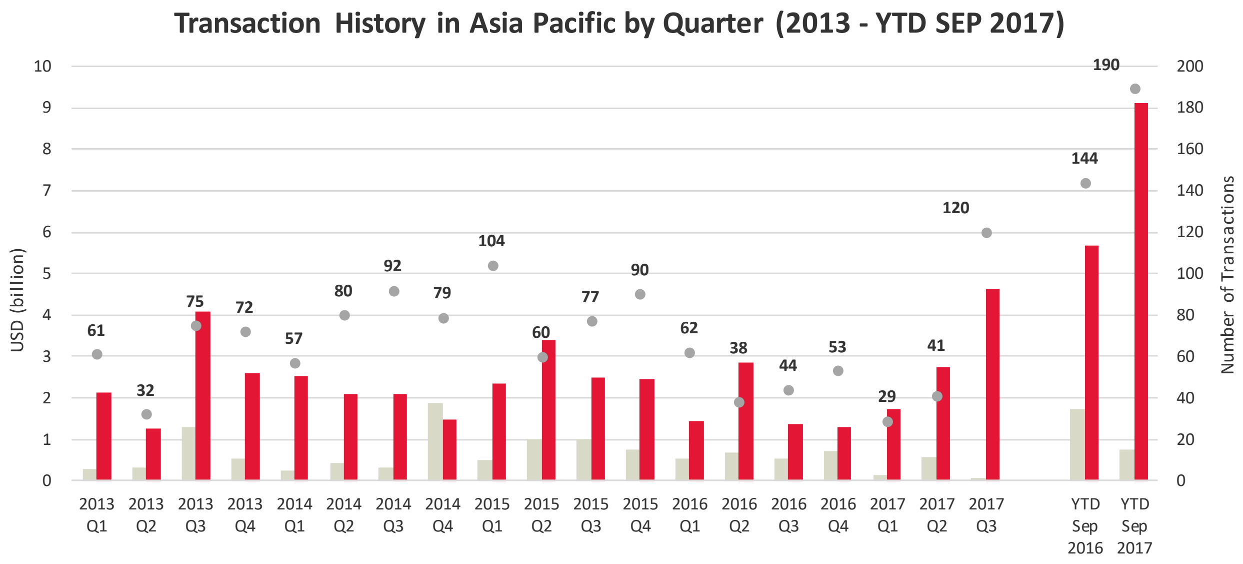
ASIA PACIFIC

Transactions in Asia Pacific

Over the past twelve months from October 2016 to September 2017, HVS has noted close to 240 transactions across Asia Pacific worth approximately US$12 billion. In comparison to the same period the previous year, transaction volume in Asia Pacific has increased by almost 12% with China contributing to 40% of the hotel transaction volume in the region. The largest transaction recorded was the portfolio of over 75 properties under Dalian Wanda China.

Over the period from October 2016 to September 2017, Asia Pacific (excluding China and India) witnessed a total hotel transaction volume of almost US$4.4 billion as compared to approximately US$8.6 billion in the previous year. Reasons for slower transactional activity in the region include owners holding onto hospitality assets due to future growth potential, lack of capital strength from buyers, desire to hold onto ownership of marquee hospitality assets, amongst others.

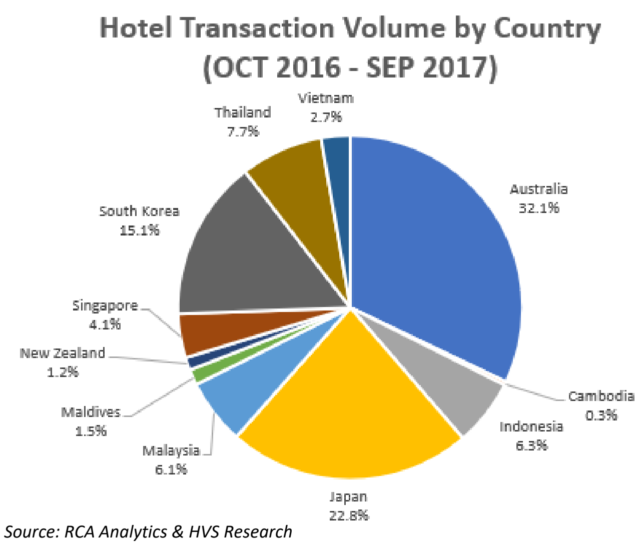


Source: RCA Analytics & HVS Research

Regional Share of Hotel Transaction Volume

We note that the majority of hotel transaction volume is still directed towards Australia, Japan and South Korea, similar to the previous period of October 2016 to September 2017.

As compared to the previous period, hotel transaction volumes in Indonesia, Malaysia and Thailand have seen strong positive growths while Australia, Cambodia, Maldives, South Korea and Singapore have remained fairly stable. Markets such as Japan, Myanmar, New Zealand, Philippines and Vietnam were found to be less active.



Source: RCA Analytics & HVS Research

Investor Profile

With a share of approximately 24%, the "developer/owner" dominates the hotel transactions in Asia Pacific and the "real estate operating companies" follows closely after at 23.5%.

The majority of the investors who invest heavily within the Asia Pacific region are located in more developed countries such as Australia, Japan and Singapore.

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Key Points

Tourism directly contributes **2.9%** to GDP in 2016

2.6% Real GDP growth expected in 2017

7.6 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- A$500 million expansion of Sydney Airport by 2020

New Hotel Openings in Sydney and Melbourne

2017

- Little Albion, 35 keys
- Felix Sydney Airport, 150 keys
- PARKROYAL Melbourne Docklands, 281 keys
- Sofitel Sydney Darling Harbour, 590 keys

2018-2020

- **Luxury:** 2 Hotels, 534 keys
- **Upper Upscale:** 11 Hotels,
- 1,739 keys
- **Upscale:** 7 Hotels, 1,425 keys
- **Upper Midscale:** 6 Hotels,
- 1,434 keys
- **Midscale:** 2 Hotels, 371 keys
- **Independent:** 7 Hotels, 1,297 keys

Notable Transactions

- 402-key W Sydney Hotel, slated to open in 2021, transacted at A$532 million (A$1.3m/key) in June 2016

Demand

In the first half of 2017, tourist arrivals displayed positive year-on-year (y-o-y) growth. Total arrivals of 4.2 million outperformed last year's arrivals by 7% and China overtook New Zealand as the top source market with a 16% market share. Arrivals from China recorded an 8% y-o-y growth, significantly higher than the 1% y-o-y growth for arrivals from New Zealand. Domestic visitors continue to play a major role as they account for 57% of total room nights occupied in 2016.

Supply

June 2017
4,600
Establishments

June 2017
264,700
Rooms

June 2017
5% y-o-y
growth

Source: HVS Research

HVS has noted that, going forward, there will be 140 additional hotels with approximately 26,000 keys in Australia by 2020, having 16 hotels opened in the first half of 2017.

Sydney and Melbourne Hotel Performance 2016 vs. 2017F

Sydney
Occupancy
87% (2017F)
vs.
85% (2016)

Melbourne
Occupancy
83% (2017F)
vs.
84% (2016)

Sydney ADR: **A$230 (2017F)** vs. A$220 (2016)

Sydney RevPAR: **A$200 (2017F)** vs. A$190 (2016)

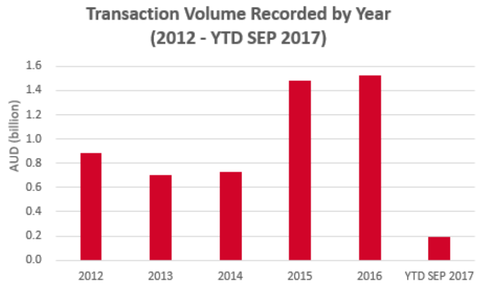
Melbourne ADR: **A$185 (2017F)** vs. A$185 (2016)

Melbourne RevPAR: **A$155 (2017F)** vs. A$155 (2016)

As of year-to-date (YTD) June 2017, hotel occupancy in Sydney increased by 1%, while occupancy in Melbourne decreased by a marginal 0.2%. Sydney's room rates increased significantly by 5.5% y-o-y, while Melbourne's room rates remained constant.

Transactions

Although total volume of investment activity across both cities has been increasing y-o-y from 2012 to 2016, investment activity has been relatively muted even till YTD September 2017 with two transactions recorded in Melbourne. Over the last five years, Singaporean investors accounts for the bulk of investment volume with a 28% share.



Source: RCA Analytics

Cambodia

Key Points

Tourism directly contributes **12.3%** to GDP in 2016

7.0% Real GDP growth expected in 2017

5.0 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Recent expansions of Phnom Penh International Airport and Siem Reap International Airport expected to boost the annual capacity to 5 million
- Yunnan Investment Holdings Ltd (YIHL) to build and manage the US$880 million new Siem Reap Airport by 2025

New Hotel Openings in Cambodia

2017

- Royal Sands Koh Rong Resort, 67 keys
- Rosewood Phnom Penh, 175 keys
- Naga2, 1,033 keys

2018-2020

- **Luxury:** 2 Hotels, 435 keys
- **Upper Upscale:** 2 Hotels, 500 keys
- **Upscale: 2** Hotels, 388 keys
- **Upper Midscale:** 1 Hotel, 105 keys
- **Midscale:** 1 Hotel, 112 keys

Notable Transactions

- 88-key Lumiere Hotel in Phnom Penh transacted at US$14.3 million (US$162k/key) in May 2017

Demand

In the first four months of 2017, tourist arrivals displayed significant y-o-y growth. YTD April 2017 arrivals of 1.9 million surpassed last year's arrivals by 12%, with China making up 19% of total arrivals and overtaking Vietnam as the top source market. In 2016, 2.8 million and 2.2 million international visitors visited Phnom Penh and Siem Reap, respectively. Total tourism receipts for 2016 recorded US$3,212 million, representing a 7% y-o-y increase. Going forward, Cambodia is set to enter into a new Angkor-Bagan Tourism Cooperation campaign with Myanmar to jointly promote the two destinations.

Supply

June 2017
159
Establishments

June 2017
17,400
Rooms

June 2017
4% y-o-y
growth

Source: HVS Research

HVS has noted that, going forward, there will be 14 additional hotels with approximately 3,100 keys in Cambodia by 2020, having two hotels opened in the first half of 2017. The addition of luxury brands such as Rosewood, Shangri-La, and Okura to Cambodia's hotel portfolio will further solidify the attractiveness of the destination.

Phnom Penh and Siem Reap Hotel Performance 2016 vs. 2017F

Phnom Penh
Occupancy
45% (2017F)
vs.
50% (2016)

Siem Reap
Occupancy
75% (2017F)
vs.
68% (2016)

Phnom Penh ADR: **US$160 (2017F)** vs. US$155 (2016)

Phnom Penh RevPAR: **US$75 (2017F)** vs. US$80 (2016)

Siem Reap ADR: **US$120 (2017F)** vs. US$120 (2016)

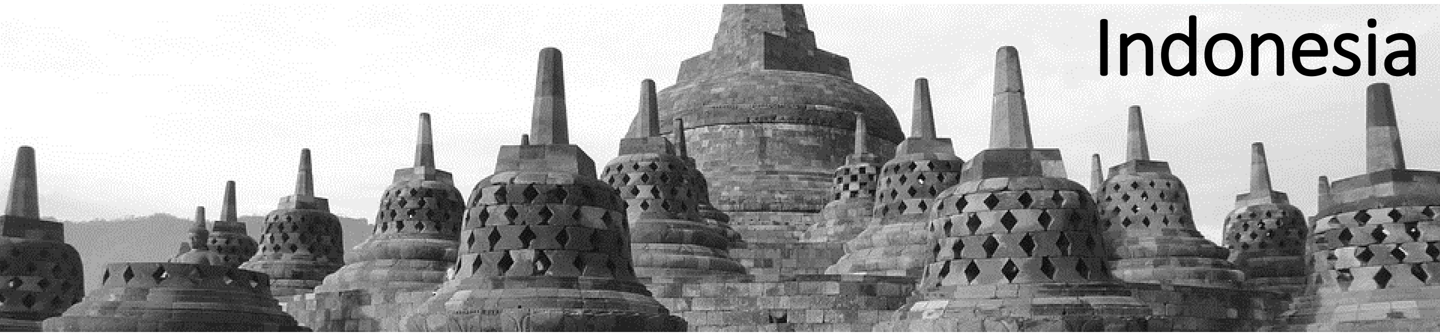
Siem Reap RevPAR: **US$90 (2017F)** vs. US$85 (2016)

Based on our analysis of a few luxury hotels in Phnom Penh and Siem Reap, we have estimated in 2016 an average occupancy of 50% and 68%, with an ADR of US$155 and US$120, respectively. HVS noted that, going forward, hotels in Phnom Penh will improve in ADR performance, while hotels in Siem Reap are likely to improve in occupancy performance.

Transactions

There have been limited transactions in Cambodia, with only four transactions recorded in the last five years. According to the Council for the Development of Cambodia (CDC), investment from China accounted for 30% of the total US$3.6 billion foreign direct investment (FDI) into Cambodia in 2016. Going forward, investment is expected to increase with the improving relationship between both nations. To date, a Chinese real estate developer and Indian hospitality firm have stated their intentions to invest in Cambodia. However, the main challenges that deter investments, such as the lack of infrastructural developments and regulatory weaknesses, remain.

Indonesia



Key Points

Tourism directly contributes **1.8%** to GDP in 2016

5.1% Real GDP growth expected in 2017

11.5 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Infrastructure development budget of Rp388 trillion allocated in 2017
- Renovation of Soekarno-Hatta International Airport by 2018

New Hotel Openings in Bali and Jakarta

2018-2020

- **Luxury:** 25 Hotels, 4,278 keys
- **Upper Upscale:** 8 Hotels, 1,897 keys
- **Upscale:** 17 Hotels, 3,788 keys
- **Upper Midscale:** 17 Hotels, 4,541 keys
- **Midscale:** 12 Hotels, 2,362 keys
- **Economy:** 1 Hotel, 105 keys
- **Independent:** 1 Hotel, 180 keys

Notable Transactions

- 317-key Pullman Jakarta Central Park and 415-key Sofitel Bali Nusa Dua Beach Resort was sold for Rp1.3 trillion (Rp4.1bn/key) and Rp1.7 trillion (Rp4.0bn/key), respectively in August 2017 to Strategic Hospitality F&L REIT

Demand

In the first half of 2017, tourist arrivals displayed a robust y-o-y growth. YTD June 2017 arrivals of 6.5 million outstripped last year's arrivals by 22%. China is the main source market for Indonesia as of YTD June 2017, followed by Singapore, Malaysia, Australia, and Japan. The top 5 source markets, though the number of Singapore tourists have overtaken Malaysian tourists, remain unchanged from 2016.

Supply

2016 18,829 Establishments

2016 527,176 Rooms

2016 4% y-o-y growth

Source: Badan Pusat Statistik Indonesia

HVS has noted that, going forward, there will be 240 additional hotels with approximately 44,600 keys in Indonesia by 2020, having 21 hotels opened in the first half of 2017.

Jakarta and Bali Hotel Performance 2016 vs. 2017F

Jakarta

Occupancy **59% (2017F)** vs. 58% (2016)

Bali

Occupancy **71% (2017F)** vs. 66% (2016)

Jakarta ADR: **Rp1,040,000 (2017F)** vs. Rp1,070,000 (2016)

Bali ADR: **Rp1,480,000 (2017F)** vs. Rp1,470,000 (2016)

Jakarta RevPAR: **Rp613,000 (2017F)** vs. Rp620,000 (2016)

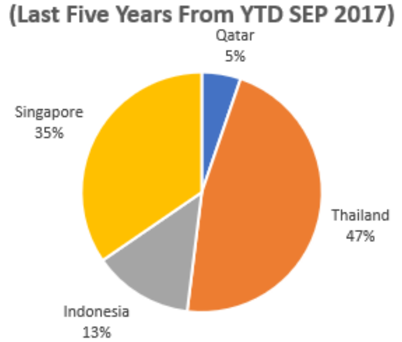
Bali RevPAR: **Rp1,050,000 (2017F)** vs. Rp970,000 (2016)

While Jakarta recorded a drop of 1.4% in occupancy as of YTD June 2017, Bali's occupancy increased by 6.1% over the same period. Bali's room rates remain competitive, while downward pressure can be observed on Jakarta's room rates.

Transactions

Recently, it was observed that Singaporean investors, historically the most active in the market, slowed down their investments in Indonesia. Notable investments in 2017 have been made by Strategic Hospitality F&L REIT of Thailand in both Jakarta and Bali. The most recent transaction in Indonesia was the 192-key Ascott Sudirman Jakarta, which sold for Rp730 billion (Rp3.8bn/key).

Hotel Transaction Volume by Country (Last Five Years From YTD SEP 2017)



Source: RCA Analytics

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Japan

Key Points

Tourism directly contributes **2.3%** to GDP in 2016

1.5% Real GDP growth expected in 2017

24.0 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- First phase of the Maglev line by 2027
- ¥160 billion expansion of Narita International Airport by 2020
- Expansion of Haneda International Airport by 2020

New Hotel Openings in Tokyo & Osaka

2017

- Sotetsu Fresa Inn Ginza-Sanchome, 147 keys
- Sotetsu Fresa Inn Ueno Okachimachi, 155 keys
- MOXY Osaka Honmochi, 155 keys
- Sotetsu Fresa Inn Tokyo Roppongi, 201 keys
- MOXY Tokyo Kinshicho, 205 keys
- Sotetsu Fresa Inn Tokyo-Kinshicho, 281 keys

2018-2020

- **Luxury:** 3 Hotels, 597 keys
- **Upper Upscale:** 5 Hotels, 1,380 keys
- **Upscale:** 1 Hotel, 1,000 keys
- **Upper Midscale:** 1 Hotel, 205 keys
- **Independent:** 7 Hotels, 2,137 keys

Notable Transactions

- 884-key Hotel Grand Pacific Meridien sold for ¥65.6 billion (¥74m/key) in May 2016

Demand

In the first half of 2017, tourist arrivals displayed positive y-o-y growth. YTD June 2017 arrivals of 13.8 million exceeded last year's arrivals by 17%. Since 2015, China has outpaced South Korea as the top source market, making up 27% of total tourist arrivals as of YTD June 2017. Both China and South Korea continue to show significant y-o-y growth of 28% and 27%, respectively. Domestic passengers, accounting for 45% of all passenger movements across all four airports in Tokyo and Osaka, increased by 8% y-o-y.

Supply

June 2017
3,400
Establishments

June 2017
580,000
Rooms

June 2017
3% y-o-y
growth

Source: HVS Research

HVS has noted that, going forward, there will be 57 additional hotels with approximately 16,200 keys in Japan by 2020, having 23 hotels opened in the first half of 2017.

Tokyo and Osaka Hotel Performance 2016 vs. 2017F

Tokyo
Occupancy
86% (2017F)
vs.
85% (2016)

Osaka
Occupancy
91% (2017F)
vs.
90% (2016)

Tokyo ADR: **¥19,235 (2017F)** vs. ¥19,185 (2016)

Tokyo RevPAR: **¥16,570 (2017F)** vs. ¥16,385 (2016)

Osaka ADR: **¥15,790 (2017F)** vs. ¥16,275 (2016)

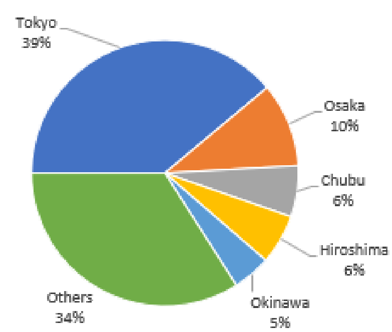
Osaka RevPAR: **¥14,345 (2017F)** vs. ¥14,620 (2016)

As of YTD June 2017, Tokyo and Osaka hotel markets recorded a y-o-y increase in occupancy of 1.2% and 1.4%, respectively. Tokyo's room rates remain competitive, while downward pressure can be observed on Osaka's room rates.

Transactions

With the exception of Tokyo, the transaction volume in Japan has been fairly evenly distributed across several markets. Investment interest in Chubu and Hiroshima have outpaced popular tourist markets like Kyoto and Okinawa. From the time that investments peaked in 2015 with 196 transactions, activity has steadily decreased. Only 36 transactions have been recorded as of YTD September 2017, compared to 90 in YTD September 2016.

Hotel Transactions Volume by Location (Last Five Years From YTD SEP 2017)



Source: RCA Analytics

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Malaysia

Key Points

Tourism directly contributes **4.7%** to GDP in 2016

5.2% Real GDP growth expected in 2017

26.8 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Upgrade of Swettenham Pier Cruise Terminal in Penang by 2017
- RM4.4 billion expansions and upgrades of airports (Kuala Lumpur, Johor, Penang, Kedah, Sabah, and Selangor) by 2021
- RM55 billion East Coast Rail Link by 2022
- RM65 billion High Speed Railway (Singapore – Kuala Lumpur) by 2026

New Hotel Openings in Kuala Lumpur and Kota Kinabalu

2017

- Hyatt House Kuala Lumpur, 298 keys

2018-2020

- **Luxury:** 6 Hotels, 1,138 keys
- **Upper Upscale:** 4 Hotels, 1,199 keys
- **Upscale: 3** Hotels, 1,035 keys
- **Upper Midscale:** 2 Hotels, 663 keys
- **Midscale:** 4 Hotels, 1,149 keys
- **Independent:** 1 Hotel, 263 keys

Notable Transactions

- 91-key Four Seasons Resort Langkawi sold for RM384.4 million (RM4.2m/key) in September 2017

Demand

Tourist arrivals in Malaysia have rebounded since the low of 2015. However, international tourist arrivals during the first half of 2017 were marginally lower than that of 2016 by 1%. Singapore remains the top source market (50%) while arrivals from Thailand exhibit the most significant growth of 33% y-o-y. Domestic guests continue to make up the majority of the market with a 65% share.

Supply

2016
4,961
Establishments

2016
321,972
Rooms

2016
6% y-o-y
growth

Source: Tourism Malaysia

HVS has noted that, going forward, there will be 85 additional hotels with approximately 21,600 keys in Malaysia by 2020, having nine hotels opened in the first half of 2017.

Kuala Lumpur and Kota Kinabalu Hotel Performance 2016 vs. 2017F

Kuala Lumpur
Occupancy
69% (2017F)
vs.
67% (2016)

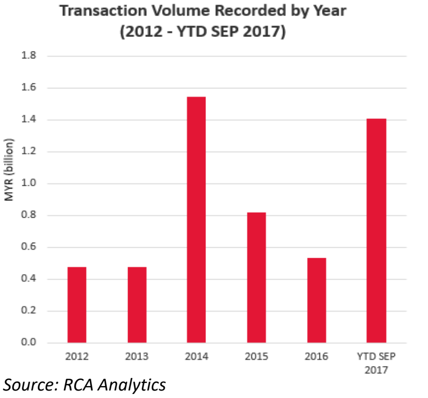
Kota Kinabalu
Occupancy
70% (2017F)
vs.
67% (2016)

Kuala Lumpur ADR	**RM360 (2017F)** vs. RM360 (2016)
Kota Kinabalu ADR	**RM505 (2017F)** vs. RM485 (2016)
Kuala Lumpur RevPAR	**RM250 (2017F)** vs. RM240 (2016)
Kota Kinabalu RevPAR	**RM355 (2017F)** vs. RM325 (2016)

As of YTD June 2017, Kuala Lumpur and Kota Kinabalu hotel markets recorded a y-o-y increase in occupancy of approximately 5% and 3%, respectively. Kuala Lumpur's room rates remain competitive, while Kota Kinabalu's room rates is likely to increase in the near future.

Transactions

Malaysia's hotel transactions reached approximately RM1.4 billion as of YTD September 2017. This is possibly due to positive sentiments on the hotel market across the country as tourism recovers from the uncertainty of Malaysia's economy in 2015 and 2016. HVS would expect 2017 to surpass 2014's record high of over RM1.5 billion worth of hotel transactions. Over the last five years, almost half of the transactions have been in Kuala Lumpur.



Source: RCA Analytics

Maldives

Key Points

Tourism directly contributes **40.9%** to GDP in 2016

4.1% Real GDP growth expected in 2017

1.28 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Beijing Urban Construction Group's US$800 million upgrade of Velana International Airport with new runway by mid-2018

New Resort Openings in Maldives *2018-2020*

- **Luxury:** 5 Resorts, 493 keys
- **Upper Upscale:** 5 Resorts, 1,000 keys
- **Upscale:** 2 Resorts, 422 keys

Notable Transactions

- 108-key Kodhipparu Island Resort transacted at US$65 million (US$602k/key) in December 2016

Demand

In the first half of 2017, tourist arrivals displayed a positive y-o-y growth despite a slow uptake in January. YTD June 2017 arrivals of 658,000 outstripped last year's arrivals by 6%. China remains a key source market despite the decline in Chinese visitors by 10% in 2016. We note that recently, India, USA, and the UK have emerged as fast growing source markets for the Maldives.

Supply

June 2017 723 Establishments

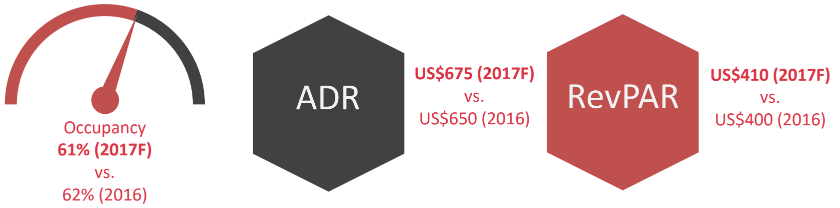
June 2017 30,105 Beds

June 2017 14% y-o-y growth

Source: Ministry of Tourism

HVS has noted that, going forward, there will be 16 additional establishments with approximately 2,300 keys in Maldives by 2020, having 13 resorts opened in the first half of 2017.

Maldives Resort Performance 2016 vs. 2017F

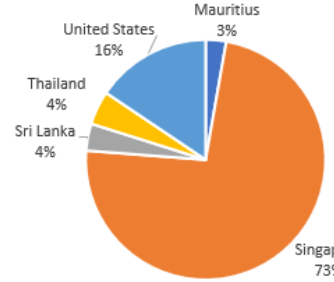


As of YTD June 2017, Maldives recorded a decline of 0.7% in occupancy and an increase of 4.7% in ADR y-o-y, with an average occupancy of 63% and an ADR of almost US$700.

Transactions

Investment activity has been declining since the high period from 2011 to 2013. Over the last five years, investments in Maldives have mainly been made by Singaporean investors. In 2016, four transactions were recorded in the Maldives, a significant increase from one transaction in 2015. Sales prices of those four transactions indicate that value per key ranges from approximately US$450,000 to US$620,000. No sales transaction have been recorded as of YTD September 2017.

Hotel Transactions Volume by Country (Last Five Years From YTD SEP 2017)



Source: RCA Analytics

Myanmar

Key Points

Tourism directly contributes **3.0%** to GDP in 2016

7.2% Real GDP growth expected in 2017

2.9 million international tourist arrivals achieved in 2016

Highlights

Infrastructure Projects

- Opening of the Hanthawaddy International Airport, with an initial annual capacity of 12 million, by 2022

New Hotel Openings in Yangon

2017

- Pan Pacific Yangon, 348 keys

2018-2020

- **Luxury:** 1 Hotel, 239 keys
- **Upper Upscale:** 4 Hotels, 1,354 keys
- **Upscale:** 3 Hotels, 635 keys
- **Upper Midscale:** 2 Hotels, 653 keys

Notable Transactions

- 183-key Micasa Hotel Apartments was transacted at US$46million (US$251k/key) in July 2016

Demand

In 2016, tourist arrivals displayed negative y-o-y growth. 2016 arrivals of 2.9 million was significantly lower than 2015's arrivals by 38%. Neighbouring Thailand is Myanmar's top source market, making up 19% of total tourist arrivals, closely followed by China at 14%. We note that recently, China is a key source market for Myanmar with the number of Chinese visitors growing fast at 24% over 2015.

Supply

2016
1,432
Establishments

2016
56,429
Rooms

2016
13% y-o-y
growth

Source: Ministry of Hotels & Tourism

HVS has noted that, going forward, there will be 20 additional hotels with 5,400 keys in Myanmar by 2020, having three hotels opened in the first half of 2017.

Yangon Hotel Performance 2016 vs. 2017F

Occupancy
50% (2017F)
vs.
54% (2016)

ADR
US$145 (2017F)
vs.
US$155 (2016)

RevPAR
US$70 (2017F)
vs.
US$85 (2016)

Based on our analysis of a few upper upscale and luxury hotels in Yangon, we have estimated in 2016 an average occupancy of 54% and an ADR of US$140. HVS has noted that, going forward, there will be continuous downward pressure on rates, while occupancy will remain competitive.

Transactions

There is limited information on hotel transactions in Myanmar. According to the Directorate of Investment and Company Administration (DICA), it was observed that prior to the 2015 presidential elections, investor cautions discouraged FDI. However in 2016, after the elections, investor interest returned and a total of US$403.7 million was approved April 2016 to March 2017. From April 2017 to September 2017, a total of US$154.4 million has been approved, but not expected to surpass previous period's numbers due to the political instability in the country. According to the Ministry of Hotels and Tourism, Singapore is leading the way as one of the biggest investors for Myanmar's hotels and commercial complexes with approximately US$1.8 billion invested into 26 hotels, an 18% increase from 2015.

New Zealand

Key Points

Tourism directly contributes **5.2%** to GDP in 2016

2.8% Real GDP growth expected in 2017

3.5 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- NZ$32 million expansion of Nelson Airport
- NZ$102 million Tourism Infrastructure Fund set up by the government with additional NZ$76 million to upgrade tourism infrastructure

New Hotel Openings in Auckland
2018-2020

- **Luxury:** 3 Hotels, 624 keys
- **Upper Upscale:** 1 Hotel, 300 keys
- **Upscale:** 1 Hotel, 250 keys
- **Midscale:** 1 Hotel, 120 keys
- **Independent:** 1 Hotel, 250 keys

Notable Transactions

- 111-key Mercure Wellington Hotel sold for NZ$11.5 million (NZ$103k/key) in November 2016
- 155-key Ibis Christchurch and 154 Novotel Christchurch Cathedral Square for NZ$12 million (NZ$77k/key) and NZ$19 million (NZ$123k/key), respectively in November 2016 as part of the Host Hotel Sale
- 90-key Double Tree by Hilton Hotel Queenstown sold for NZ$52.2 million (NZ$532k/key) in February 2016

Demand

In the first half of 2017, tourist arrivals amount to approximately 1.9 million surpassing last year's arrivals by 9%. Given its close proximity, tourists from Australia make up about 40% of total arrivals to New Zealand. Visitation of tourists from the USA and the UK have seen healthy y-o-y growths with an increase in their share in total tourist arrivals. Growing Asian source markets to New Zealand are Malaysia, India, Hong Kong, and Indonesia.

Auckland Airport continues to receive the majority of tourist arrivals into New Zealand. However, as reported by Stats NZ and Tourism New Zealand, arrivals via seaports have increased by 18% as of YTD June 2017.

Supply

2016
3,089
Establishments

2016
138,593
Rooms

2016
2% y-o-y
decline

Source: Stats NZ and Tourism New Zealand

HVS has noted that, going forward, there will be around 25 additional establishments with approximately 3,500 keys by 2020. HVS expects that the number of tourists will surpass the number of hotel beds available.

Auckland Hotel Performance 2016 vs. 2017F

Occupancy
77% (2017F)
vs.
75% (2016)

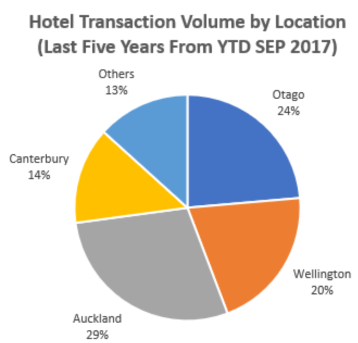
ADR
NZ$175 (2017F)
vs.
NZ$155 (2016)

RevPAR
NZ$135 (2017F)
vs.
NZ$115 (2016)

As of YTD June 2017, Auckland recorded a decline of 1.9% in occupancy and an increase of 18% in ADR y-o-y, with an average occupancy of 76.7% and an ADR of almost NZ$180.

Transactions

2015 and 2016 have been active years for hotel transactions in New Zealand as more investors are recognising the country's surge in tourism demand. In 2017, HVS notes that transaction activity has slowed down as compared to the previous year. This is possibly due to hotel owners holding onto assets in expectation that the strong tourism market will continue.



Source: RCA Analytics

Philippines

Key Points

Tourism directly contributes **8.2%** to GDP in 2016

6.5% Real GDP growth expected in 2017

5.97 million international tourist arrivals achieved in 2016

Highlights

Infrastructure Projects

- The nation's biggest infrastructure plan: ₱355.6 billion Metro Manila Subway Project, backed by Japan, to begin construction in 2018
- Total of 35 infrastructure projects worth ₱1.2 trillion approved

New Hotel Openings in Manila

2017

- Red Planet Hotel Manila Bay, 150 keys
- Red Planet Hotel Binondo Manila, 171 keys

2018-2020

- **Luxury:** 1 Hotel, 170 keys
- **Upper Upscale:** 4 Hotels, 1,370 keys
- **Upscale:** 1 Hotel, 310 keys
- **Upper Midscale:** 2 Hotels, 1,488 keys
- **Midscale:** 1 Hotel, 320 keys
- **Economy:** 2 Hotels, 535 keys
- **Independent:** 1 Hotel, 325 keys

Demand

In the first half of 2017, tourist arrivals displayed positive y-o-y growth. YTD June 2017 arrivals of 3.4 million surpassed last year's arrivals by 13%. South Koreans continue to be the top source market and Taiwanese visitors have highest per capita expenditure of approximately ₱116,450. Chinese tourist arrivals have recorded the most significant growth of about 33% as of YTD June 2017. Domestic travellers contribute significantly to the country's tourism and they make up over 80% of total tourists in the Philippines. The Department of Tourism of the Philippines highlights that there were four domestic travellers to every one international traveller in 2015.

Supply

2016
160
Establishments

2016
61,500
Rooms

2016
6% y-o-y
growth

Source: HVs Research

HVS has noted that, going forward, there will be 49 additional hotels of approximately 13,600 keys in Manila by 2020.

Manila Hotel Performance 2016 vs. 2017F

Occupancy
67% (2017F)
vs.
68% (2016)

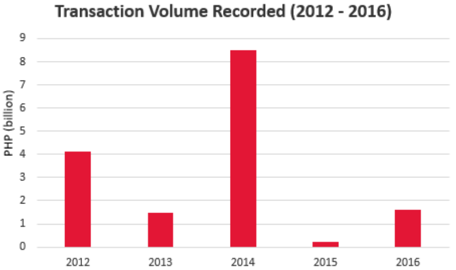
ADR
₱5,115 (2017F)
vs.
₱5,300 (2016)

RevPAR
₱3,425 (2017F)
vs.
₱3,580 (2016)

As of YTD June 2017, Manila recorded an increase of 0.5% in occupancy and an increase of 1.6% in ADR y-o-y, with an average occupancy of 70% and an ADR of ₱5,345.

Transactions

2014 had one major transaction which was the sale of the 674-key Shangri-La at the Fort. As of YTD June 2017, we noted that only the Hotel 101 Manila was transacted in March 2017, with an undisclosed price. Over the last five years, it has been seen that the price per hotel key has ranged widely, from ₱3.4 million to ₱13.4 million. All transactions recorded were made by local real estate operating companies such as Ayala Land, Shang Properties Inc, etc.



Source: RCA Analytics

Singapore

Key Points

Tourism directly contributes **4.3%** to GDP in 2016

2.9% Real GDP growth expected in 2017

16.4 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Inauguration of Changi Airport Terminal 4 in October 2017
- Expansion of Terminal 1 (Project Jewel) by 2018
- Addition of Changi Airport Terminal 5 by 2020
- Completion of Singapore – KL High-Speed Rail Link by 2026

New Hotel Openings in Singapore

2017

- InterContinental Singapore Robertson Quay, 225 keys
- Courtyard Singapore Novena, 250 keys
- Yotel Singapore, 305 out of 610 keys
- Andaz Singapore, 342 keys
- Novotel Singapore On Stevens and Mercure Singapore On Stevens, 772 keys

2018-2020

- **Luxury:** 2 Hotels, 378 keys
- **Upper Upscale:** 1 Hotel, 200 keys
- **Upper Midscale:** 1 Hotel, 130 keys
- **Independent:** 3 Hotels, 996 keys

Notable Transactions

- 79-key Naumi Loria Hotel sold for S$75.5 million (S$955k/key) in June 2017

Demand

In the first half of 2017, tourist arrivals recorded positive y-o-y growth. YTD June 2017 arrivals of 8.5 million surpassed last year's arrivals by 5%. China continues to be the top source market, making up 18% of total tourist arrivals, with Indonesia a close second at 17%. A tourism campaign, "Passion made Possible", has been launched to specifically target second tier cities in Asia, long-haul destinations in Europe and United States.

Supply

2016 413 Hotels

2016 63,850 rooms

2016 5% y-o-y growth

Source: Singapore Tourism Board

HVS has noted that, going forward, there will be 15 additional hotels with 4,000 keys in Singapore by 2020, having three hotels opened in the first half of 2017.

Singapore Hotel Performance 2016 vs. 2017F

Occupancy **80.6% (2017F)** vs. 81.0% (2016)

ADR **S$270 (2017F)** vs. S$280 (2016)

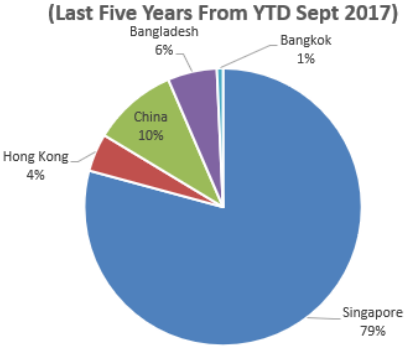
RevPAR **S$220 (2017F)** vs. S$230 (2016)

As of YTD June 2017, Singapore recorded an increase of 1.2% in occupancy and a decrease of 1.1% in ADR y-o-y, with an average occupancy of 85% and an ADR of almost S$230.

Transactions

Volume of investment activity has been declining since the high period in 2013. While no transactions were recorded in 2016, transaction volume has picked up in 2017, hinting at a sense of market recovery. Since June 2017, five hotels were transacted within the short span of three months. Singapore's hotel investment market has been dominated by local investors.

Hotel Transactions Volume by Country (Last Five Years From YTD Sept 2017)



Source: RCA Analytics

HVS

South Korea

Key Points

Tourism directly contributes **5.0%** to GDP in 2016

2.9% Real GDP growth expected in 2017

17.2 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Incheon International Airport's Terminal 2 to open in January 2018, in time for the PyeongChang 2018 Olympic Winter Games in February

New Hotel Openings in Seoul
2018 – 2020

- **Luxury:** 2 Hotels, 576 keys
- **Upper Upscale:** 3 Hotels, 1,066 keys
- **Upscale:** 7 Hotels, 1,959 keys
- **Upper Midscale:** 1 Hotel, 553 keys
- **Economy:** 1 Hotel, 121 keys
- **Independent:** 1 Hotel, 176 keys

Notable Transactions

- 434-key Conrad Seoul was transacted at ₩124.6 billion (₩287m/key) in November 2016

Demand

In the first half of 2017, tourist arrivals dropped by 17% largely due to a decline in Chinese tourist arrivals from a dispute over the THAAD missile system. Despite a decrease of 41% as of YTD June 2017, China remains the largest source market for South Korea, with twice as many arrivals than neighbouring Japan, the second largest source market. With the exception of the Chinese, tourist arrivals from the remaining top five source markets have displayed positive y-o-y growth.

Supply

2016
1,523
Establishments

2016
129,916
Rooms

2016
10% y-o-y
growth

Source: Ministry of Culture, Sports, and Tourism

HVS has noted that, going forward, there will be 40 additional hotels with approximately 13,300 keys in South Korea by 2020, having 10 hotels opened in the first half of 2017.

Seoul Hotel Performance 2016 vs. 2017F

Occupancy
68% (2017F)
vs.
75% (2016)

ADR
₩170,000 (2017F)
vs.
₩ 180,000 (2016)

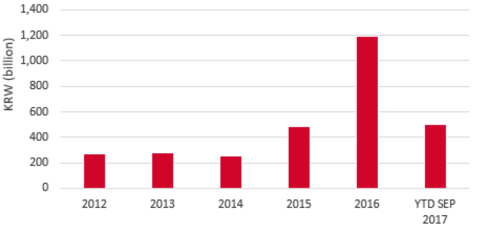
RevPAR
₩117,000 (2017F)
vs.
₩135,000 (2016)

As of YTD June 2017, Seoul recorded an average occupancy of 67.9% and an ADR of ₩164,000, a y-o-y decline of 4.4% and 5.6%, respectively.

Transactions

Since 2015, investment activity has gained momentum in South Korea. Hotel transaction volume reached their highest-ever figure of approximately ₩1.2 trillion in 2016, as a result of the 493-key Belle-Essence Hotel being sold for approximately ₩683.1 billion (₩1.4 bn/key) in May 2016. Although 2016 was an outlier, hotel transaction volume as of YTD September 2017 reached ₩498.0 billion, which is higher than the volumes of each year between 2012 and 2015.

Transaction Volume Recorded by Year
(2012 - YTD SEP 2017)



Source: RCA Analytics

HVS

Thailand

Key Points

Tourism directly contributes **9.2%** to GDP in 2016

3.3% Real GDP growth expected in 2017

32.59 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- 36 infrastructure projects worth 895.8฿ billion in the pipeline including Thai-Chinese high-speed train project and Bangkok-Rayong high-speed train project

New Hotel Openings in Bangkok and Phuket

2017

- SAVANT Vela Hotel Bangkok, 72 keys
- Rosewood Phuket, 87 keys
- Hyatt Place Bangkok Sukhumvit, 222 keys
- The Lancaster Bangkok, 231 keys

2018-2020

- **Luxury:** 4 Hotels, 833 keys
- **Upper Upscale:** 11 Hotels, 2,660 keys
- **Upscale:** 6 Hotels, 1,809 keys
- **Upper Midscale:** 6 Hotels, 1,184 keys
- **Midscale:** 7 Hotels, 1,570 keys
- **Economy:** 1 Hotel, 162 keys
- **Independent:** 3 Hotels, 507 keys

Notable Transactions

- 325-key Swissotel Nai Lert Park in Bangkok was sold at 4.1 ฿ billion (12.5 ฿ m/key) in February 2017

Demand

YTD June 2017 arrivals of 17.3 million outstripped last year's arrivals by 4%. China remains the number one source market for Thailand despite a slight decline of 4% in tourist arrivals in the first half of 2017. Russia, the sixth biggest source market for Thailand, has seen a 30% growth y-o-y. Thailand's domestic tourism is much stronger in comparison to its international arrivals. In the first half of 2017, 99.6 million domestic travellers were recorded, which was almost six times more than the number of international tourists.

Supply

June 2017
1,280
Establishments

June 2016
191,400
Rooms

2016
5.8% y-o-y
growth

Source: HVS Research

HVS has noted that, going forward, there will be 95 additional hotels with approximately 21,100 keys by 2020.

Bangkok and Phuket Hotel Performance 2016 vs. 2017F

Bangkok	Phuket
Occupancy 78% (2017F) vs. 77% (2016)	Occupancy 79% (2017F) vs. 76% (2016)

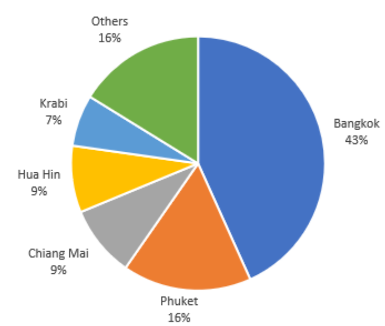
Bangkok ADR	3,420฿ (2017F) vs. 3,355฿ (2016)	Bangkok RevPAR	2,670฿ (2017F) vs. 2,595฿ (2016)
Phuket ADR	3,730฿ (2017F) vs. 3,805฿ (2016)	Phuket RevPAR	2,935฿ (2017F) vs. 2,900฿ (2016)

While Bangkok recorded a drop of 1.1% in occupancy as of YTD June 2017, Phuket's occupancy increased by 0.2% over the same period. Phuket's room rates remain competitive, while Bangkok has seen slightly higher average rates with strong tourism demand.

Transactions

With four transactions recorded as of YTD June 2017, investment activity in Thailand has slowed slightly from nine transactions recorded in 2016. Sales prices of those four transactions indicate that value per key ranges from approximately 2.7฿ million to 40.4฿ million. Over the last five years, Thai investors have recorded the highest hotel transaction volume of 47%, followed by Singaporean investors.

Hotel Transactions Volume by Location (Last Five Years From YTD SEP 2017)



Source: RCA Analytics

Vietnam

Key Points

Tourism directly contributes **4.6%** to GDP in 2016

6.3% Real GDP growth expected in 2017

10 million international tourist arrivals recorded in 2016

Highlights

Infrastructure Projects

- Opening of Metro Line 1 of HCMC, the city's first and biggest transportation project, by 2020
- Opening of Metro Lines 2 and 2A of Hanoi by 2018 and 2023 respectively
- Opening of Van Don International Airport by 2018

New Hotel Openings in Hanoi and HCMC

2018-2020

- **Luxury:** 3 Hotels, 791 keys
- **Upper Upscale:** 6 Hotels, 1,582 keys
- **Upscale:** 3 Hotels, 970 keys
- **Upper Midscale:** 5 Hotels, 1,263 keys
- **Independent:** 2 Hotels, 544 keys

Notable Transactions

- Partial interest (50%) of the 365-key Sofitel Legend Metropole Hanoi Hotel was transacted at approximately ₫2.3 trillion (₫6.2 bn/key) in December 2016

Demand

In the first half of 2017, tourist arrivals displayed robust y-o-y growth. YTD June 2017 arrivals of 6.2 million outstripped last year's arrivals by an astonishing 32%. China is Vietnam's number one source market, accounting for 30% of total international tourist arrivals. Although South Korea is a far second at 17%, there has been a surge of South Korean tourists in 2017.

Supply

2016 629 Establishments

2016 68,118 Rooms

2016 12% y-o-y growth

Source: HVS Research

HVS has noted that, going forward, there will be 80 additional hotels with approximately 23,500 keys by 2020, having three hotels opened in the first half of 2017.

Hanoi and Ho Chi Minh City (HCMC) Hotel Performance 2016 vs. 2017F

Hanoi
Occupancy
87% (2017F)
vs.
79% (2016)

HCMC
Occupancy
76% (2017F)
vs.
71% (2016)

Hanoi ADR: **2,530,000₫ (2017F)** vs. 2,370,000₫ (2016)

Hanoi RevPAR: **2,190,000₫ (2017F)** vs. 1,880,000₫ (2016)

HCMC ADR: **2,590,000₫ (2017F)** vs. 2,560,000₫ (2016)

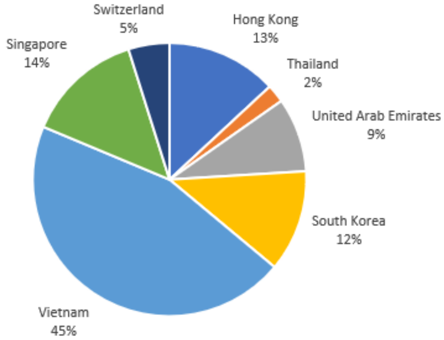
HCMC RevPAR: **1,960,000₫ (2017F)** vs. 1,810,000₫ (2016)

As of YTD June 2017, the Hanoi and HCMC hotel markets recorded a y-o-y increase in occupancy of 8.5% and 4.8%, respectively. Hanoi's room rates have been boosted by the surge in tourist arrivals, while less growth is observed for HCMC's room rates.

Transactions

It was observed that the majority of recorded transactions in the last five years have been in HCMC, with the 305-key InterContinental Asiana Saigon, transacted at ₫1.7 trillion (₫5.5 bn/key), being the most recent transaction in HCMC. As of 2017, Vietnamese investors are the most active in the market, accounting for approximately 45% of the total hotel transactions. No sales transaction has been recorded as of YTD September 2017.

Hotel Transaction Volume by Country (Last Five Years From YTD SEP 2017)



Source: RCA Analytics

About HVS

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