# HOTEL VIEWS
## 2015

## ASIA PACIFIC

A Cushman & Wakefield Research and Hospitality Publication

DECEMBER 2014


Photo Credit: The Patina Capitol Singapore – Patina Hotels & Resorts

# FOREWORD

Welcome to Hotel Views 2015. It gives me great pleasure and pride to present to you the 4th edition of this annual publication.

With each edition we have worked hard to not only make this more and more relevant by constantly improving data collection and fine-tuning our forecasting methodology. We have also made amendments to the markets we cover each year based on feedback and levels of interest shared by you - our well-wishers and clients.

A publication like this takes a lot of effort and frankly in a world where each man-hour counts and is potentially measured in dollars it becomes sometimes difficult to justify a free circulation. However, what keeps us going is the positive feedback we receive from you and more importantly the value we are told it adds to the industry at large.

The year has been challenging across the region but we as an industry have always shown unity and resilience and have carried each other in tough times and celebrated together in good times. This spirit is what drives all of us and keeps us going. The new year will be the dawn of another period of heightened activity, new challenges but most importantly another step to fortifying relationships and working together to help each other excel.

I do hope you enjoy this publication. Season's greetings to your teams, families and near and dear ones. I look forward to engaging with you in the next few months to hear your reactions and valuable inputs and to explore newer ways of working together for mutual benefit.

Stay safe, stay happy and have a fantastic year end and all the very best for the new year.

AKSHAY KULKARNI
Regional Director – Hospitality
South & South-east Asia
Cushman & Wakefield
akshay.kulkarni@ap.cushwake.com

# TABLE OF CONTENTS



| | |
|---|---|
| ADR | AVERAGE DAILY RATE |
| AOR | AVERAGE OCCUPANCY RATE |
| APAC | ASIA PACIFIC |
| ASEAN | ASSOCIATION OF SOUTH-EAST ASIAN NATIONS |
| BN | BILLION |
| CAGR | COMPOUND ANNUAL GROWTH RATE |
| CBD | CENTRAL BUSINESS DISTRICT |
| CPI | CONSUMER PRICE INDEX |
| GDP | GROSS DOMESTIC PRODUCT |
| H | HALF |
| MICE | MEETINGS, INCENTIVES, CONFERENCES & EVENTS |
| MN | MILLION |
| NCR | NATIONAL CAPITAL REGION |
| Q | QUARTER |
| REVPAR | REVENUE PER AVAILABLE ROOM |
| REIT | REAL ESTATE INVESTMENT TRUST |
| TN | TRILLION |
| USD | UNITED STATES DOLLARS |
| YOY | YEAR-ON-YEAR |
| YTD | YEAR-TO-DATE |

# HOTEL FORECASTS

| MARKET | | 2013 | 2014F | %GROWTH | REVPAR | 2015F | %GROWTH | REVPAR |
|---|---|---|---|---|---|---|---|---|
| Melbourne | AOR | 80% | 82% | 2.0% | | 86% | 3.3% | |
| | ADR | 181 | 167 | -7.6% | ▼ | 167 | 0.1% | ▲ |
| | RevPAR | 145 | 138 | -5.2% | | 143 | 4.1% | |
| Sydney | AOR | 85% | 86% | 1.1% | | 85% | -0.5% | |
| | ADR | 200 | 185 | -7.8% | ▼ | 182 | -1.7% | ▼ |
| | RevPAR | 170 | 158 | -6.6% | | 155 | -2.2% | |
| Beijing | AOR | 58% | 57% | -1.8% | | 57% | 0.9% | |
| | ADR | 84 | 83 | -1.1% | ▼ | 85 | 2.0% | ▲ |
| | RevPAR | 49 | 47 | -4.2% | | 49 | 3.5% | |
| Shanghai | AOR | 59% | 61% | 1.5% | | 62% | 1.1% | |
| | ADR | 100 | 104 | 3.5% | ▲ | 106 | 2.1% | ▲ |
| | RevPAR | 59 | 63 | 6.1% | | 65 | 3.9% | |
| Hong Kong | AOR | 89% | 90% | 1.0% | | 89% | -1.3% | |
| | ADR | 187 | 193 | 3.6% | ▲ | 193 | -0.1% | ▼ |
| | RevPAR | 166 | 174 | 4.8% | | 171 | -1.5% | |
| Mumbai | AOR | 66% | 64% | -2.2% | | 62% | -1.9% | |
| | ADR | 117 | 111 | -4.6% | ▼ | 113 | 1.4% | ▼ |
| | RevPAR | 78 | 72 | -7.7% | | 70 | -1.7% | |
| NCR, Delhi | AOR | 54% | 49% | -4.6% | | 43% | -6.1% | |
| | ADR | 139 | 133 | -4.6% | ▼ | 134 | 1.0% | ▼ |
| | RevPAR | 75 | 66 | -12.8% | | 58 | -11.1% | |
| Bali | AOR | 65% | 66% | 0.7% | | 64% | -2.1% | |
| | ADR | 154 | 153 | -1.1% | ▶ | 165 | 8.4% | ▲ |
| | RevPAR | 100 | 100 | 0.0% | | 105 | 4.9% | |
| Jakarta | AOR | 75% | 73% | -2.3% | | 67% | -5.6% | |
| | ADR | 100 | 104 | 4.3% | ▲ | 116 | 11.7% | ▲ |
| | RevPAR | 75 | 76 | 1.2% | | 78 | 3.2% | |

ADR and RevPAR figures presented in USD.

| MARKET | | 2013 | 2014F | %GROWTH | REVPAR | 2015F | %GROWTH | REVPAR |
|---|---|---|---|---|---|---|---|---|
| Tokyo | AOR | 86% | 87% | 1.2% | | 87% | -0.5% | |
| | ADR | 157 | 168 | 7.1% | ▲ | 175 | 4.2% | ▲ |
| | RevPAR | 136 | 147 | 8.5% | | 152 | 3.6% | |
| Kuala Lumpur | AOR | 73% | 72% | -1.0% | | 74% | 2.0% | |
| | ADR | 90 | 85 | -5.6% | ▼ | 87 | 2.1% | ▲ |
| | RevPAR | 66 | 61 | -6.9% | | 64 | 4.9% | |
| Maldives | AOR | 74% | 75% | 0.9% | | 73% | -1.7% | |
| | ADR | 619 | 631 | 2.0% | ▲ | 650 | 3.0% | ▶ |
| | RevPAR | 458 | 473 | 3.2% | | 476 | 0.6% | |
| Manila | AOR | 67% | 65% | -1.5% | | 59% | -6.6% | |
| | ADR | 136 | 131 | -3.6% | ▼ | 129 | -1.5% | ▼ |
| | RevPAR | 91 | 86 | -5.8% | | 76 | -11.5% | |
| Singapore | AOR | 86% | 84% | -1.7% | | 85% | 0.8% | |
| | ADR | 206 | 207 | 0.3% | ▼ | 211 | 2.0% | ▲ |
| | RevPAR | 177 | 174 | -1.7% | | 179 | 2.9% | |
| Seoul | AOR | 75% | 77% | 1.7% | | 77% | -0.1% | |
| | ADR | 142 | 145 | 1.9% | ▲ | 147 | 1.2% | ▲ |
| | RevPAR | 107 | 111 | 4.2% | | 112 | 1.1% | |
| Colombo | AOR | 70% | 66% | -4.0% | | 69% | 2.4% | |
| | ADR | 128 | 132 | 3.1% | ▼ | 137 | 3.8% | ▲ |
| | RevPAR | 90 | 87 | -2.8% | | 94 | 7.5% | |
| Bangkok | AOR | 74% | 63% | -11.2% | | 67% | 3.8% | |
| | ADR | 113 | 97 | -13.8% | ▼ | 106 | 9.7% | ▲ |
| | RevPAR | 84 | 61 | -26.8% | | 71 | 16.4% | |
| HCMC | AOR | 69% | 71% | 2.3% | | 72% | 1.0% | |
| | ADR | 85 | 89 | 5.4% | ▲ | 94 | 5.0% | ▲ |
| | RevPAR | 59 | 64 | 8.9% | | 68 | 6.4% | |

ADR and RevPAR figures presented in USD.

Photo Credit: Ritz-Carlton Kyoto

# EXECUTIVE SUMMARY

In the first eight months of 2014, the Asia Pacific region welcomed 5% more international tourists (overnight visitors) over the same period in 2013, with more than 1.1 billion tourists expected by year-end. According to the UNWTO, the South Asia sub region was a star performer alongside North America, with growth at 8%.

While the Asia Pacific region has witnessed a surge in demand and supply, making it an ever popular region, 2015 can expect close to 548,000 keys in these markets, which would impact some core markets with a dip in RevPAR viz. Shanghai, Hongkong, Mumbai, NCR etc. After record USD 12.1 Bn value of hospitality transactions in 2013, transaction activity slowed in 2014 with growth seen in specific destinations for a new wave of capital.

Due to the large supply injections in several core markets over the past two years, region-wide RevPAR dipped in 2013 in most markets.

2013/14 was an overwhelming year for NCR, Delhi, being ousted by the DIAL Aerocity rooms coming live. There are positive chimes in Sydney and Melbourne with the Barangaroo and Docklands development which would open new avenues for demand in the city. A new airport in Beijing by 2018 will relieve congestion at Capital Airport that handled 84 mn passengers in 2013 at 110% of its capacity, also with the boost to tourism with the Shanghai Disneyland expected to begin operations in 2015. Malaysia's demand inflow was dented by some ill - fated aviation accidents, while Thailand, being impacted by the political unrest and continual uncertainty is undergoing ADR and AOR declines. While mining investment slid in Aug 2014, after a decade of consistent increases, non-mining construction has helped to cushion the Australian economy despite soft domestic demand that is only expected to recover in 2015.

Tokyo showed the largest increase in ADR (7.1%) with HCMC showing the largest increase in RevPAR (8.9%). Colombo, Mumbai and Delhi, NCR are expecting the largest upcoming supply in the next few years.

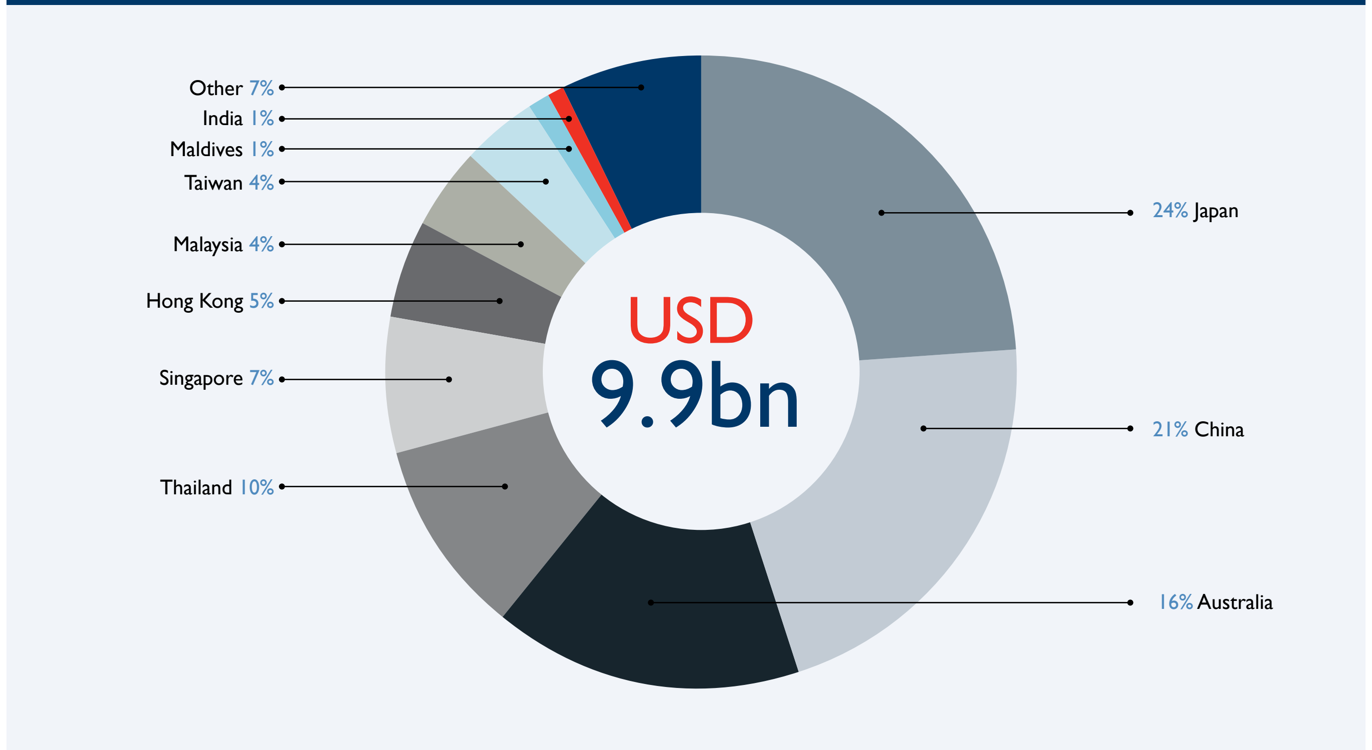
International hotel groups continue expanding into the region, with recent opening of Hotel Jen Orchard Gateway in Singapore, a new brand of the Shangri La Hotels & Resorts. To enhance the mid - market offering in Maldives, Thumburi, an integrated resort development is planned. Aman hotels foray into their first urban gateway in Tokyo with the Aman Tokyo Ometachi Tower and a notable addition to Maldives with Cheval Blanc Randheli by LVMH and Atmosphere Kanifushi resort in H1 2014.

A normalizing economy should spur more interest in real assets such as property and with institutional allocations increasing, particularly in Asia, private buyer demand growing, a larger quoted sector developing and international interest up as investment objectives become more global, the outlook is clearly for real estate demand to strengthen.

The Asia Pacific markets are forecast to see robust performance in 2014-15, against the backdrop of an improving global economy, rising domestic demand, political reform and enhanced flight connectivity.

# TRANSACTION UPDATE

## TRANSACTION VOLUME BY DESTINATION (YTD NOV 2014)

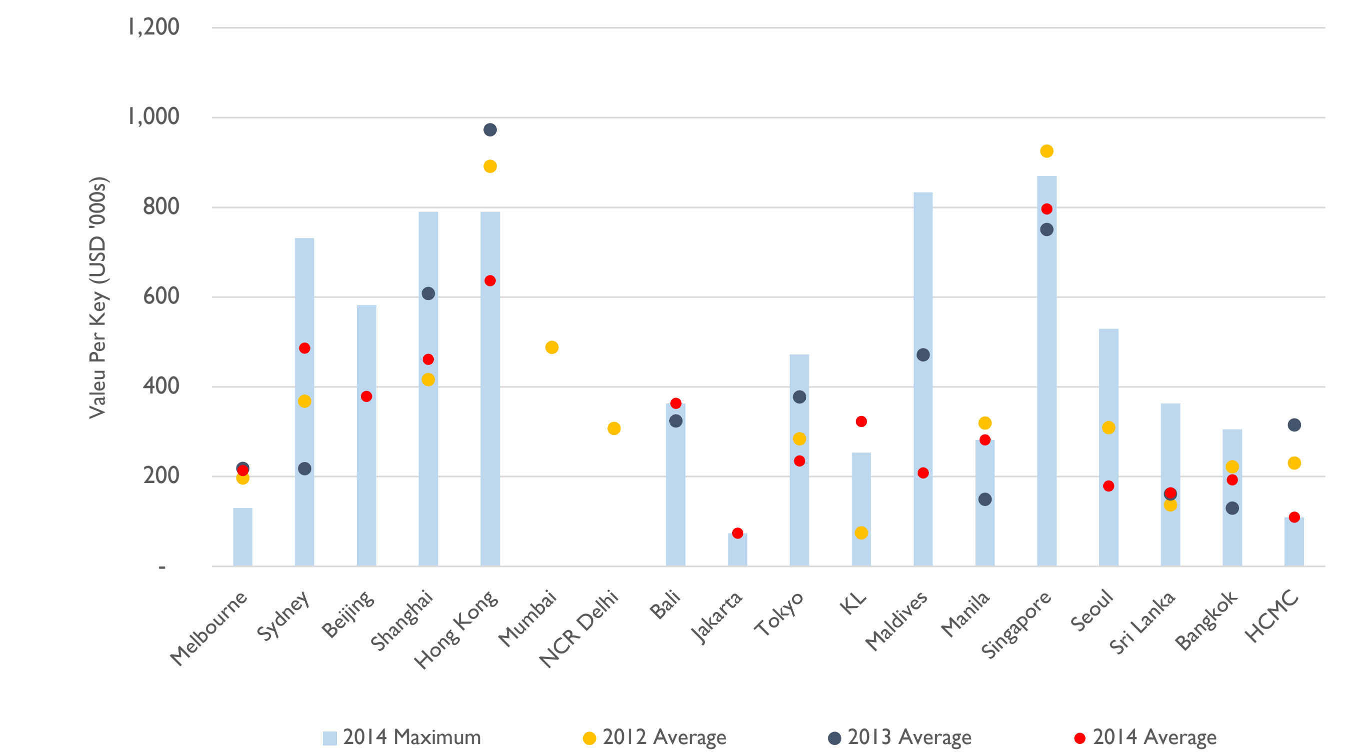



After a record USD 12.8 bn value of hospitality transactions in 2013, transaction activity slowed in 2014 with growth seen in specific destinations for a new wave of capital. Total investment, transaction value of closed or contracted hospitality assets, across APAC dipped by -17.4% to USD 9.9 bn with over 34,000 keys traded YTD Nov 2014, with just over USD 1.2 bn and another 3,500 keys expected to fully transact by early 2015. The dip in total investment across APAC however, reflects a geographic shift in focus rather than a waning interest in hospitality assets. Total cross-border capital for hospitality assets reached USD 12.5 bn YTD in 2014, significantly outpacing the USD 7.0 bn of inter-market investment over FY 2013. Trends reflecting growing interest in the US, Western Europe and Australia intensified with an influx of new capital chasing both assets in and outbound Asian tourists and to destinations such as Manhattan, Hawaii, London, Sydney and Paris.

Transaction values in Japan topped USD 2.4 bn YTD in Nov 2014, with large portfolio and single-asset transactions by REITs with foreign activity largely originating from Singapore-based REITs contributing just over USD 1.0 bn to total investment. With Tokyo's heightened profile after its successful bid for the 2020 Olympic Games, foreign interest will remain strong particularly given optimism over the recovering Japanese economy and the weakening Yen. Investment capital into hospitality assets into China totalled USD 2.0 bn YTD in 2014. While total volume for China remained stable, Shanghai was the destination for capital accounting for 74% of transaction value as operating fundamentals remained strong amid a subdued market across the wider Mainland.

While total investment in Australia declined from record highs in 2012 and 2013, investors remain particularly keen on Sydney which accounted for 76% of transaction volume which grew to USD 1.2 bn YTD amid rising values per key. The record sale of Sheraton on the Park Sydney by Starwood Hotels & Resorts Worldwide Inc. to China-based Sunshine Insurance Group is indicative of high-profile acquisitions worldwide, where global chains' asset-light strategies are providing opportunities for capital in high-performing markets with high-barriers to entry. Activity in Hong Kong and Singapore decelerated significantly after high-profile transactions and in the wake of record values per key witnessed in 2013 – Shama Causeway Bay in Hong Kong and Westin in Singapore at USD 1.9 mn and USD 1.2 mn respectively. Singapore in particular saw just USD 721.6 mn in hospitality asset transactions YTD compared to USD 2.3 bn in 2013, even as capital from the city-state makes a wider mark into Japan, Europe, the US and Australia with outbound capital growing from USD 2.5 bn in 2013 to USD 3.4 bn YTD in 2014.

## AVERAGE VALUE PER KEY (2012-2014) AND MAXIMUM VALUE PER KEY (2014)




2012 Average Value Per Key for NCR Delhi reflects 2011 data for representation purposes and all Maximum Value Per Key figures are shown for transactions of properties with 100 rooms or more.

Outbound Chinese capital was the second largest cross-border source of capital in 2014, sparking high-profile transactions at an accelerated pace. Cross-border capital from China rose to USD 3.3 bn YTD from USD 1.3 bn in FY 2013. Amid a slowing domestic economy, Chinese insurers have been encouraged to boost returns and better manage risk through the broadening of investment scopes and relaxation of outbound investment rules. The China Insurance Regulatory Commission (CIRC) notes that domestic insurers currently only have 1% of assets invested overseas, against the regulatory ceiling of 15%, suggesting significant potential for continued growth in capital flows. Investment into hospitality assets on the regional up-cycles in North America and parts of Western Europe at relatively lower values-per-key however, are drawing capital out of APAC. Analysis of Average Value Per Key from 2012 to 2014 (and Maximum Value Per Key in 2014) reflect the highest average values per key in Singapore and Hong Kong YTD in 2014 at USD 776K and USD 636K respectively. Comparing investment volumes in 2014, these higher relative acquisition costs per key have and will continue to blunt interest moving forward. Other APAC gateway markets such as Sydney, Shanghai and Tokyo have Average Values Per Key within the USD 235K – 486K range.

Investment in management entities was also a highlight of 2014, with both financial and strategic investors chasing opportunities. In this light, Chinese capital again entered the fray with operator Shanghai Jin Jiang's agreement to acquire the Paris-based Louvre Hotels Group and the ongoing battle for Club Méditerranée SA between investor groups led by China-based Fosun International Ltd and Italian businessman Andrea Bonomi.

As cap rates and yields remained compressed in gateway APAC markets, particularly in Hong Kong and Singapore, financially-motivated investors continue to explore alternative markets with increasing activity by volume seen in Taiwan and Malaysia. In 2015, key APAC gateways should regain transactional steam, should values moderate in comparison to bang-for-buck opportunities in the Western hemisphere. Investors will continue to explore the stable and growing second tier cities in Australia with keen interest in high performing resort destinations. Investors are increasingly becoming more sophisticated and familiar with the industry and are seeking higher yields. The growth of supply across a large tracts of APAC however, may suppress room rate growth required to support relative higher values-per-key and underserved growth markets will be a key focus for investors moving forward.


# MELBOURNE
## AUSTRALIA

CUSHMAN & WAKEFIELD®

Photo Credit: The Langham, Melbourne – Langham Hospitality Group

# MELBOURNE, AUSTRALIA

## ECONOMIC UPDATE

While mining investment slid 10.9% YOY in Aug 2014 after a decade of consistent increases, non-mining construction has helped to cushion the Australian economy despite soft domestic demand that is only expected to recover in 2015. The Australian Dollar (AUD) slid significantly in 2014, falling close to a 4-year low in Oct 2014. With the Royal Bank of Australia reluctant to reduce the cash rate in fear of further inflating already-high housing prices in Sydney and Melbourne, the weaker AUD will not only benefit resource exporters but also service exporters by spurring domestic spending and inbound expenditure. Although expenditure on transport infrastructure and an expanding service sector will slightly accelerate Victoria's Gross State Product growth to 2.8% by 2015, challenges remain ahead in the transition from the state's declining manufacturing sector and the resulting structural hurdles for its labour force.

## TOURIST ARRIVALS

Melbourne's prominence as an education hub provides a strong fundamental for inbound demand with tourism particularly driven by social tourists who visit friends and relatives. Total overnight visitors grew by 7.9% to 9.5 mn in the year ending Jun 2014, driven by international overnight visitor growth at 11.2% and domestic overnight visitor growth at 7.1%. Total growth accelerating noticeably above the average 3.0% growth seen in 2012 and 2013. China, New Zealand, UK, USA and Malaysia accounted for 57% of arrivals as the top 5 source markets and grew a combined 11.7% YOY in 2014. India, Thailand, Hong Kong, the Netherlands, Italy and Canada also posted strong gains above 15% in arrivals YOY, reflecting the wide appeal of the destination from short- to long-haul source markets. To that effect, United Airlines will begin flights on its new stretch Dreamliner between Melbourne and Los Angeles in Oct 2014 and Melbourne Airport's new Terminal 4 will provide low-cost carriers Jetstar, Tiger and Rex airlines the opportunity to boost services in H2 2015.

## HOTEL SUPPLY

A significant pipeline of over 4,000 rooms from 2014 to 2018 would add approximately 20% to the existing supply of rooms in Melbourne. Should all projects enter the market as scheduled, 63% of these rooms are expected to come online in 2016 and 2017, reflecting limited supply growth in the immediate future. Beyond the recent openings of Sheraton Melbourne Hotel and Tune Hotel Melbourne, the city has offered opportunities for both new-build projects – including the upcoming Peppers and PARKROYAL in Docklands – and the potential for redevelopment projects in the established city centre. While new-build and acquisitions will remain attractive given strong operating fundamentals, developers may be more cautious in entering the market given recent challenges to the redevelopment of prominent landmarks. The proposed plan for the site of Palace Theatre was significantly reduced from 350 to 78 keys to meet revised planning requirements, and announced plans for the Forum Theatre and Total House face ongoing opposition and appeals to preserve the architectural and social heritage of the city.

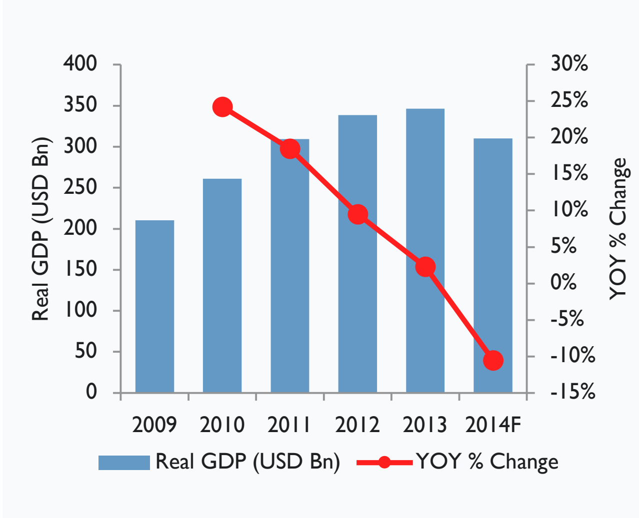
## HOTEL PERFORMANCE

RevPAR performance has been driven by an occupancy that continues to climb beyond 80% and an ADR growth of 2.3% in 2013. According to the Australian Bureau of Statistics (ABS), total takings from Hotels, Motels and Serviced Apartments hit AUD 1.7 bn in the year ending Jun 2013, up 4.7% YOY. With occupancies hovering close to an optimal capacity benchmark of 85%, hotels are expected to generate gains through revenue strategies and ADR until 2016, should all mooted projects come online and increase supply by 2017. Although the city has had a number of new openings, demand continues to outpace supply so far and we expect gains in both Occupancy and ADR to boost RevPARs (in AUD) and continue the trend of consecutive growth in both 2014 and 2015.

## OUTLOOK

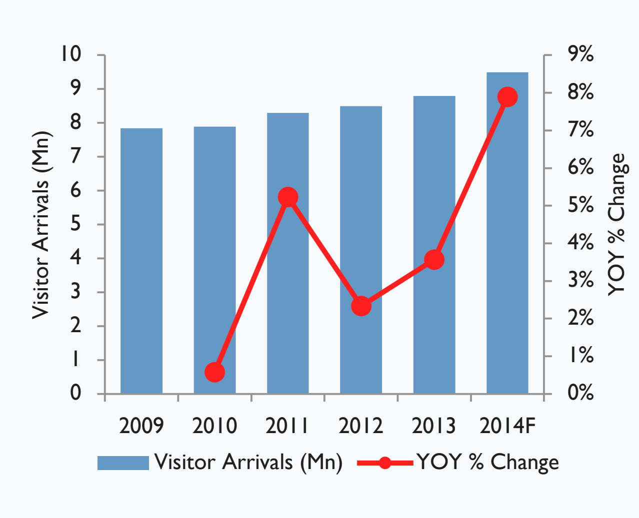
The outlook for the Melbourne hospitality market remains strong. Buoyed by impressive growth in both domestic and international arrivals, Occupancy and ADR are expected to continue on their upward trend in 2014 and 2015 given a minimal increase in supply in the short-term. While a declining manufacturing industry and transitioning economy may dampen corporate demand, new demand drivers are expected to sustain the need for room nights with the once-derided Docklands – now a growing base for Financial and Professional Services industries – becoming a greater engine for growth and the partial relocation of demand from the closure of Sydney Convention & Exhibition Centre until 2016. The city's MICE calendar is filling up for 2015 with the city playing host to significant events, including the Australia Tourism Exchange (ATE), ICC World Cup Cricket Final and the Young Presidents' Organization conference. Domestic and inbound leisure demand from tourists and social visitors is also expected to continue growth on the back of a declining AUD and Melbourne's strong profile as an education hub for international students.

### VICTORIA STATE GDP



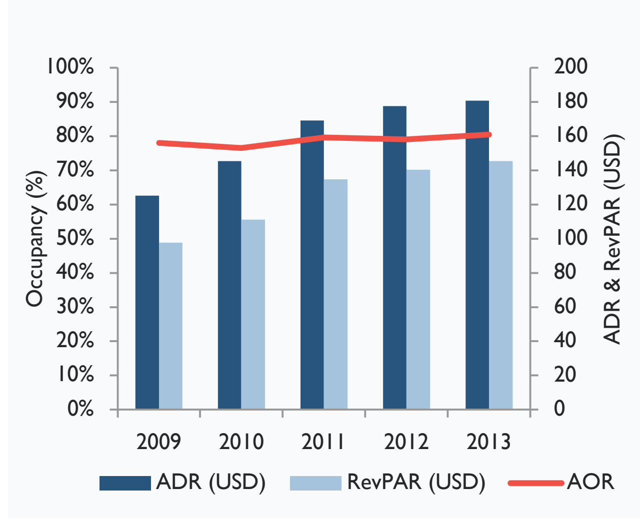

Source: Australian Bureau of Statistics

### MELBOURNE OVERNIGHT VISITORS




Source: Australian Bureau of Statistics

### MELBOURNE HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 86% | ▲ |
| ADR | AUD 188 | ▲ |
| RevPAR | AUD 161 | ▲ |

# SYDNEY
## AUSTRALIA

CUSHMAN & WAKEFIELD

Photo Credit: Park Hyatt Sydney – Hyatt Hotels Corporation

# SYDNEY, AUSTRALIA

## ECONOMIC UPDATE

A boom in the residential market has resulted in a growth in construction, boosting real estate demand in New South Wales (NSW) to levels not recorded since 2009. As Australia's most populous state, an expected return to growth in NSW would have flow-through effects into the broader economy. Although the central bank is cautious of speculation in the housing market, it is expected to continue a neutral interest rate policy stance moving into 2015 to mitigate downside risks for growth and inflation alongside efforts to the revive the economy and labour market amid a fading resource investment boom. Large-scale developments at Barangaroo and International Convention Centre Sydney (ICC Sydney) as well as ongoing discussions for the Western Sydney Airport are expected to boost construction activity in the immediate future as they develop into engines for growth in the long-term.

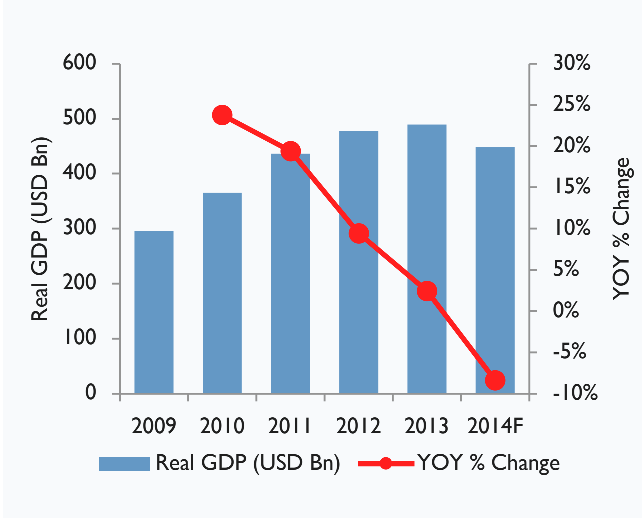
## TOURIST ARRIVALS

Despite a slowdown in tourist arrivals in 2012 and 2013, overnight visitation rose by 10.5% in the year ending Jun 2014 to 11.5 mn. This gain however, was largely driven by domestic overnight growth of 12% to 8.7 mn, of which only 30% stay in hotels, resorts and motels. 2.9 mn foreign overnight visitors arrived in Sydney over the same period, continuing stable growth of 6.5%. The top 15 source markets combined accounted for 81% of international overnight visitors and grew marginally slower at 6.6% in 2014. While slower growth was recorded after record highs in 2013 from China, Malaysia, Singapore and Taiwan, a return to growth from long-haul markets in North America and Europe and the increasing number of Indian arrivals were positive metrics in an overall buoyant demand market. While growth rates may moderate moving forward, over 50% of visitors to Sydney in 2014 were return visitors, and with an increasing base of first-time arrivals, the broader metrics point to continued growth moving forward from both domestic and international sources.

## HOTEL SUPPLY

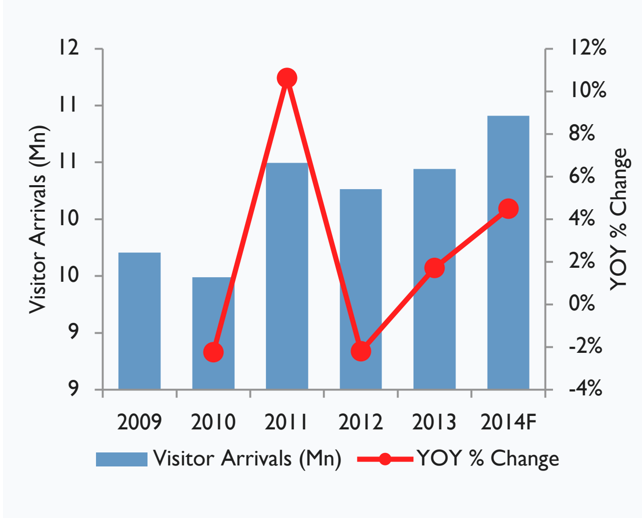
Sydney's upcoming supply pipeline is the largest boom expected since the Olympics in 2000, emerging after a number of existing assets have completed or are undergoing renovation and refurbishment. While prominent hotel openings in 2014 were reflagged properties such as the InterContinental Sydney Double Bay and Rydges Sydney Central, over 1,000 new rooms are expected to come online in 2015 though these will largely add supply beyond Sydney's city core with properties such as Travelodge Mascot and Adina Apartotel Royal Randwick Racecourse. Pipeline projects in the medium-term that will impact the city core include the expansion of Four Points by Sheraton (2016) and the Sofitel Sydney Darling Harbour project (2017). Earmarked assets for sale by the State Government include prime sites tipped for hotel redevelopment that may add to supply in the longer term as well, as the heritage Education Building and Department of Lands Building are expected to spark interest and yield 250 and 100 keys respectively for high-end operators.

### SYDNEY GDP




Source: Australian Bureau of Statistics

### SYDNEY OVERNIGHT VISITORS




Source: Australian Bureau of Statistics

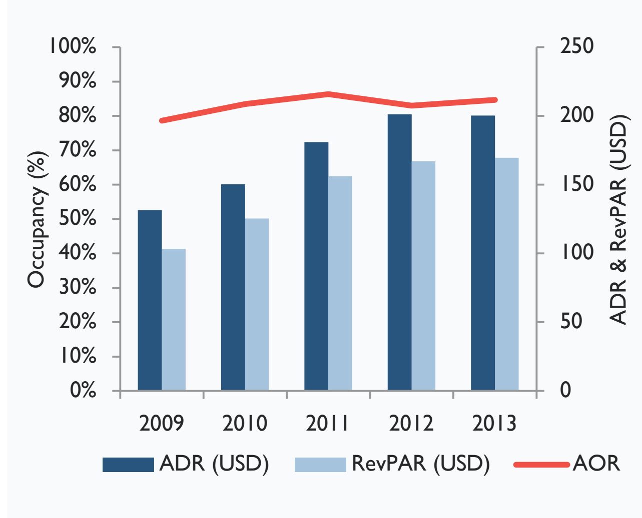
## HOTEL PERFORMANCE

Occupancy reflected a 1.7% pt growth in 2013, while ADR held steady at AUD 195. The lingering impact of 2012's soft demand left hotels maintaining rates in 2013, with the recovering demand for room nights driving occupancy growth in 2013. RevPAR in AUD has increased consistently YOY, growing at a CAGR of 3.6% from 2009 to 2013. With the exception of 2012 – when growth in business travel eased and international arrivals dipped in eight of the top ten source markets – growth in demand has consistently outpaced supply. As stronger demand growth has driven confidence since the tail-end of 2013, city-wide metrics are expected to grow in 2014 to achieve an occupancy of just under 86% and a growth in ADR of 3.1% in AUD.

## OUTLOOK

Moving ahead, demand is expected to continue strong growth, as declines in the AUD entice domestic and international travellers and economic confidence gradually recovers. Occupancies may face downward pressure from planned openings in 2015 that may increase the supply of room nights available by up to 5%. ADRs are however, expected to continue growth with occupancy maintaining a firm hold above 85%, allowing effective hoteliers to drive RevPAR gains through ADR. In the longer-term, the re-opening of official convention facilities in 2016 and new large-scale developments such as the 22-hectare Barangaroo project are set to raise Sydney's profile on both a national and international stage. While the recent surge in hotel proposals and planned investments can be expected to temper demand-side growth, Sydney may increasingly cater to higher-segments of guests that will drive rate growth amid strong occupancies.

### SYDNEY HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 85% | ▼ |
| ADR | AUD 204 | ▲ |
| RevPAR | AUD 174 | ▲ |

# BEIJING
## CHINA

Photo Credit: Waldorf Astoria Beijing – Hilton Worldwide

# BEIJING, CHINA

## ECONOMIC UPDATE

Beijing's real GDP growth was 10.0% YOY at USD 310.1 bn in 2013, marginally higher growth than the preceding year, and Per Capita GDP also rose by 8.8% YOY to USD 13,847. In H1 2014, GDP grew 7.2% YOY to USD 157.6 bn, as slower investment growth and a reduction in government spending accompanied concerns over a decelerating economy and structural reforms to prevent risks from debt and overcapacity. The rate of growth rate however, grew marginally from Q1 2014 and remained just under the city's target economic growth rate of around 7.5% in 2014, showing moderate but stable growth. The tertiary sector led to the city's economic growth and the information service, financial service and science and technology service sectors accounted for over half of the growth rate.

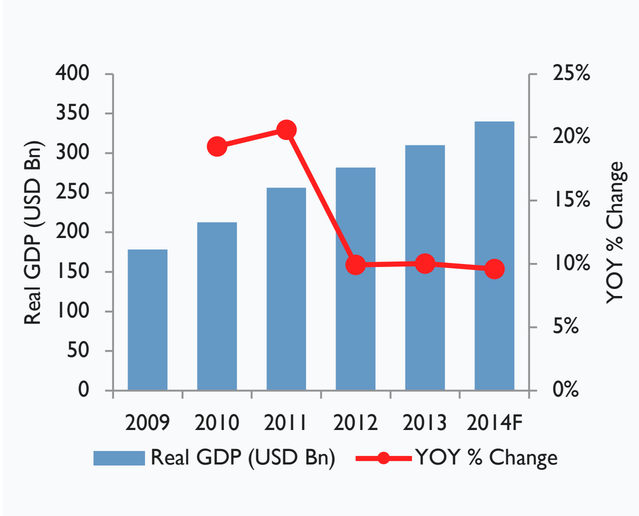
## TOURIST ARRIVALS

A total of 252 mn visitors visited Beijing in 2013, a YOY growth of 8.9%, 0.8% pts higher than growth in 2012. Domestic arrivals, who overwhelmingly contribute 98% to all arrivals, grew 9.3% YOY to 247 mn arrivals. International visitation however reflected a growing decline, falling 10.1% to 4.5 mn after a smaller 3.7% dip in 2012. This is attributed to the stronger Yuan, continuing economic uncertainty and lingering air pollution. Arrivals from the top three source markets, the US, South Korea and Japan decreased by 16% YOY, largely due to significant declines in arrivals from Japan and South Korea of 43% and 15%, respectively. H1 2014 figures reflect continued pressure on international arrivals with a 5.8% decline YOY. Domestic arrival growth however, will continue to offset international declines with 266 mn domestic arrivals expected in 2014. A new airport is also set to open in 2018 which will relieve congestion at Capital Airport that handled 84 mn passengers in 2013 at 110% of its capacity. The new airport is expected to double the capacity for air travellers via Beijing, and enhance the city's competitiveness to attract more visitors in the medium to long term.

## HOTEL SUPPLY

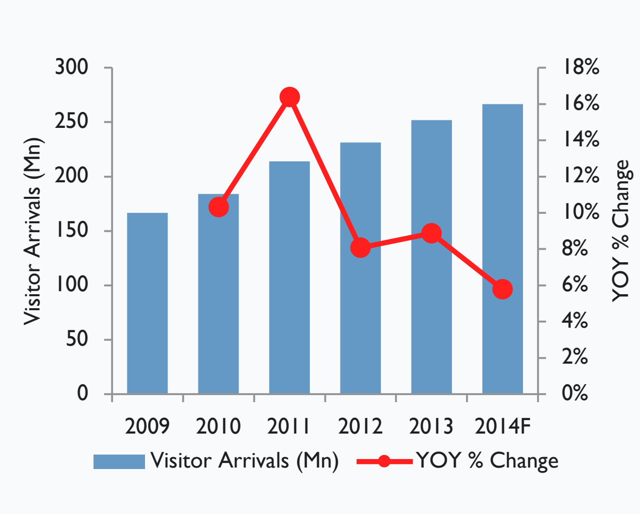
The city's total star-rated hotel inventory in 2013 was 614 hotels with 400 hotels within the 3- to 5-Star range. While inventory remained stable in 2013 with the addition of just two hotels, total room inventory declined slightly by 0.6% YOY. In 2014, 3,400 rooms are expected to be added to the city's inventory at a growth rate of 2.9% and the city can expect to witness a further increase in supply in the coming years, with the planned addition of 3,800 rooms from 2015 to 2018. Our research indicates that the development of upscale and luxury hotels remains active and 5-star hotels will account for around 62% of new openings in 2014. Notable openings in 2014 included the 312-key Wanda Realm Beijing Jiahua, 412-key JW Marriott Hotel Beijing Central, 340-key W Beijing - Chang'an, 176-key Waldorf Astoria Beijing and the 283-key Rosewood Beijing. Openings are also anticipated with more high-tier segments hotels on the way with Kempinski, Sheraton, Tangram and Somerset slated to open by the end of 2014 and in 2015.

### BEIJING GDP




Source: Beijing Municipal Bureau of Statistics

### BEIJING TOURIST ARRIVALS




Source: Beijing Municipal Bureau of Statistics

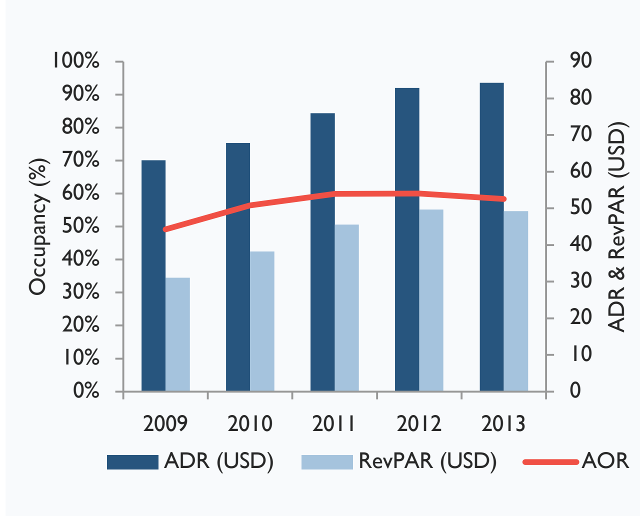
## HOTEL PERFORMANCE

In 2013, all key performance metrics for star-rated hotels in Beijing showed stagnant growth along with the slowdown in tourist arrival growth. Occupancy dipped 2.7% pts to 58%, reflecting a decline for the first time since 2009, while ADR grew just 1.3% YOY to Chinese Yuan (CNY) 530 after an 8.6% growth in 2012 and a 1.4% decline in RevPAR to CNY 309. The downward drift in performance continued in H1 2014 with occupancy and ADR recorded at 54% and CNY 515 respectively. As the market-wide challenge in filling rooms placed downward pressure on room rates, ADR for the 5-star segment declined 7.3% to CNY 818 in H1 2014 compared to H1 2013 while 5-star occupancy grew 2.4% pts YOY to 60.1%. Declines were experienced across a majority of segments, with one-, three- and four-star hotels reflecting declines in both occupancy and ADR. 2-star hotels however, experienced growth in both occupancy and ADR, likely due to the cascading effects of broader downward pressures and the resiliency of lower-rated domestic demand.

## OUTLOOK

Amid a stronger Yuan, global economic uncertainty and structural reforms that will moderate GDP growth, international visitation is anticipated to decline in the coming years. While domestic visitation continues to drive the growth of tourism market, total arrival growth will moderate in 2014 and 2015, and continue to place downward pressure on hotel performance as new supply enters the market. The government however, is expected to continue the roll out of various promotional acts to boost tourism including a 72-hour visa-free policy and the development of transportation networks such as new railroads and the new international airport, which will help potential growth in international visitation in the long term. Domestic visitation is expected to maintain its strong growth trend, boosted by increasing disposable incomes and the government's promotion of domestic tourism and the leisure sector under the National Leisure Plan (2013-20) which promotes a basic paid leave system for employees. Improving service standards in the tourism and leisure sector alongside enhancements to infrastructure will also prop domestic demand growth moving forward.

### BEIJING HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 57% | ▲ |
| ADR | CNY 524 | ▲ |
| RevPAR | CNY 301 | ▲ |


# SHANGHAI
## CHINA

CUSHMAN & WAKEFIELD

Photo Credit: Shanghai Marriott Hotel Pudong East – Marriot International, Inc.

# SHANGHAI, CHINA

## ECONOMIC UPDATE

In H1 2014, Shanghai's real GDP grew by 7.1%, slower than growth in H1 2013 and below the stable full-year growth of 7.7% experienced in 2013 due to the still-volatile external environment as well as the strong downward macro-economic pressures on the economy. Despite slower growth, Shanghai's economy continues to expand steadily and leads the nation's reform through innovation, economic transformation and the upgrading of industrial production, with the recent launch of the free trade zone within Shanghai reflecting its status as a test bed for economic reform. This growth and a stable labour market is also steadily increasing the disposable income of both urban and rural residents. The service industry led the city's growth by expanding 7.8% in H1 2014, up by 1.0% pt compared to H1 2013, and accounting for 63% of the city's total value-added GDP. Consumer prices remained stable and within the control targets set for 2014 with an inflation of only 2.6% in H1 2014.

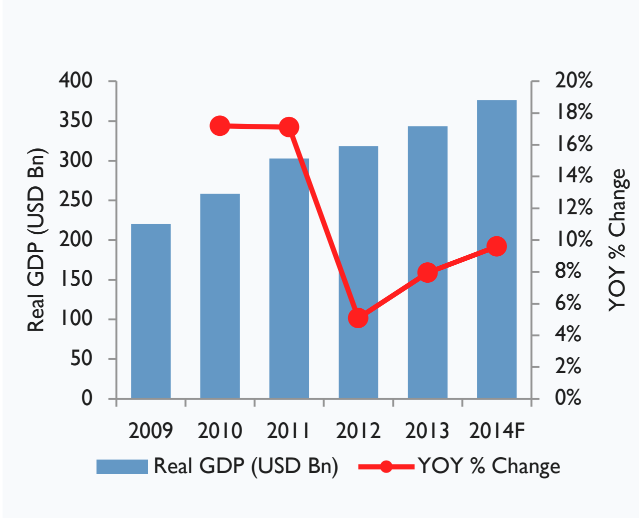
## TOURIST ARRIVALS

Shanghai welcomed 267.6 mn visitors in 2013 with a steady growth of 3.3% YOY. Accounting for 97% of total visitation, domestic arrivals grew by 3.6% YOY and led the growth of tourism. International arrivals have continued to reflect declines since 2010 due to the fall in demand in the post-Expo period and continuing volatility in the global economy, falling 5.4% YOY to 7.5 mn visitors in 2013. Figures from the Shanghai Municipal Tourism Bureau however, indicate that international arrivals grew by 7.1% in H1 2014 compared to H1 2013. Among the top three source markets, visitors from Japan decreased to 405,649 down by 1.1%, yet visitors from the US and South Korea reached 321,407 and 278,499 up by 4.3% and 7.3% respectively, compared to the same period in 2013. Moving forward, the city can expect a boost to demand drivers and enhance its potential to attract visitors as the newly launched free trade zone and the planned opening of Shanghai Disneyland in 2015 draw both corporate and leisure travellers.

## HOTEL SUPPLY

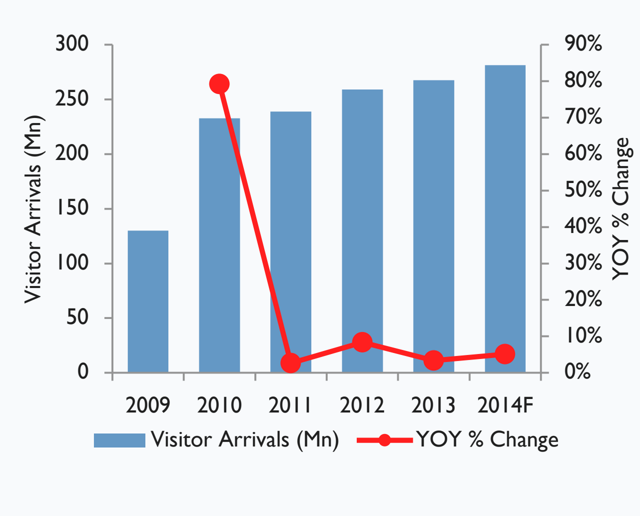
While the number of four- to five-star hotels has grown by 34 to 130 hotels between 2009 and 2013, a more stringent rating system has displaced lower-tiered hotels, with the number of three-star hotels falling by 61 to 141 hotels over the same period. The city continues to be of interest amongst international operators given recent openings and the active pipeline ahead. Notable openings in 2013 include the 362-key Mandarin Oriental Shanghai, 508-key Jiang An Shangri-La, 678-key of Pudong Kempinski and the 238-key InterContinental Shanghai Ruijin. In 2014, around 2,000 rooms will be added to supply including the Sheraton Shanghai Jiading and the Shanghai Marriott Hotel Parkview. Increasing strength in the city's demand drivers such as the new Shanghai Free-Trade Zone and the planned opening of Disneyland will continue to boost the appetite for further development and expansion amongst operators. The total room inventory for 2014 is expected to reach just under 51,000 rooms and the current pipeline between 2015 and 2018 could add another 10,500 rooms, an increase of 20% over the inventory in 2014.

### SHANGHAI GDP




Source: Shanghai Municipal Statistics Bureau

### SHANGHAI TOURIST ARRIVALS




Source: Shanghai Municipal Tourism Administration

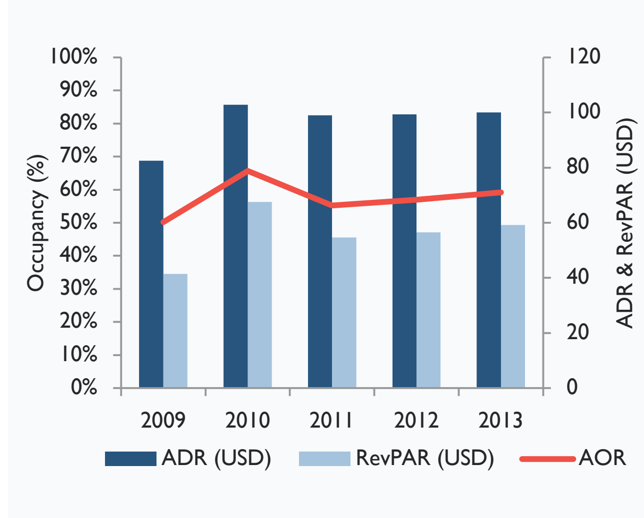
## HOTEL PERFORMANCE

After the hotel market experienced a sharp decline amid an environment of soft demand and over-supply in 2011, Shanghai has seen moderate growth in the past three years. In 2013, market-wide occupancy improved by 2.3% pts to 59% and ADR reflected marginal growth of 0.3% YOY to CNY 629. Despite growth, the market has not recovered to its historic peak of 66% occupancy and ADR of CNY 683 witnessed in 2010. The market continued its growth in H1 2014, with occupancy closing at 60% - up 8.6% pts over H1 2013 – while ADR was 1.3% higher YOY at CNY 641. Two- and three-star hotels experienced growth in both occupancy and ADR, in line with the upward trend in overall market-wide performance. Four- and five-star hotels however, experienced declines in ADR as downward pressure from heightened competition subdued room rates. RevPAR for both four- and five-star hotel segments however, improved as higher occupancies mitigated ADR declines of 3.3% and 1.5% respectively.

## OUTLOOK

A steady rebound in Shanghai's hotel market has continued in the post-Expo period since 2011, though metrics remain below the historic peaks in 2010. The outlook for the city moving forward remains positive as stable economic growth and the city's trial to upgrade various industries builds more sustainable growth in the long-term and continues to position Shanghai as China's foremost business centre and trading platform. Major projects such as Shanghai Disneyland, set to open in 2015, also augment the city's profile for leisure tourists and will boost tourism demand. Shanghai Disneyland is expected to attract 10 mn visitors per year and is set to be a fresh and iconic destination for the city's tourism. While concerns remain over the impact of structural economic reform and a slow global recovery, Shanghai's hotel market should continue to experience the steady growth underpinned by both domestic and international demand. Downward pressure on ADR in the mid- to long-term may however continue to subdue room rates as new supply heightens competition in the market.

### SHANGHAI HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 62% | ▲ |
| ADR | CNY 652 | ▲ |
| RevPAR | CNY 403 | ▲ |


# HONG KONG
## SAR

CUSHMAN & WAKEFIELD®

Photo Credit: Langham Place Hotel Hong Kong – Langham Hospitality Group

# HONG KONG, SAR

## ECONOMIC UPDATE

Hong Kong experienced an upswing in the city's economy in 2013 with GDP expanding 2.9% to USD 270.6 bn, at a faster pace than the 1.5% growth in 2012, and Per Capita GDP grew 2.5% in 2013. In 2014 however, GDP growth slowed to 2.6% and 1.5% in Q1 and Q2 2014 respectively, reflecting the impact of the sluggish global recovery and slowing growth in China. The local economy is forecast to expand between 2 to 3% in 2014, although this has already been downgraded from the previous forecast. Despite the stagnant growth of domestic consumption and tourist expenditure that has led to a decline in the value of retail sales and marginal gains in the export of goods and services, labour market conditions remain healthy. Stable and low unemployment remain as positive signals amidst emerging optimism over the global trade environment that can be expected to support growth moving into 2015.

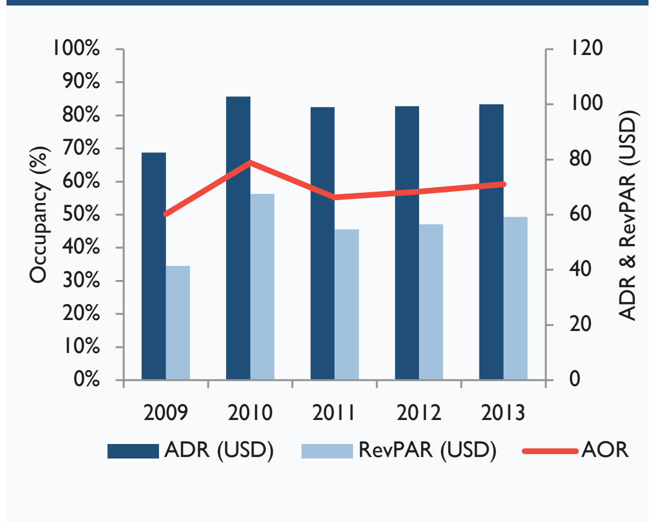
## TOURIST ARRIVALS

The city welcomed 54 mn visitors in 2013 at a growth rate of 12% over arrivals in 2012. Growth slowed from the 16% growth in arrivals in 2012 as growth in arrivals from China, who account for 75% of total arrivals, decelerated. Mainland Chinese arrivals reached 17 mn, a YOY growth of 13% - 2% pts slower than growth witnessed 2012. Growing competitiveness across the region's retail hubs is another challenge that has hindered faster growth in Mainland arrivals. Arrivals from other source markets also recorded declines in 2013, as short-haul markets fell 0.8% and long-haul markets fell 3.3% YOY. Declines in arrivals from Japan and the US recorded negative growth rates of -22% and -6% respectively. Arrivals from Taiwan and South Korea however, continued to grow in 2013, reaching 785,700 and 745,400 arrivals respectively. Growth in total arrivals is expected to pick up and grow by 12.3% in 2014, indicating relatively moderate growth throughout the year.

## HOTEL SUPPLY

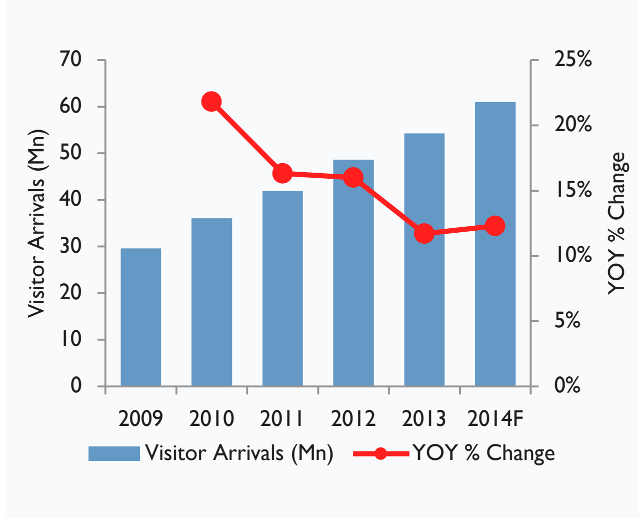
225 hotel establishments provided just over 70,000 rooms in the city's hotel inventory in 2013, reflecting a growth rate of 3.3% over 2012. Among these, 34 High Tariff A hotels provided 17,522 rooms, 83 High Tariff B hotels provided 28,014 rooms and 88 Medium Tariff hotels offered 21,375 rooms, reflecting well-distributed supply across all segments. As stable growth in room-night demand has supported buoyant market performance and interest in development, a continued influx of supply is expected in the coming years. Total room supply is expected to grow by 3.3% in 2014 and 3.9% in 2015, led by an increase in High Tariff B and Medium Tariff hotels. Between 2014 and 2018, rooms supply is slated to increase from 72,400 rooms to 78,000 rooms at a CAGR of 1.9%. Notable openings in 2014 include the 464-key New World Millennium Hong Kong, the 540-key Dorsett Tsuen Wan, and the 162-key Ovolo Southside (a converted warehouse development). Major international brands are also in the pipeline moving forward with plans for Rosewood and Shangri-La to enter the market in 2016 and 2017 respectively.

### HONG KONG GDP




Source: Census & Statistics Department, Government of Hong Kong, SAR

### HONG KONG TOURIST ARRIVALS




Source: Hong Kong Tourism Commission

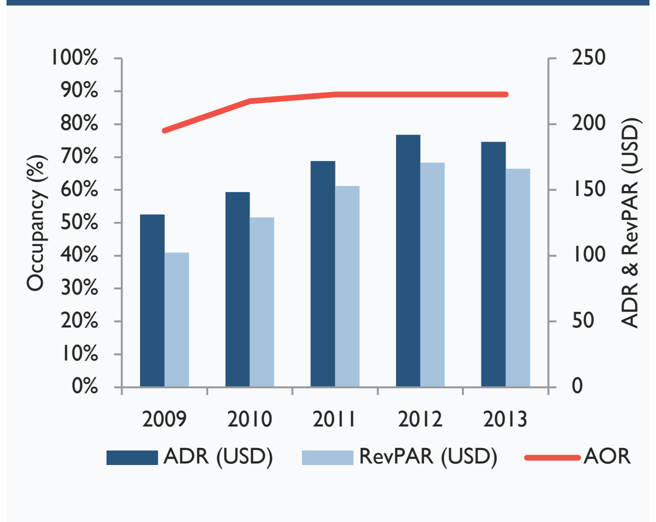
## HOTEL PERFORMANCE

Performance in key metrics remained stable in 2013 despite the slowdown in tourism arrivals and increased new supply. Market-wide occupancy in 2013 recorded 89%, the same level commanded in the preceding two years. Market-wide ADR in Hong Kong Dollars (HKD) however, declined by 3% over 2012 to HKD 1,447. Performance in H1 2014 reflected continued strength in occupancy reaching 89%, up by 2% pts over H1 2013, while ADR reversed its downward trend to close up by 5.2%. With its strong performance in the start of the year, the city is expected to witness a growth in occupancy to 90% and an ADR of HKD 1,498. In terms of performance by market segment in H1 2014, High Tariff A market-wide occupancy increased to 86%, up by 2% pts YOY and ADR increased by 3.3% YOY to HKD 2,446. As a result, RevPAR of the luxury hotel market remained stable at HKD 1,989, up by 0.1% YOY. The High Tariff B segment also reflected the upswing in both occupancy and ADR, as RevPAR grew by 6.6% compared to H1 2013 to HKD 1,096.

## OUTLOOK

With Hong Kong facing headwinds from a slower global and Chinese economy, tourism and domestic consumption is expected to continue shrinking in the short-term. Political protests have to some extent disrupted operations of the retail and tourism sectors though the impact to retail traffic has been limited to specific streets and Hong Kong remains widely perceived as stable and safe for inbound tourists. While growth in total arrivals is expected to moderate due to the slowdown in growth in arrivals from mainland China, Hong Kong's hotel market will continue to be supported by relatively strong demand for room nights. The increase in room supply so far in 2014 has been readily absorbed and accompanied by marginal pressure on room rates, a reflection of robust demand and indicative of the city's prominence as a gateway to China and Asia and its high profile as a commercial and leisure hub. The hotel market is expected to remain buoyant despite further additions to supply with stable performance in occupancy and ADR.

### HONG KONG HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 89% | ▼ |
| ADR | HKD 1,497 | ▶ |
| RevPAR | HKD 1,329 | ▼ |

# MUMBAI
## INDIA

CUSHMAN & WAKEFIELD

Photo Credit: ITC Grand Central, Mumbai – ITC Hotels

# MUMBAI, INDIA

## ECONOMIC UPDATE

The Indian economy grew by 5.7% in the first quarter of FY 2014-15, the highest growth recorded in nine quarters. The rebound in the economy was driven by the construction sector that grew by 4.8%, significantly higher than the 0.7% growth witnessed in the previous quarter due to increased activity in the real estate and infrastructure sectors. India's Current Account Deficit also narrowed to 1.7% of its GDP during the first quarter of FY 2014-15 compared to 4.8% in the same period in FY 2013-14. With revived business sentiment supported by improving macro-economic indicators, the Indian economy is expected to register a growth of 5.5-6% in FY 2015. As the key financial hub of the country, a significant majority of commercial houses and financial institutions are based in Mumbai and have transformed the city into a service-led economy from its historical emergence as a manufacturing base.

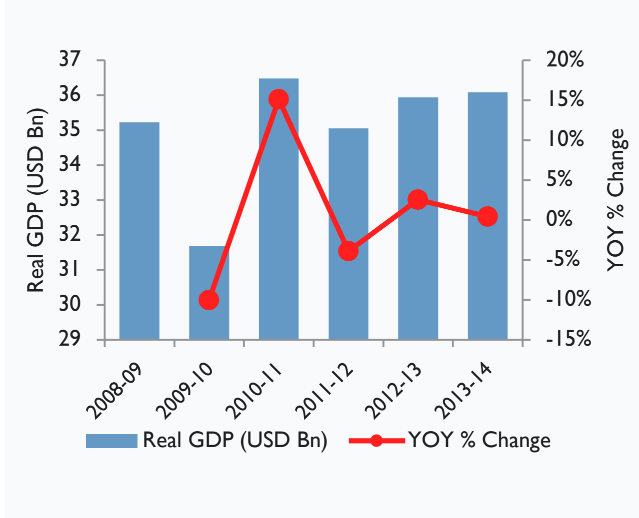
## TOURIST ARRIVALS

During 2013-14 the total number of air arrivals was over 32 mn, an increase of 6.6% YOY. Of the total, domestic and international arrivals accounted for 68% and 32% of the total respectively. The new airport terminal inaugurated in Feb 2014 is set to boost passenger capacity to 40 mn over the existing capacity of 32 mn. The key source markets in terms of maximum number of arrivals are Europe with 39% of total arrivals, Asia with 30% and the Americas with 23%, with key international source markets being the UK, the US and Canada. International operations from Chhatrapati Shivaji International Airport's new Terminal 2 began in Feb 2014, with ongoing construction to complete the remaining pier in 2015 and is expected to ease air traffic in the city as well as provide a fillip to additional frequencies.

## HOTEL SUPPLY

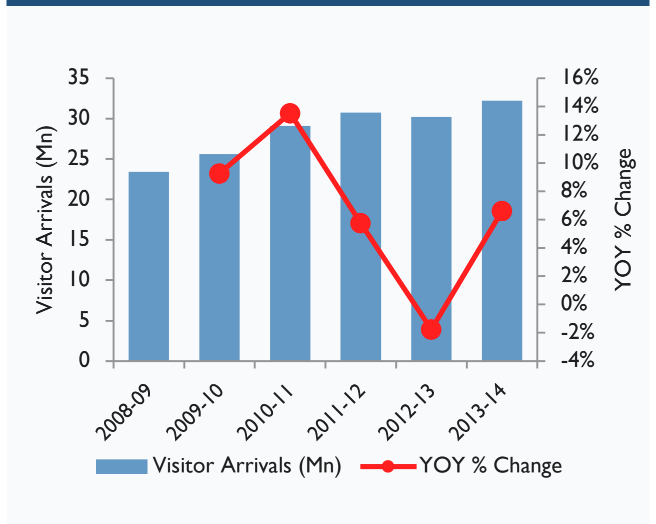
As of 2013, the total organized inventory accounted for over 14,000 keys. The inventory is primarily dominated by the midscale segment with 29%, followed by 27% in the budget segment, 23% in the luxury segment, 10% in the upper upscale segment and 10% in the upscale segment. The market saw the launch of only one hotel in the year, Residency Sarovar Portico in Malad with 71 keys. Over the past four years, Mumbai saw the largest increase in inventory in 2010, with growth of 5% with the addition of hotels such as Courtyard by Marriott and Westin Mumbai Garden City. Over 2011 and 2012, growth in rooms supply was recorded at 3% and 2% respectively. Moving ahead, the city has a pipeline of just over

### MUMBAI GDP




Source: Economic Survey of Maharashtra & Cushman & Wakefield Hospitality

### MUMBAI TOTAL AIRPORT ARRIVALS




Source: Ministry of Tourism, Government of India

12,000 keys, of which 35% is expected to be in the midscale segment, 22% in the luxury segment and 17% in the upscale segment with notable planned openings from brands such as Conrad, Lemon Tree, JW Marriott and Radisson Blu.

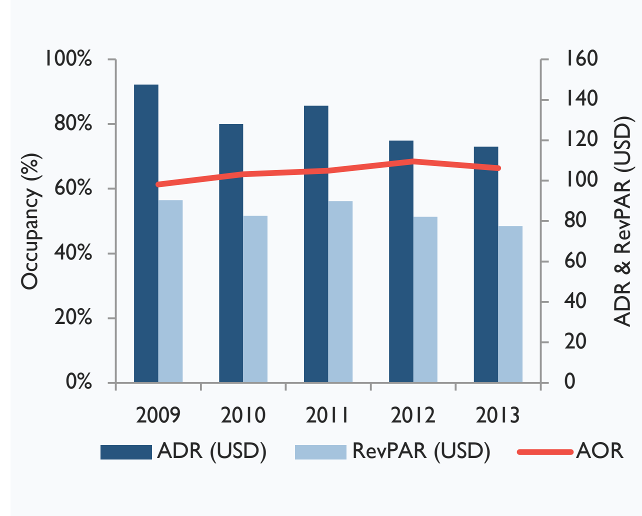
## HOTEL PERFORMANCE

During 2013, the occupancy for the market was 66%, having increased YOY by 2% pts. Similarly ARR's were recorded to be USD 117, having increased 2% YOY. The city saw a total of 71 keys being launched in 2013. Majority of the demand is contributed by the business and transient segment by almost 70%. During H1 2014, Mumbai was seen to have an occupancy rate of 64% having witnessed a marginal YOY decrease of 1% pts in occupancy over H1 2013. With respect to ADR, a 38% decline was recorded YOY for H1 2014 having reached USD 111. Distinct micro-markets within Mumbai perform at distinct metrics given the local dynamics and the concentration of distinct hotel segments. The Santa Cruz micro-market with a high concentration of economy and budget offerings records the highest occupancy but at an ADR less than half of the BKC micro-market that encompasses upscale and luxury brands such as The Trident, Grant Hyatt and Sofitel.

## OUTLOOK

In H1 2014 the city witnessed the start of the operations of Mumbai Metro Line 1 (Versova-Andheri-Ghatkopar Corridor) and the Eastern Freeway, connecting the Central Business District to Chembur previously and now Ghatkopar. The Santacruz-Chembur Link Road was an additional improvement to increase connectivity from the western to the eastern suburbs. H1 2014 also saw a resurgence in demand in hotels in south Mumbai and a positive increase in occupancy in the hotels in North Mumbai. Demand for MICE in the city, is expected to grow steadily for Mumbai with the Reliance Convention Centre set to be developed in Bandra-Kurla Complex. The proposed development is likely to span over 18.5 acres and with a project cost of INR 7,566 crore and is expected to complete by 2017. This project is definitely set to augment MICE demand for the city in the long term. 2014-15 however is expected to see major introduction of inventory with J.W Marriott Sahar Airport alone adding a whopping 580 keys along with the Taj at the airport and Radisson Blu in Kanjurmarg. The next five years are expected to witness an addition of over 10,500 keys. The rates have seen some correction due to the fluctuating rupee in the first quarter of 2014 and which is now experiencing some stabilization.

### MUMBAI HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 62% | ▼ |
| ADR | INR 6,559 | ▼ |
| RevPAR | INR 4,081 | ► |

# NCR DELHI
## INDIA

CUSHMAN & WAKEFIELD®

Photo Credit: Dusit Deverana New Delhi – Dusit International

# NCR DELHI, INDIA

## ECONOMIC UPDATE

The Delhi-National Capital Region (NCR) includes the state of Delhi and other adjoining cities such as Gurgaon, Noida, Greater Noida and Faridabad which form its suburban areas. Together, the region is considered as one of the fastest growing economic engines of the country. Delhi achieved a per-capita GDP of INR 127,667 in 2013-14, which is amongst the highest in the country. The NCR Region has a range of economic drivers that include political (as the national capital), commercial (the Gurgaon belt is the hub for IT & ITES companies, and the region is home to corporate offices of many conglomerates), tourist (Delhi's IGI Airport is the primary gateway to the country, together with Mumbai, and is also at the apex of India's principal tourist circuit – the Golden Triangle), trading (the NCR is the warehousing and trading hub for northern India), and others (the region has the only F1 track in the country, for instance; it is home to the major news and media outlets in the country). All of this ensures that the number of visitors to the region grows, resulting in greater accommodation demand.

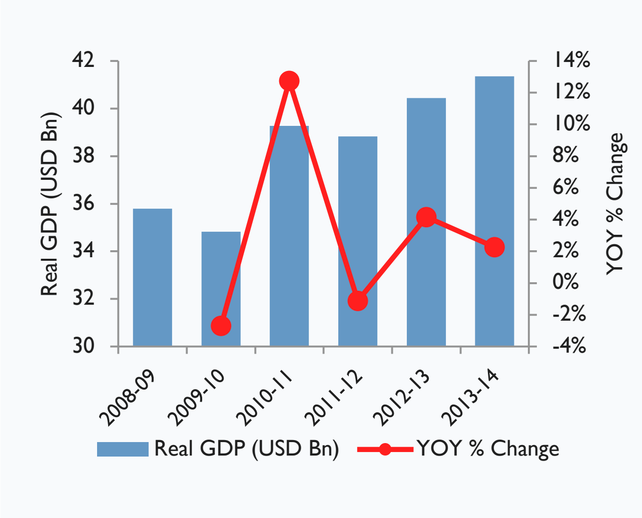
## TOURIST ARRIVALS

Indira Gandhi International Airport has emerged as the preferred port of entry for international visitors, accounting for 35% of international arrivals into India, providing contiguity between Delhi and suburban Gurgaon and has emerged as a business district in itself. During 2013-14, the total number of air arrivals, at over 36.8 mn was higher by 7.3% over 2012-13. Of these, 24 mn were domestic passengers, who increased by over 15% YOY except for 2012-13, thereby averaging a 10+% growth in the five year period. Foreign passengers, on the other hand increased almost at a constant 10% YOY during the period. Key source markets for foreign arrivals include the US, Continental Europe and the UK.

## HOTEL SUPPLY

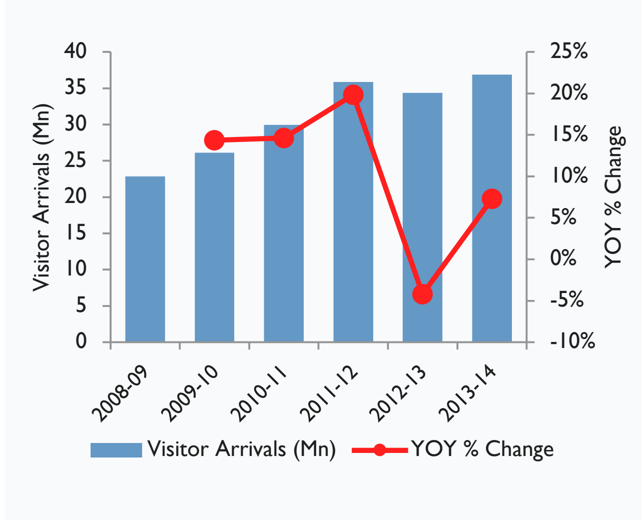
As of 2013, the total organized inventory in the Delhi-NCR was 20,411 keys, up almost 3,000 from 19,491 in 2012. The market is also dominated by the Luxury and Upper Upscale segments that combined account for 36% of supply. The Upscale segment accounts for 27% of supply, while the midscale segment (mostly concentrated in the Gurgaon micro-market) accounted for 29%. The budget segment, at 8% is the smallest segment. The top-heavy market supply by segment demonstrates the skewed nature of development in the Delhi market due to the limited availability and high-pricing of suitable sites. 2014 will also see the addition of another 3,000 keys, while over the next 3 years (up to 2017), we anticipate supply to increase to ~32,000 keys, representing a 50% growth in supply from 2013. While the Luxury, Upper Upscale and Upscale segments will continue to be prominent, supply in the midscale, economy and budget categories will see visible increases in the period ahead, as newer geographies are covered.

NCR DELHI GDP




Source: Directorate of Economics & Statistics, NCR Delhi

NCR DELHI TOTAL AIRPORT ARRIVALS




Source: Ministry of Tourism, Government of India

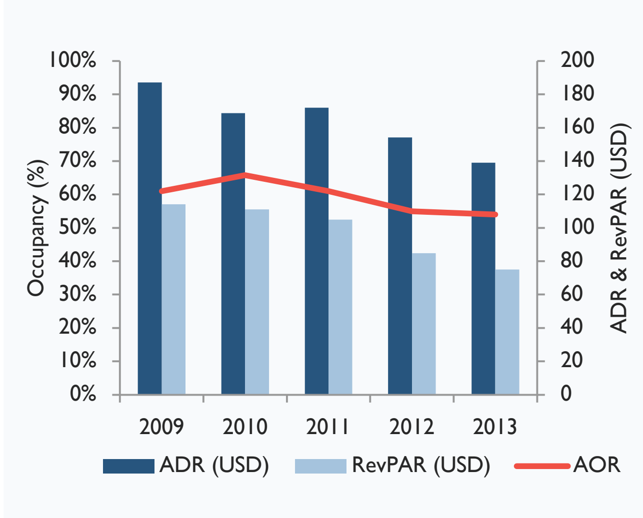
## HOTEL PERFORMANCE

During 2013, the occupancy for the market was 54%, having increased YOY by 1% pt. Similarly ADR's were recorded to be USD 139, having declined 10% from 2012 in USD terms (partly because of exchange rate fluctuations – in INR, the decline was 5%). Delhi-NCR was one of the markets that saw the most additions to supply in 2013, which had a resultant impact on both occupancy and ADR in Delhi-NCR. The demand for rooms are primarily from business and transient segment, contributing over 70% of occupancy. During H1 2014, Delhi-NCR saw an occupancy of 58%, which is a decrease from 60% in H1 2013. ADR also fell to INR 6,900 (USD 125) in H1 2014 compared to INR 7,200 (USD 34) in H1 2013. This is seen as a continuation of the trend in the last two years, as well as a result of the increased supply in the market.

## OUTLOOK

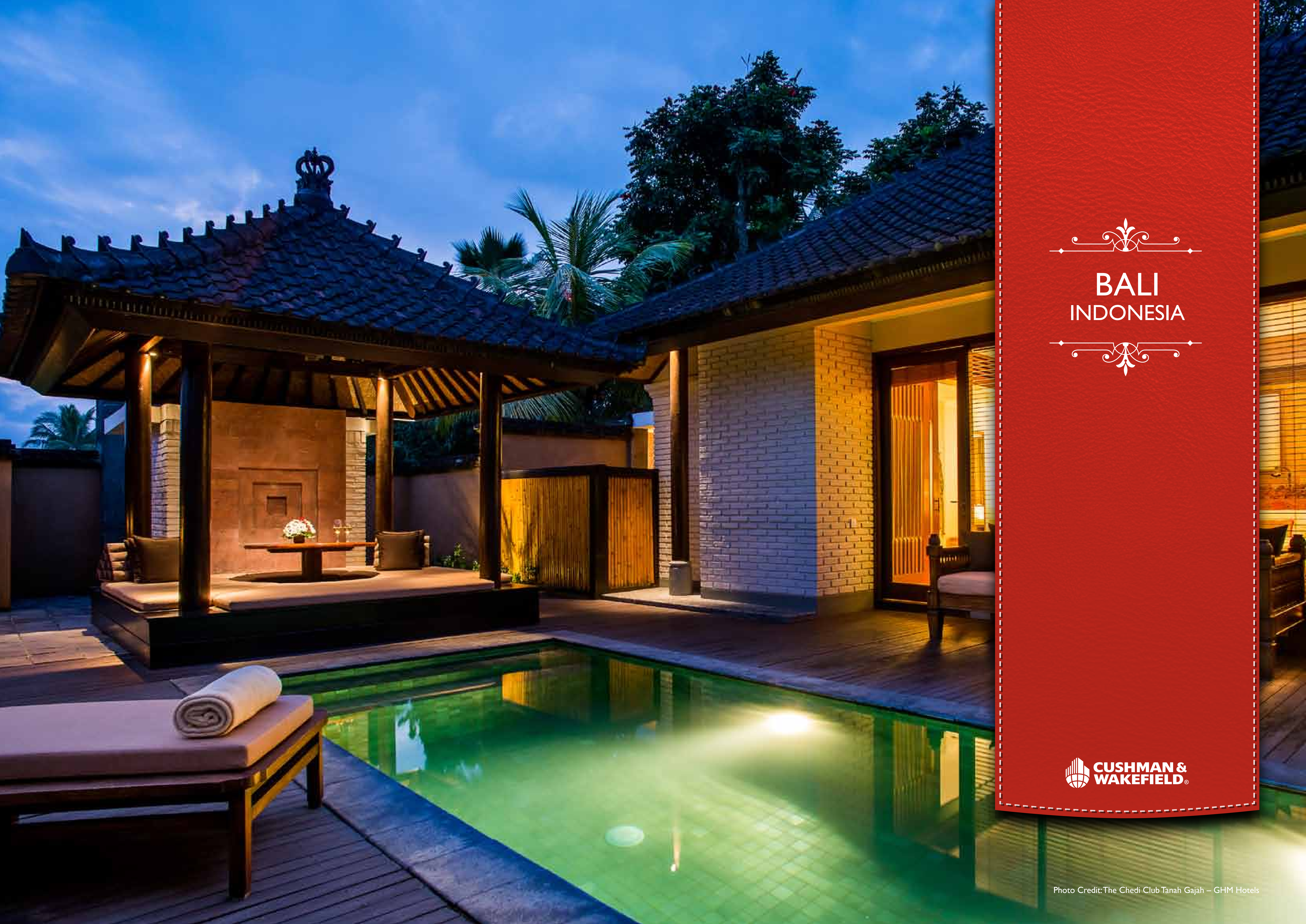
The first half of 2014 has not been kind to hotels in Delhi, with both occupancy and ADR falling compared to full-year 2013 and the corresponding period. This is an immediate effect of the increases in supply, and the trend is expected to continue for the rest of the year and into 2015. This will be despite the growth in raw demand, as the demand cycle has yet to catch up with the build cycle, which was initiated ahead of the Commonwealth Games in 2010. Many projects that were meant to open in time for the games are being commissioned now. The outlook for demand growth is positive, given the new policy initiatives that the Union government has taken up – this will drive accommodation demand given the nature of licencing and policy in India being concentrated at the central level. This however, will not translate to improvement in key operating parameters for hotels, given the anticipated increases in supply.

NCR DELHI HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 45% | ▼ |
| ADR | INR 7,775 | ▲ |
| RevPAR | INR 3,380 | ▼ |



# BALI
## INDONESIA

CUSHMAN & WAKEFIELD

Photo Credit: The Chedi Club Tanah Gajah – GHM Hotels

# BALI, INDONESIA

## ECONOMIC UPDATE

While 2014 began with concerns over the potential negative impacts of continued global economic uncertainty as well as presidential and legislative elections, potential headwinds did not materialize with foreign arrivals posting strong growth in H2 2014 and successful elections having limited impact on Indonesia's premier tourist destination. Bali's target of achieving 6.4% growth in GDP may however, remain a challenge. Although the regional economy grew at 5.8% in H1 2014 and outpaced national growth of 5.2%, accelerated growth would be required to achieve its ambitious target for 2014. Growth in H1 2014 was driven by Trade, Hotels & Restaurants (growth of 8.7%), the Financial sector (8.7%), Industry (7.2%) and Transportation (6.6%). The agricultural sector however grew at a marginal 0.5% and lower domestic consumption and public spending may continue to slow growth.

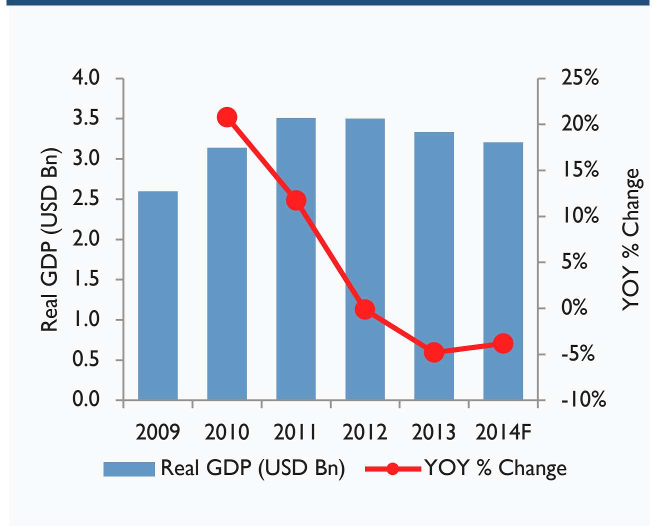
## TOURIST ARRIVALS

In 2013 there were 3.28 mn foreign visitors to Bali, up 11% over the 2.95 mn foreign visitors in 2012. This was a significant acceleration from the 4% growth in foreign arrivals witnessed in 2012, the only year since 2009 where foreign visitor growth dipped below 8%. Notably, the number of visitors from China jumped 22% in 2013 to reach 387,500 visitors, contributing 12% to the total. Australia remains Bali's largest source market, accounting for 25% of all foreign visitor arrivals, with growth holding relatively steady at 4% in 2013. Long-haul markets also showed significant growth with Europe growing by 12% to 712,400 visitors after a 0.3% growth in 2012. Visitors from the US and Canada also grew by 10% to a combined total of 146,400 in 2013. Domestic visitors also continued growth in 2013, reaching 6 million visitors based on a growing middle-class population with growing purchasing power, and is gradually increasing its contribution to Bali's tourism arrivals.

## HOTEL SUPPLY

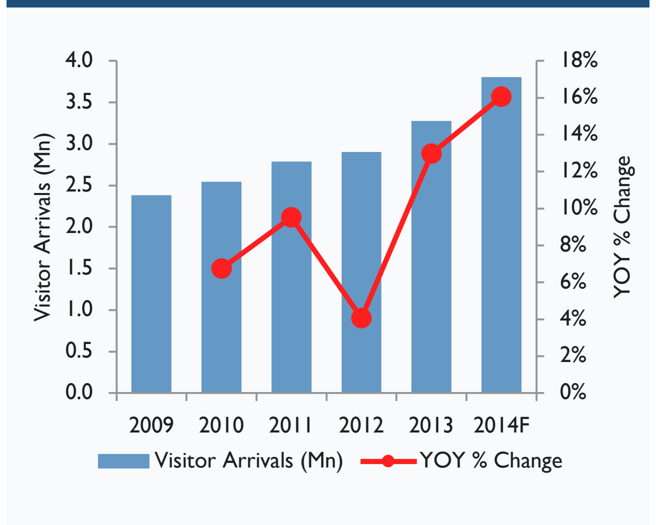
The supply pipeline for Bali remains robust despite continuing environmental concerns over seemingly unrestrained development, especially within already-established tourist areas along the southern coast. About 5,400 rooms are expected to enter market in 2014, just under a 20% increase over the existing 27,600 rooms recorded in 2013. With over 3,200 new rooms by Q3 2014, the additional 2,200 rooms announced to open within the year are largely from domestic brands, some of which may be expected to spill over into 2015. In the medium term, another 7,700 rooms are scheduled to open 2015 to 2018 and should all complete as announced would effectively lead to a 47% growth in rooms supply by the end of 2018. Openings in 2014 include Sofitel Nusa Dua Bali, Alila Seminyak Bali, and the anticipated re-entry of Ritz-Carlton to the island. Hotels in the pipeline include a spread of both international and domestic brands across all segments, signifying intentions to tap on growth in both foreign and domestic arrivals. In 2015, new properties for Westin, Hotel Indigo, and a second Ritz-Carlton are expected to come online, alongside the expeditious spread of brands from domestic operators such as Archipelago and Tauzia.

### BALI GDP




Source: Badan Pusat Satistik, Indonesia

### BALI INTERNATIONAL ARRIVALS




Source: Badan Pusat Satistik, Indonesia

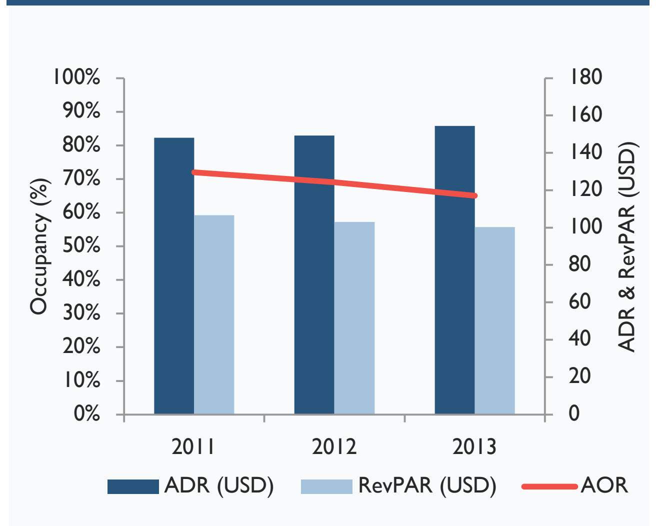
## HOTEL PERFORMANCE

2013 was a hallmark year for Bali as the city played host to the Asian Pacific Economic Co-operation (APEC) Summit in October. With over 8,000 economic leaders and journalists over the official summit period and the 182 preliminary pre-summit meetings, its impact to operational performance was significant. While there were concerns of quiet shoulder periods and the 4-day closure of Ngurah Rai Airport's new international terminal that impacted some 300 flights, the summit more broadly raised the profile of the resort destination and led to improvements to transport infrastructure that will benefit the industry in the longer-term. These include the expansion of the Ngurah Rai Airport, the opening of the Dewi Ruci Underpass and the operation of the Benoa-Ngurah Rai-Nusa Dua Toll Road that have markedly reduced travel times in the once congested Denpasar area. Occupancy in 2013 however, declined by 4% pts YOY as the expansion in supply exceeded growth in demand. An 8% growth in RevPAR that recorded just over Indonesian Rupiah (IDR) 1.04 mn however, was driven by significant gains in ADR, as new hotels made their mark in the higher-tiers of the market.

## OUTLOOK

Despite the significant pipeline in the medium term, the outlook for Bali remains optimistic in light of the robust growth in international arrivals. Foreign tourist arrivals to Bali in H1 2014 were up 15.8% over H1 2013 to 1.72 mn, driven by growth in its largest source markets Australia, China, Malaysia and Singapore. Arrivals from Europe also recorded healthy growth, in particular from source markets such as France, the UK and Germany that recorded growth between 8-15%. Strong fundamentals with expectations of a rising domestic middle class and the continuing expansion of low-cost-carrier options continue to benefit Bali with its improved transport infrastructure and convenient proximity to major urban centres across Indonesia, South-East Asia and Australia. Though alternative destinations are being promoted across Indonesia (including the adjacent Lombok), accessibility and the wide variety of attractions will continue to drive both foreign and domestic tourists to Bali's shores. Incoming supply is however, likely to place downward pressure on occupancy moving forward, though RevPAR growth will be driven by gains in ADR. Despite the recent proliferation of midscale hotels, new luxury and upscale properties that enter the market should drive growth in higher-yielding tourists and foster improvements in ADR for the market as a whole.

### BALI HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 65% | ▼ |
| ADR | IDR 1.86MN | ▲ |
| RevPAR | IDR 1.18MN | ▲ |

# JAKARTA
## INDONESIA

CUSHMAN & WAKEFIELD®

Photo Credit: DoubleTree by Hilton Hotel Jakarta - Diponegoro – Hilton Worldwide

# JAKARTA, INDONESIA

## ECONOMIC UPDATE

Despite slower growth, the Indonesian economy maintained its positive momentum during 2013 and grew 5.8% in 2013 after a 6.2% increase in 2012. Growing demand from its rising middle class has allowed Indonesia to enjoy annual growth of more than 6% in the past, but domestic demand has begun to feel the impact from rate increases by the central bank that is aimed at easing the current account deficit and dampening inflation. While the presidential and parliamentary elections were seen as an encouraging example of democracy, concerns remain over the impact of uncertainty as the new president Joko Widodo potentially faces an opposition majority within parliament. Even as the global economy recovers moving forward, risks remain due to a potential outflow of capital as the US Federal Reserve tapers its quantitative easing program and its potential hike in interest rates. The country's strong domestic demand fundamentals however, continues to pique interest in the growing Greater Jakarta region as a gateway to the rest of the country.

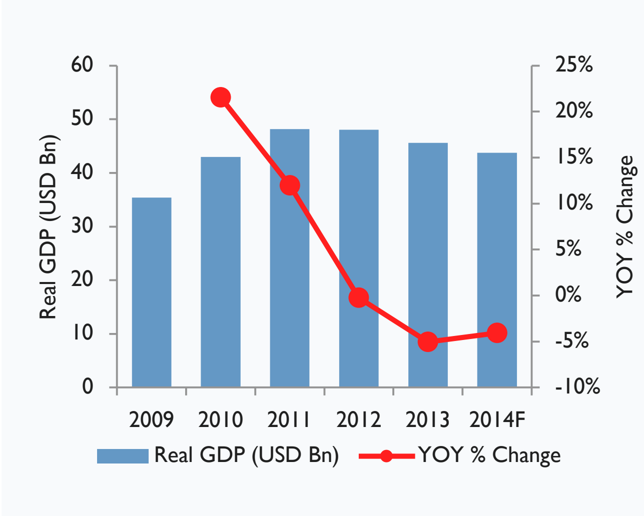
## TOURIST ARRIVALS

As the country's neighbours faced increasing geo-political volatility in 2013, Indonesia's stability has fostered interest in visitation amidst declining enthusiasm from foreign tourists for countries such as Thailand, Malaysia and Vietnam. International arrivals to Indonesia grew by 8.7% in H1 2014 to 4.5 mn, above the 7.2% growth witnessed in H1 2013. International arrivals through Soekarno-Hatta International Airport in H1 2014 however, grew at a slower pace – by 5.0% to 1.1 mn, as corporate travel waned over the build-up to the elections. In 2013, international arrivals through Jakarta grew 9.1% to 2.2 mn, just under the national growth in international arrivals of 9.4%. Singapore, Malaysia, Australia and China accounted for 55% to arrivals to Indonesia in 2013, a combined growth of 7%, driven by an 18% growth from China. While Chinese arrival growth decelerated in 2013, there is still significant potential for further growth, with China overtaking Australia as the third largest source market in April 2014, notching a 30% growth YOY within the first four months of 2014.

## HOTEL SUPPLY

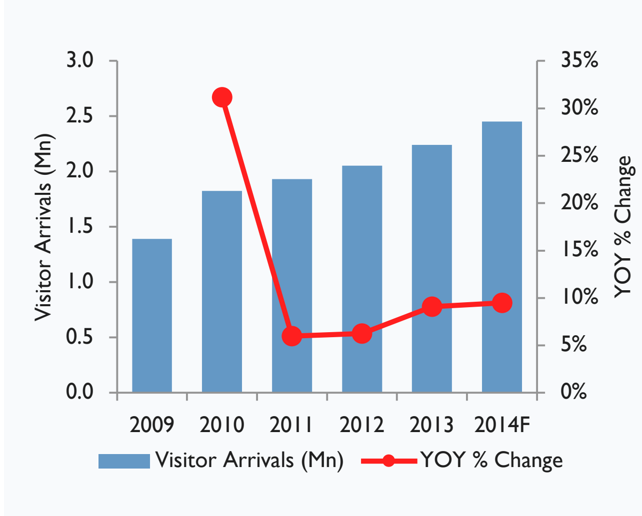
With a large pipeline of over 14,000 rooms from planning to development stage across Greater Jakarta, the pipeline remains robust after hotel development activity and openings accelerated in recent years. In 2014, new properties including DoubleTree by Hilton, Holiday Inn Express Thamrin Jakarta, Santika Jakarta Kelapa Gading, and Best Western Grand Palace Kemayoran contributed to the 3,900 rooms expected to come online by the end of the year. In the medium term, proposed supply will largely be contributed in the midscale segment, with both international and domestic operators entering the economy, midscale and upper midscale segments. Though relatively less in number, significant additions have been proposed for the upscale and luxury segment, including the anticipated openings of Fairmont, Raffles, Westin, Rosewood and Waldorf Astoria. At the other end of the market, smaller developments will expand brands such as POP!, favehotel, Zest, ibis Styles and Holiday Inn Express ranging from the city centre to outer-lying micro-markets of Greater Jakarta.

### JAKARTA GDP




Source: Badan Pusat Satistik, Indonesia

### JAKARTA INTERNATIONAL ARRIVALS




Source: Badan Pusat Satistik, Indonesia

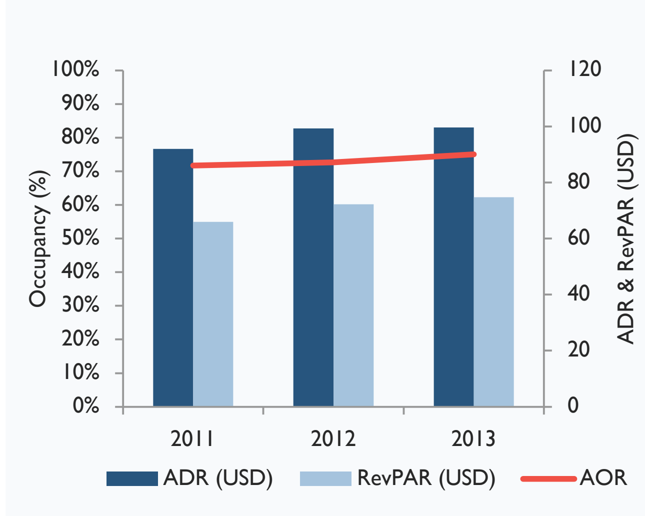
## HOTEL PERFORMANCE

The higher number of arrivals arriving through Soekarno-Hatta International Airport is however, not translating directly into higher occupancies given the increasing number of rooms available and a declining length of stay. Though a higher volume of guests is being seen, softer economic growth and consumer confidence in Europe and China is contributing to a lower willingness to spend and reductions in average length of stay. The double blow of the uncertainty of the elections and the fasting month of Ramadan in July also impacted demand and stunted growth in the number of room nights demanded in 2014. According to the Badan Pusat Statistik, occupancy in the DKI Jakarta province increased only slightly by 0.3% pts to 57.5% in H1 2014 as compared to H1 2013. In local currency however, a significant increase in ADR continues to prop up RevPAR and drive growth. In 2013, Occupancy rose 2.3% pts over 2012 to 75% and market-wide ADR rose 12% to IDR 1.04 mn with RevPAR growing 15.3% to IDR 780,000.

## OUTLOOK

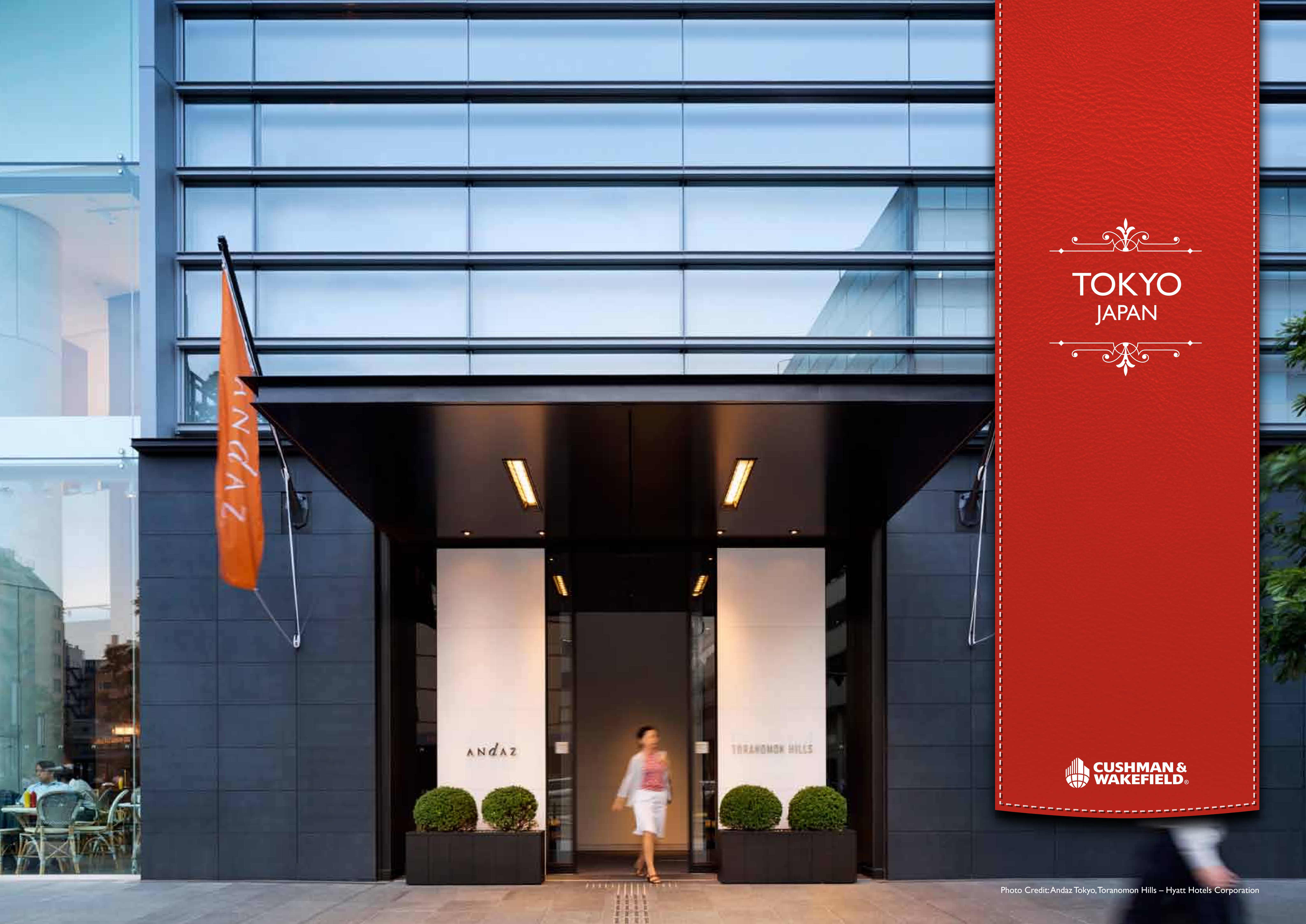
The foundations for growth remain strong for the world's largest Muslim democracy and the region's largest economy. While investors may be deterred by poor infrastructure, corruption and growing calls for economic protectionism, Indonesia's rich supply of resources both human and natural secure its significance as an economic power. The country's large, young and increasingly wealthy population has dynamic potential as the consumer base for retail industries and as the increasingly educated workforce for the both services and manufacturing. Both foreign and domestic tourist travel are hence expected to continue growth, supporting both Corporate and Leisure travel to Jakarta and the Greater Jakarta region. In order to alleviate overcapacity issues at the airport, expansion is underway for a new terminal scheduled to open in late 2015/early 2016 as well as planned expansions of the two existing terminals to raise capacity to 62 million passengers per year – the airport built for just 22 million passengers per year handled 58 million passengers in 2012. Even as the city administration plans to further develop local icons to boost tourism including National Monument Square and Kota Tua (Old Town), the supply pipeline will place pressure on occupancy moving forward, until adequate infrastructure enhancements provide capacity for future growth in arrivals.

### JAKARTA HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 67% | ▼ |
| ADR | IDR 1.31MN | ▲ |
| RevPAR | IDR 877K | ▲ |




# TOKYO
## JAPAN

CUSHMAN & WAKEFIELD®

Photo Credit: Andaz Tokyo, Toranomon Hills – Hyatt Hotels Corporation

# TOKYO, JAPAN

## ECONOMIC UPDATE

In the first half in 2014, Japan's economy slid slightly, as the sales tax was hiked from 5% to 8% and contributed to the pre-hike spike of 1.5% GDP growth in 2013 and post-hike dip of 1.8%. Future plans still exist to further raise the sales tax to 10% in Oct 2015, though this may potentially be delayed depending on the performance of the economy in the near-term. Official data shows that households spent less in Q2 2014 compared to Q1 2014 and factory output stayed flat, casting a shade on retail sales while a significant spike in total consumption by inbound tourists partly mitigated the dip. Looking closer at the post-hike dip in Q2 2014, private consumption in particular, which accounts for about 60% of the economy, declined by 5.1%. Residential investment also shrank 10.4% and business investment fell 5.1%. It is expected however, that the hosting of the 2020 Summer Olympic Games may create a turning point towards growth, especially within the real estate sector by boosting development activity in the run-up towards 2020.

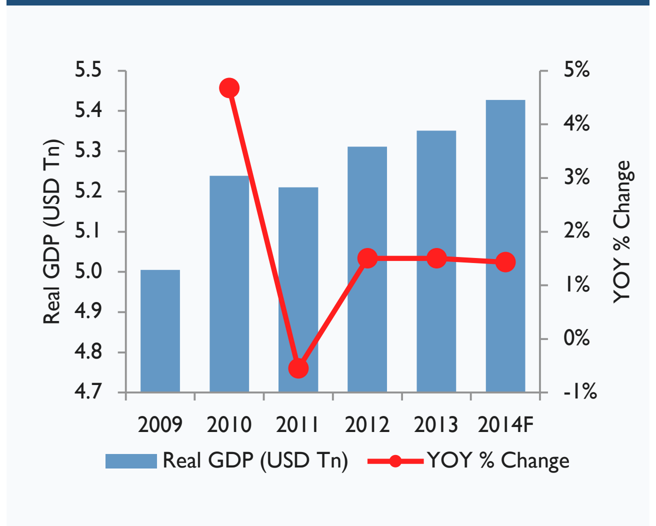
## TOURIST ARRIVALS

According to the Japan National Tourism Organization, Japan recorded a total of 10.3 mn international arrivals in 2013 with a YOY growth of 24%, showing a full recovery from the aftermath of the earthquake in early 2011 and indicating continued and strong growth. Accounting for 77% of total arrivals, arrivals from Asian source markets largely contributed to the growth of tourism arrivals with a YOY growth rate of 27%. Among top source markets, South Korea as the largest source market grew by 20% compared to last year, followed by Taiwan with a growth rate of 51% over 2012. Arrivals from China however, declined by 8% along with the negative impact from the diplomatic tensions between Japan and China. In H1 2014, total arrivals from top 10 source markets recorded further growth of 27.3%, as travellers benefitted from the weakening Yen and Chinese arrival growth recovered and robust Taiwanese growth continued. In 2014, the nation is anticipated to welcome 13.1 mn visitors with a growth rate of 26%.

## HOTEL SUPPLY

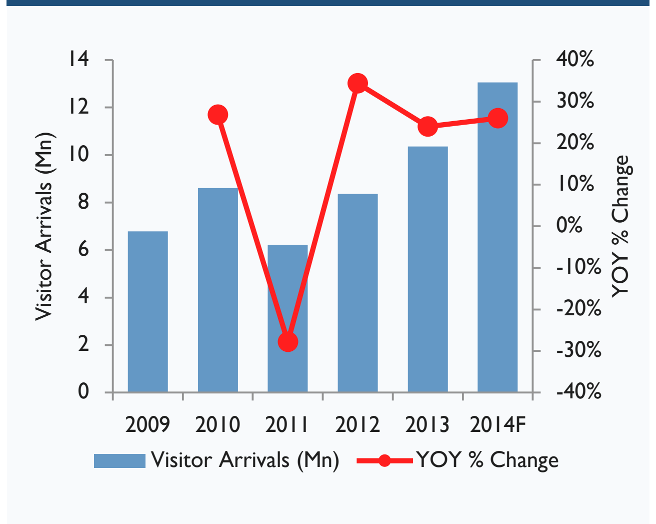
Our research indicates that the hotel room inventory of Tokyo stood at 96,258 rooms in 2013, a slight increase of 0.4% in the number of properties over the previous year. The market is expected to have a slight increase in supply up by 0.9% in 2014 with the expected total room inventory of 97,154 rooms, followed by stronger growth of 2.3% with the expected total room inventory of 99,432 rooms in 2015. The majority of new supply in 2014 is expected to be in Upscale and above segment, while an influx of midscale hotels is expected from 2015 and beyond. Notable openings in 2014 include the 84-key Aman Tokyo Ometachi Tower (the first Aman entry into an urban gateway) and the 164-key Andaz Tokyo Toranomon Hills. In 2015, the market will welcome the opening of Hotel Gracery Shinjuku Tokyo with 970 keys and APA Hotel Shinjuku Kabukicho Tower with 620 keys, a major local midscale brand.

## JAPAN GDP




Source: Roubini Economics & Cabinet Office of Japan

## JAPAN TOURIST ARRIVALS




Source: Japan National Tourism Organization

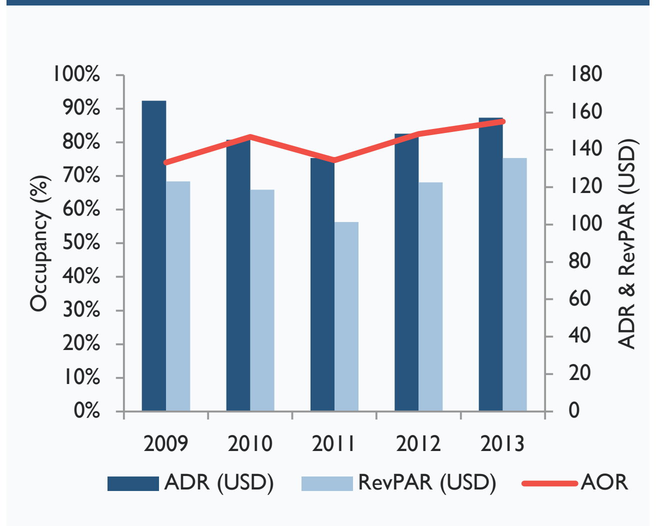
## HOTEL PERFORMANCE

Following a robust recovery in 2012 after declines in 2011, Tokyo's hotel market witnessed steady growth in 2013. According to figures from STR Global, market-wide occupancy reached 86%, the highest recorded performance in the last 4 years. Strong occupancies boosted ADR growth as well, that closed at Japanese Yen (JPY) 15,377, a YOY growth rate of 5.9%. The improvement in both metrics led to a double-digit growth in RevPAR, which grew 10.6% to JPY 13,255 in 2013. Stable growth is expected to continue through 2014, supported by a robust recovery in tourism arrivals over the course of the year so far. As occupancies continue to rise towards capacity, we expect effective yield-plays to accelerate ADR growth slightly in 2014, while a smaller growth in occupancy will moderate RevPAR gains.

## OUTLOOK

While the nation's overall economic activity is expected to command relatively moderate growth in response to the government's tightening fiscal policy, the hotel market is benefitting from the boosted level of demand from increased arrivals favoured by the weakening Yen and new supply that remains controlled below the growth in demand. The market is expected to command healthy performance level in the mid- to long-term along with the built-up expectations of the positive impact from the winning of the 2020 Olympic and Paralympic Games, from which the city can expect to attract more demand by reinforcing its established image as one of major tourism destinations in the region.

## TOKYO HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 87% | ▼ |
| ADR | JPY 17,154 | ▲ |
| RevPAR | JPY 14,908 | ▲ |

# KUALA LUMPUR
## MALAYSIA

Photo Credit: Grand Hyatt Kuala Lumpur – Hyatt Hotels Corporation

# KUALA LUMPUR, MALAYSIA

## ECONOMIC UPDATE

In 2013, the economy of Kuala Lumpur (including Putrajaya) grew by 6.8% in 2013, slightly slower than the 7.2% growth achieved in 2012 (Department of Statistics Malaysia). Growth in 2013 was driven by stronger performances in wholesale and retail trade. Growth across Malaysia as a whole was driven by manufacturing and services in 2013, though expansion slowed slightly compared to 2012 alongside decelerated growth in the commodities and construction sector. The slower growth in 2013 can be attributed to a recovery in exports and stable domestic demand in the period before fuel prices were raised in Sep 2013, and softer consumption in the short-term post-hike. Amid ongoing fiscal consolidation, domestic demand is expected to moderate moving forward, and improving global economic conditions are expected to benefit the export-oriented sectors.

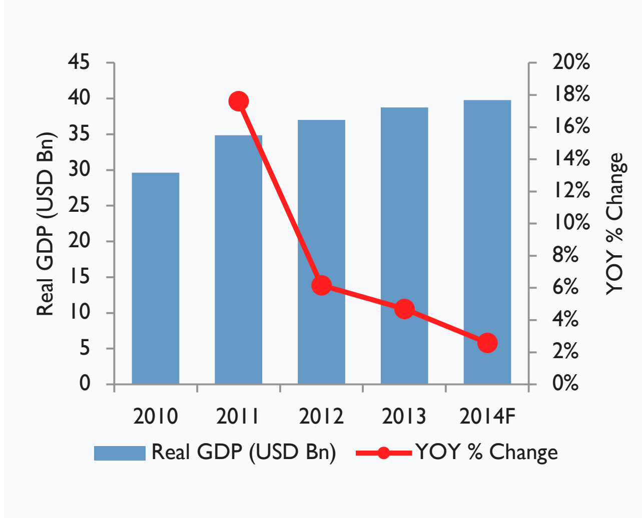
## TOURISM ARRIVALS

Arrivals to Malaysia increased by 2.7% YOY to 25.7 mn arrivals in 2013, missing a revised target of 26 mn for the year as the country faced the delay of klia2, its low-cost carrier terminal in Kuala Lumpur and haze from neighbouring Indonesia that shrouded much of the country. In H1 2014 however, total international tourist arrivals grew significantly 10.5% to 13.9 mn arrivals. Across the top 10 source markets, that contribute 87% of all arrivals, all markets experienced growth with the exception of China, whose arrivals dropped by 9.8%. In Q1 2014, arrivals from China were up by 5.5%. YOY declines from April (-20%), May (-31%) and June (-30%) led to the overall cumulative drop in H1 2014. Though still significant, YOY declines from China, the 3rd largest source market, recovered slightly to -22% in July, in a small indication of a potential return towards pre-incident arrivals. Double-digit growth in H1 2014 was seen from Singapore (12%), Thailand (18%), India (13%), PH (14%) and Australia (18%) that continue to mitigate declining arrivals from China.

## HOTEL SUPPLY

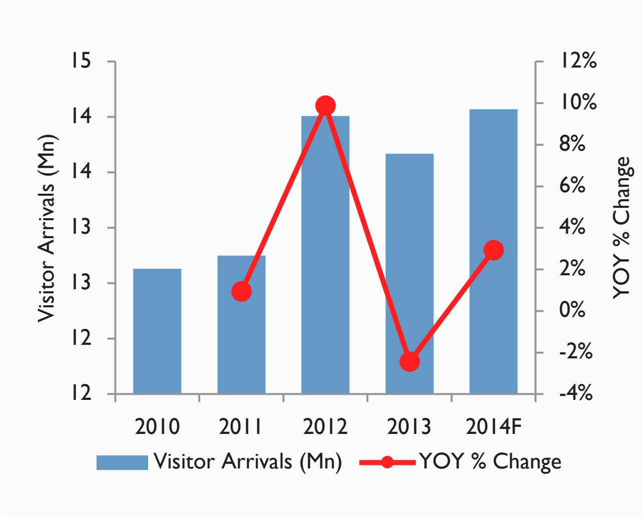
According to figures from Tourism Malaysia, there were 226 hotels and 34,700 rooms in Kuala Lumpur in 2013. Notable openings in the year were the 482-key Aloft within the growing micro-market of Sentral and the 513-key Pullman Bangsar. 2014 has seen the opening of multiple properties including Hotel Izumi Bukit Bintang, WOLO Bukit Bintang, Capri by Fraser, Ascott Sentral and Silka Cheras, just to name a few that contribute to the 1,400 rooms expected to come online by the end of the year. From 2015 to 2018, more than 4,000 rooms are in the pipeline from planning to development stages, which would potentially increase supply by 16%. Much of this supply includes hotel components of large mixed-use developments, as the city undergoes significant development amid an expansion of both residential and commercial space. Mixed-use developments of Menara Dayabumi, Menara YNH, Bukit Bintang City Centre and Damansara City all include plans for a hotel component largely in the Upscale to Luxury segment. Anticipated openings for 2015 include KIP Hotel and Hotel Inn Express Bukit Bintang that will contribute to the 1,000 rooms expected to enter the market next year.

### KUALA LUMPUR GDP




Source: Department of Statistics, Malaysia

### KUALA LUMPUR TOURIST ARRIVALS




Source: Tourism Malaysia

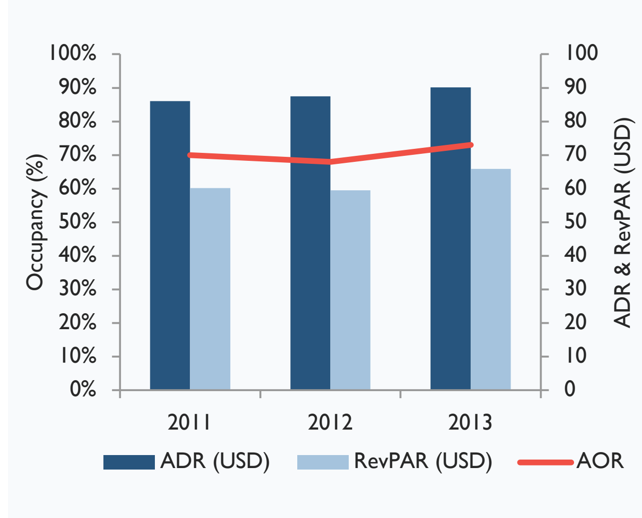
## HOTEL PERFORMANCE

In 2013, growth in visitors to Kuala Lumpur supported an increase in occupancy to 73%, up from 68% in 2012. ADR's also increased by 5% to RM 284 in 2013 reflecting underlying strength in the corporate market and the weekday business for hotels. Despite the setbacks faced by the Malaysia's hospitality industry in 2014, arrival growth has remained strong and continues to support occupancy in Kuala Lumpur. The declines seen in arrivals from China amid negative public reaction to the MH 370 incident may have a lingering impact on demand into 2015. On the supply side, new additions to the market could suppress ADR growth moving forward, especially as hotels shift focus, readjust to mitigate lost room nights from the Chinese market, and cope with increasing price sensitivity as the global economy slowly recovers. Occupancy is expected to decline slightly to 72% market-wide for 2014 and with ADR down by -1% from 2013 as the market adjusts to both new supply and displaced demand.

## OUTLOOK

The short-term loss of the increasingly significant Chinese tourist market has negative implications on overall tourist expenditure, as Malaysia and Kuala Lumpur, positions itself as a retail mecca for inbound tourists. Challenges are also inherent in the broader Kuala Lumpur market in the particular concentration of corporate source markets in the KLCC and Sentral sub-markets. In driving base business, hotels beyond the immediate vicinity of these core commercial nodes may find it challenging to fill rooms especially as booking windows shorten. Looking ahead, Tourism Malaysia is set to engage more actively moving into 2015 to promote MyFest 2015 – Malaysia Year of Festivals 2015 – to jumpstart recovery and growth in arrivals and move past the challenges of 2014 to achieve its target of 29.4 mn arrivals across Malaysia next year. As supply is set to increase amid soft demand, a recovery in traveller sentiment and robust growth in arrivals will be required to effectively absorb new rooms available and contribute to solid gains in ADR.

### KUALA LUMPUR HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 74% | ▲ |
| ADR | MYR 287 | ▲ |
| RevPAR | MYR 212 | ▲ |

# MALDIVES

Photo Credit: Maalifushi by COMO – COMO Hotels & Resorts

CUSHMAN & WAKEFIELD

# MALDIVES

## ECONOMIC UPDATE

As tourism is the major contributor of growth in the Maldives, the overall economy is closely tied to performance of the industry. As tourism arrivals grew in H1 2014, growth is set to continue on pace, boosted by growth in other industries in the first half of 2014. While the volume of fish exports grew by 20% annually, export earnings fell due to declining prices in both Asia and Europe. Private sector imports in the wholesale and retail trade grew 17%, accelerating from the 7% growth witnessed in H1 2013, and bank credit loans to the commerce sector grew 12% recovering from sluggish growth in H1 2013. The revival of the construction industry in late 2013, spurred by improving tourism performance after successful presidential elections in 2013, continued into H1 2014 as well. Maldives is set to continue growth in the medium term as increasing earnings of tourism boost the wider economy and partially offset rising imports.

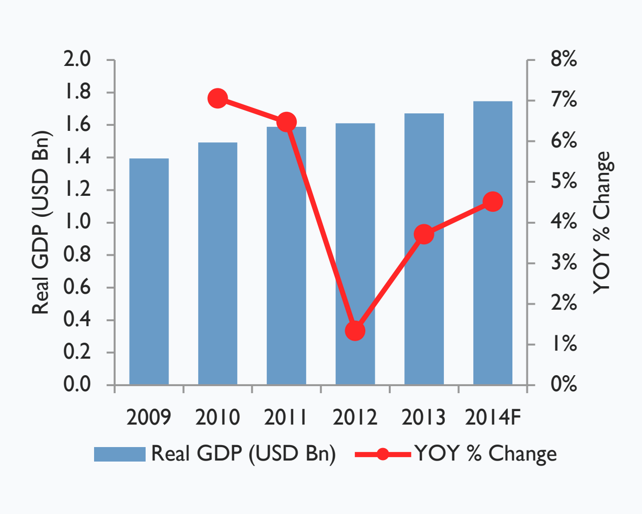
## TOURIST ARRIVALS

After stunted arrival growth during the political turmoil in 2012, arrivals and demand recovered and Maldives recorded 1.12 mn visitor arrivals in 2013, a sturdy 17% growth over 2012 and achieved its 1 mn visitor target (originally set for 2012). In H1 2014, an 11.5% growth in visitor arrivals was witnessed and the destination is on track to record 1.25 mn arrivals by the end of 2014. Europe and the APAC region remain major source markets for Maldives accounting for nearly 94% of the total visitor arrivals to the country. Both regions individually contributed 47% of the total arrivals to Maldives in 2013 whereas the Americas and the Middle East formed just 3% each of the total arrivals to the country. The highest number of arrivals were from China, accounting for 29% of the total tourist arrivals with a robust 20% growth over 2012. Germany and the UK registered second and third highest number of arrivals with 8% of total arrivals.

## HOTEL SUPPLY

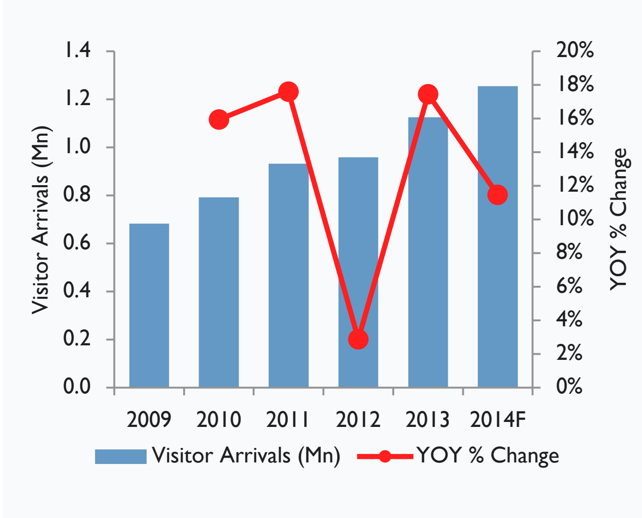
According to the Ministry of Tourism, Maldives had 28,770 operational beds including hotels, resorts, guest houses and safari vessels in 2013; recording a 4% growth over 2012 and a CAGR of 7% from 2010. Notable openings in 2013 included Cheval Blanc Randheli by LVMH, Velaa Private Island resort, Soneva Fushi resort and Atmosphere Kanifushi resort. In H1 2014, there were 30,827 beds, a growth of 5% from H1 2013, with prominent additions from Maalifushi by Como. The government is encouraging foreign investment to develop new resorts and further promote tourism with plans to add another 60 resorts over the next 5 years. Outrigger Enterprises Group bought over the Konotta Island Resort, which is scheduled to undergo renovation and reopen by mid-2015. There are over 4,000 rooms in the pipeline, from planning to development stage, that are expected to enter the market within the next 5 years. Properties in the pipeline include planned properties from Radisson (Carlson Rezidor), Centara, Amari (Onyx Hospitality) and The Chedi Dhapparu (GHM). An ambitious integrated resort, Thumburi, was launched by the Government in H1 2014 as part of the vision to diversify the market to cater to the mid-market segment and could add 2,100 rooms in the medium term.

### MALDIVES GDP




Source: Maldives Monetary Authority

### MALDIVES TOURIST ARRIVALS




Source: Ministry of Tourism

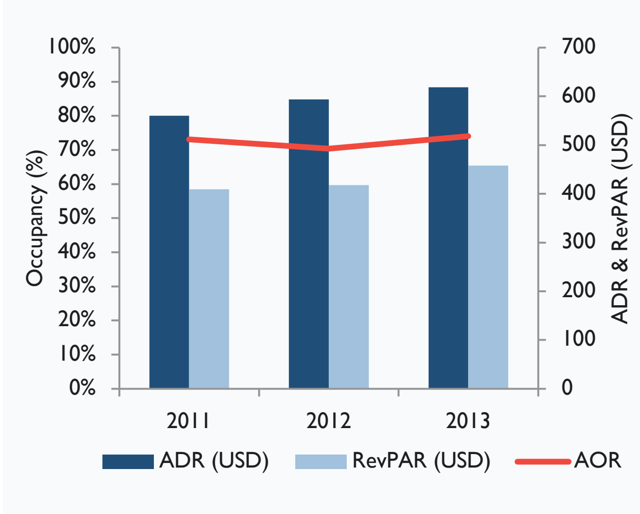
## HOTEL PERFORMANCE

The popular holiday destination is known to attract affluent travellers with its high end resorts, offering privacy and exceptional standards of hospitality and luxury which results in the market commanding one of the highest ADRs in the region. There are over 15 resorts in Maldives which charge an average of USD 1,000 per night. In 2013, the market-wide ADR was recorded at USD 619 witnessing a 4% growth over 2012. Occupancy, that dipped 73% in 2011 to 70.4% in 2012, also registered a 5% growth to 74% for 2013. The corresponding market-wide RevPAR was recorded at USD 458 for 2013 clocking a robust 10% growth YOY. Maldives is expected to witness a moderate growth YOY by the end of 2014 with the forecasted ADR at USD 631 (2% growth) and occupancy at 75% (1% growth. The market-wide ADR is expected to grow to USD 650 in 2015 whereas the occupancy is forecasted to witness a correction at 73%.

## OUTLOOK

As a major economic driver, the government has outlined plans to create new economic zones and upgrade infrastructure in outlying islands to ensure an equal spread of tourism development, as well as encourage Maldivians to pursue careers in the tourism industry. The addition of new inventory is expected to place pressure on occupancy while ADRs are forecasted to record steady growth moving forward, with a resulting marginal dip in RevPAR in 2015. With promotional campaigns underway in North America and rising economic powers Brazil, Russia, India, China and South Africa, enhanced connectivity and expanded fleet capacity through Mega Maldives Airlines, focus on tourism growth will support hoteliers in the Maldives. Investment in the travel and tourism industry was 24.8% of the total investment in 2013 and is expected to rise by 5.2% in 2014 with major investments by institutional investors such as Blackstone, who invested in Maldivian-based seaplane operator the Maldivian Air Taxi, and CDL Hospitality REIT. Being a preferred luxury vacation destination and witnessing increasing visitor arrivals YOY, the outlook bodes well for both investors and operators moving ahead.

### MALDIVES HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 73% | ▼ |
| ADR | USD 650 | ▲ |
| RevPAR | USD 476 | ▲ |

# MANILA
## PHILIPPINES


CUSHMAN & WAKEFIELD®

Photo Credit: Marco Polo Ortigas, Manila – Marco Polo Hotels

# MANILA, PHILIPPINES

## ECONOMIC UPDATE

The GDP of the Philippines expanded by 7.2% in 2013, the highest GDP growth in the last two years and a record rate compared to other ASEAN countries, as a robust services and industry sector, strong household consumption, and government spending contributed to growth. While the expected real GDP for 2014 stands at USD 261 bn, growth in Q1 and Q2 2014 remained relatively sluggish at 5.6% and 6.4% respectively. The government however, remains confident that the growth target of 6.5-7.5% will be met by the end of 2014 with an increase in public spending. Port congestion in Manila and the negative effects on the agricultural industry due to the potential impact of El Niño remain major obstacles to overcome, and combined may lead to an increase in consumer prices. Consumer prices reached 4.9% in Jul 2014 before easing to 4.3% in Oct 2014. The Philippines however, is enjoying a bolstered economy, with positive signs from the receipt of several investment-grade ratings.

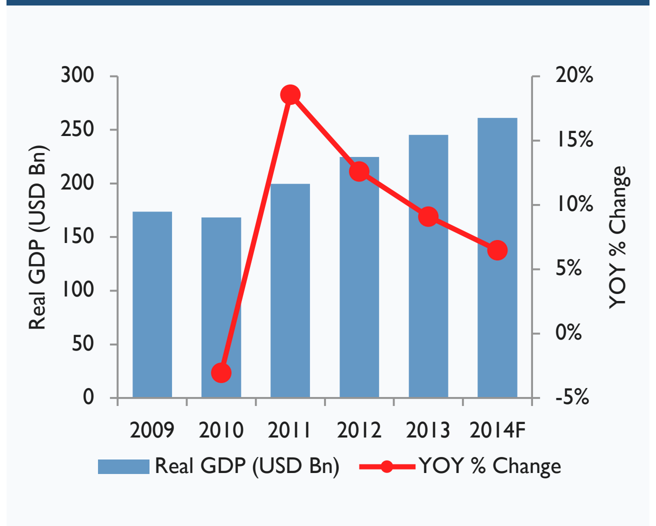
## TOURIST ARRIVALS

Despite the impact of typhoons in late 2013, arrivals increased by 9.6% YOY to 4.7 mn, with accelerated growth up 1.2% pts compared to growth in 2012. As of Aug 2014, the Philippines welcomed 3 mn visitors, an increase of 2.7% over YTD Aug 2013, indicating that growth should however, be expected to moderate in 2014. While total arrivals is expected reach 4.8 mn in 2014, the figure falls significantly short of the target of 6.8 mn which the Department of Tourism (DOT) has made concerted efforts to achieve including the expansion of its visa-waiver program to the conduct of active marketing promotions. South Korea – the largest source market that currently accounts for 24% of arrivals – continued robust growth of 13% YOY to 1.2 mn arrivals in 2013, though growth slowed to 5.6% YOY as of YTD Aug 2014. Arrivals from the US, Japan, China and Australia (who round out the top 5 source markets) also continue to post gains.

## HOTEL SUPPLY

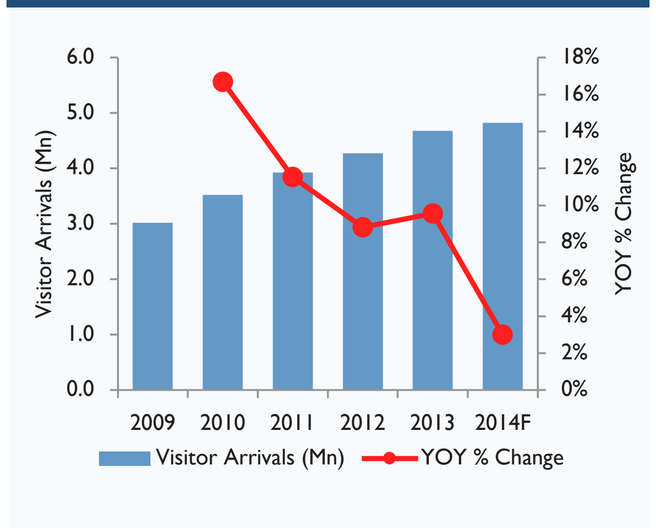
According to the DOT, the National Capital Region (NCR) Manila had an inventory of 36,333 rooms in 2013, an increase of 10.4% YOY. Rooms inventory is expected to increase further by 11.0% to 40,335 rooms in 2014 as strong development activity for hospitality-related projects continue. The Manila market has 41 hotels with just under 13,000 rooms in the pipeline till 2020, across the budget to deluxe segments. The planned Entertainment City project in Parañaque, which will be developed as a key gaming centre in Asia, boosted activity and international brands continue to actively target opportunities across the Philippines. Notable new additions over next five years include the 365-key Hyatt City of Dreams Manila in 2014, 350-key Conrad Manila, 438-key Grand Hyatt Veritown Fort Manila and the 577-key Shangri-La at The Fort in 2015. An additional 1,450 rooms is also planned for the expansion of Resorts World Manila by 2016 to 2017. In 2014, local brand Go Hotel added to the inventory with Go Hotel Ortigas and China-based Jin Jiang entered the market with two Jin Jiang Inn products as well.

### PHILIPPINES GDP




Source: National Statistical Coordination Board, Republic of the Philippines

### PHILIPPINES TOURIST ARRIVALS




Source: National Statistic Coordination Board, Republic of the Philippines

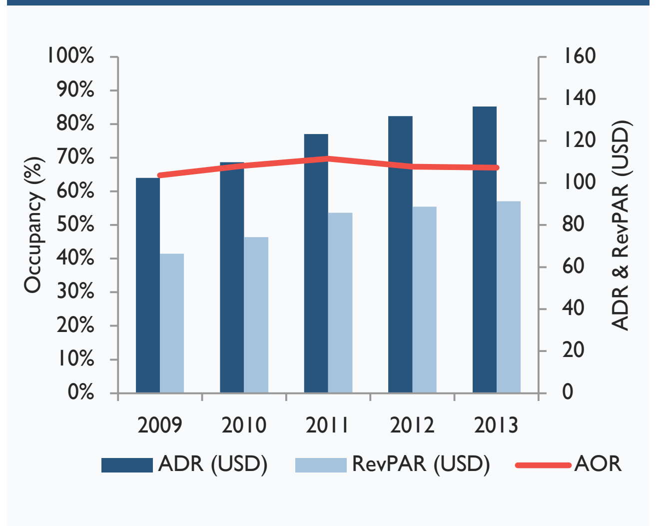
## HOTEL PERFORMANCE

Our research showed that the market-wide occupancy levels for Metro Manila stayed at 67% and ADR of Philippine Peso (PHP) 5,787 with a growth rate of 4.0%. While demand steadily grows, the market performance in terms of occupancy level remained stalled along with increasing new supply. In 2014, the market is expected to continue witnessing declines in performance throughout 2014-2015. The expected market occupancy in 2014 and 2015 is anticipated to dip slightly by 1.5% pts and fall significantly by 6.6% pts should all planned projects open as announced. As increasing supply heightens the competitive environment and it becomes an increasing challenge to fill rooms, stagnant growth or potential declines in ADR could be expected, with a resulting decline in RevPAR moving in 2014 and 2015. Given the slowdown in the Chinese economy and weakening value of local currencies in Japan and Australia, market demand may face some headwinds moving ahead and a readjustment will be necessary to maintain growth in performance metrics market-wide in the short-term.

## OUTLOOK

While the NCR Manila hotel market growth is expected to be stagnant due to increased new supply and the nation's on-going issues such as traffic congestion, demand is expected to grow in mid-to-long term as the nation gains more destination attractions including large-scale tourism projects such as Entertainment City in Parañaque. The hotel market can be benefit from the government's various marketing and promotional activities to establish the nation as an attractive destination and promote tourism industry. Additions in new supply and a heightened competitive market however, will continue to place downward pressure in performance over increased competition, although options for quality products for guests multiply in Manila.

### MANILA HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 59% | ▼ |
| ADR | PHP 5,814 | ▼ |
| RevPAR | PHP 3,421 | ▼ |


# SINGAPORE

CUSHMAN & WAKEFIELD

Photo Credit: Hotel Jen Orchardgateway Singapore – Shangri-La Hotels & Resorts

# SINGAPORE

## ECONOMIC UPDATE

The Singapore economy grew at a modest pace at a rate between 2.5-3.5% in 2014, after GDP grew 4% in 2013 to Singapore Dollar (SGD) 373 bn. Externally-orientated sectors such as Finance & Insurance and Wholesale Trade are expected to support growth in H2 2014 as the global economy continues its modest recovery. Business Services, Information & Communications, and other domestically-oriented sectors should also remain resilient in H2 2014, though labour-intensive segments may be weighed down by a restrictive labour environment. Moderation in the construction sector is expected to continue due to a slowdown in both public and private activity.

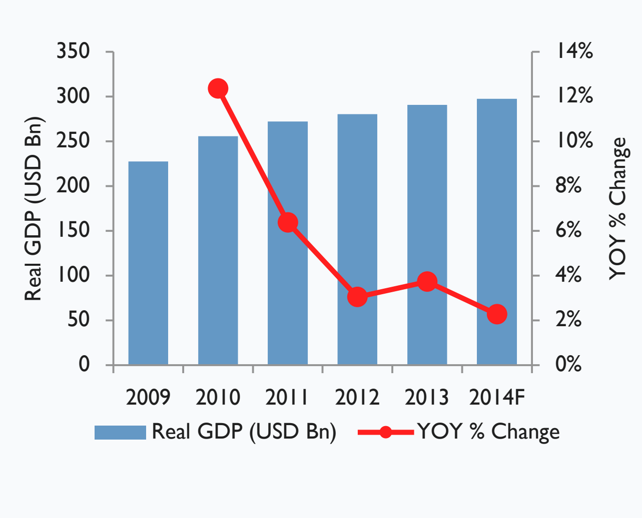
## TOURIST ARRIVALS

International visitor arrivals reached 15.6 mn in 2013, a strong growth of 7.4% YOY, with Indonesia, China and Malaysia maintaining their status as the top 3 source markets. All top 10 source markets witnessed growth in 2013, with robust double-digit growth seen Hong Kong (+14%), China (+12%) and Japan (+10%). In Q2 2014 however, there was a 6% slide in international arrivals YOY to 3.6 mn visitors. The slide can be attributed to the decline in visitor arrivals from China who continue to be impacted by China's tourism law (enacted in Oct 2013), regional socio-political issues and the fallout from unfortunate aviation incidents that have had a knock-on effect on travellers who utilize Singapore as a gateway city and as a component of a wider South-East Asian itinerary. Critically, the decline in Chinese arrivals were from those who stayed in Singapore for a day or less, while Chinese arrivals that stayed for a minimum of 2 days actually increased 21% YOY in H1 2014, significantly lengthening the average length of stay from 2.7 days to 4.2 days.

## HOTEL SUPPLY

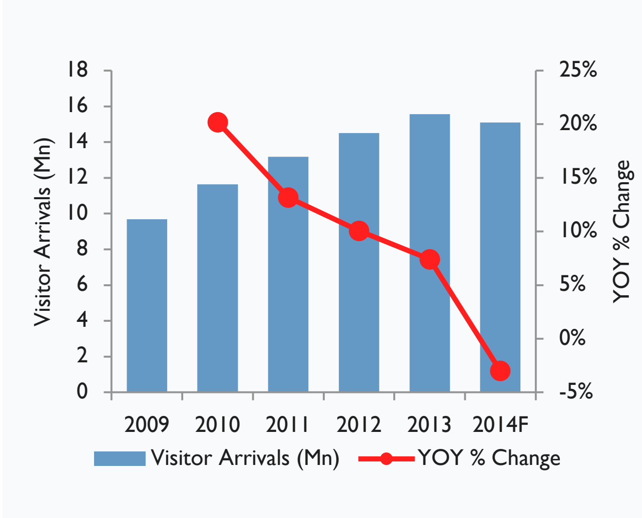
New supply of over 1,500 rooms entered all segments of the market in 2014 – both from international brands such as Holiday Inn Express Clarke Quay to Sofitel So and local operators Aqueen Hotels and Hotel Clover. The city also welcomed a new brand (from Shangri-La Hotels & Resorts) with the opening of Hotel Jen Orchard Gateway and the rebrand of Traders Hotel (Tanglin) into Hotel Jen Singapore as well. In July 2014, the Urban Redevelopment Authority (URA) introduced new policy that tightens the approval of new development applications for hotels, boarding houses and backpacker hostels, limiting the potential for new supply in the boutique-shophouse or hostel categories of lodging supply. Looking ahead, over 4,600 rooms are in the pipeline from 2015 to 2018. With limited availability of sites in the city's core, new developments are planned for outer-lying areas with additions such as Park Hotel Alexandra, Park Hotel Farrer Park and the dual-branded complexes Novotel & Ibis Styles Stevens Road and Hotel Indigo & Holiday Inn Express Katong expected in the pipeline. In more established destinations rebranded and redeveloped properties will refresh offerings with Sofitel Sentosa entering the market in 2015 and the second International planned to take over the redeveloped Gallery Hotel property in Robertson Quay.

### SINGAPORE GDP




Source: Ministry of Trade & Industry, Singapore

### SINGAPORE ARRIVALS




Source: Singapore Tourism Board

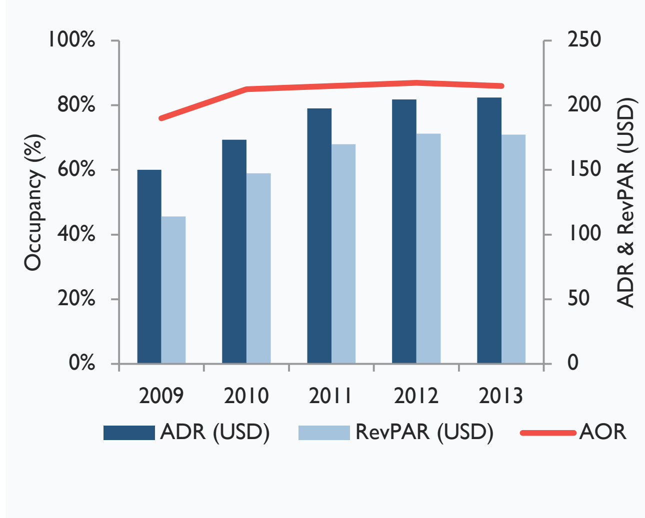
## HOTEL PERFORMANCE

Despite the 6% decline in arrivals in Q2 2014, the Singapore Tourism Board (STB) recorded a 5.2% YOY increase in Gazetted Hotel Room Revenue, up to SGD 800 mn. This was recorded despite overall Tourism Receipts for the quarter falling by 3% to SGD 5.6 bn, attributed to lower shopping expenditure in particular from Chinese, Indonesian and Malaysian visitors. While the Singapore Grand Prix led to a surge in occupancy and rates over the race weekend in September with over 253 thousand visitors, 3,000 fewer tickets were sold this year for the city's marquee event. The Luxury segment continues to be the strongest segment, with RevPAR rising 8.3% YOY in H1 2014 driven by a 7.4% gain in ADR. The Midscale segment bore the largest brunt of declining arrivals, with RevPAR falling 4.0% in H1 2014 as occupancy fell 3.4% and ADR fell by -0.6%. Interestingly, the Economy segment grew ARR by 6.4%, though RevPAR held steady as occupancy declined by 5.2%, perhaps indicative of the decline in lower-yielding groups, opening up rooms for higher-yield FITs. This same reason may be behind the Midscale RevPAR declines, as the lack of groups leaves larger Midscale properties without their regular groups-base on which to build room rates.

## OUTLOOK

While the achievement of a target 16.3 mn visitor arrivals may be a challenge in 2014, the outlook remains positive for the Singapore hotel market moving forward in the medium term as the negative impact from regional shocks abate and a recovery is seen in the wider South-East Asian tourism industry in 2015. In positive indicators of active planning and marketing, the city hosted a Brazil-Japan International Friendly in its new National Stadium and will continue to host the Women's Tennis Association Finals from 2014 to 2019, highlighting its enhanced capacity to host international sporting events and remain a regional and international hub. While downside risks linger as the global economic recovery remains touch-and-go with its impact on corporate demand and the propensity of Asia's rising middle class to travel and spend, the strategic transition to higher-yielding tourists and continued emphasis on large-scale MICE draws will drive both demand and revenue for the hotel market.

### SINGAPORE HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 85% | ▲ |
| ADR | SGD 266 | ▲ |
| RevPAR | SGD 226 | ▲ |


# SEOUL
## SOUTH KOREA

CUSHMAN & WAKEFIELD®

Photo Credit: JW Marriott Dongdaemun Square Seoul – Marriott International

# SEOUL, SOUTH KOREA

## ECONOMIC UPDATE

After expanding by 3.6% in 2013, South Korea's GDP is expected to expand 3.8% this year, unchanged from previous forecasts. While the increase in investment and upswing in export activity had led to growth in H1 2014, the sluggish consumption following the Sewol ferry disaster slowed economic growth. The Bank of Korea froze the key interest rate at 2.5% for the 13th consecutive month. While concerns remain over the recent gains of the South Korean Won (KRW) which will impact import-export activities, the rebound in the US economy and the reform of Chinese economy will benefit the nation's export activities in mid- to long-term and it is expected that South Korea will be able to sustain export-led growth moving forward.

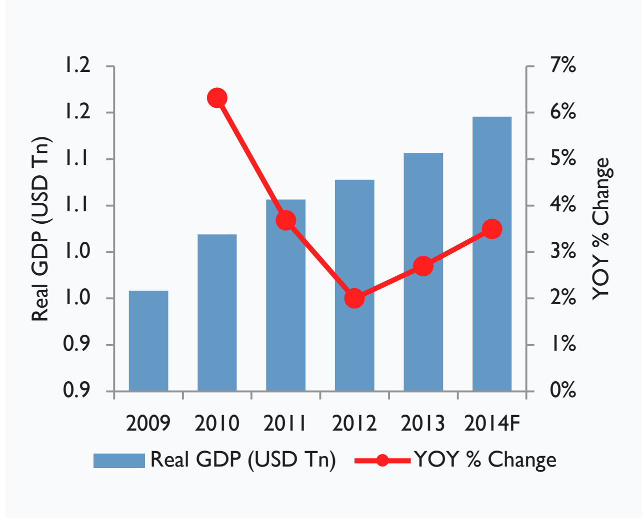
## TOURIST ARRIVALS

South Korea welcomed total of 12.1 mn international arrivals with a YOY growth rate of 9.3% in 2013 and registered accelerated growth in H1 2014 with 6.6 mn visitors, growing 19.8% over H1 2013. 14 mn arrivals are expected for the full year of 2014, a 14.8% growth YOY. The robust growth of arrivals has been led by the continued growth of Chinese arrivals, which became the largest source market in 2013 with 4.3 mn arrivals, while the Japanese arrivals, traditionally the largest source market, continue to decline due to the depreciating Yen. Chinese arrivals in H1 2014 recorded 2.7 mn, growing 53.8% over H1 2013. South Korea is to host the 2014 Incheon Asian Games in late 2014, which will enhance the nation's awareness and destination image. The ongoing expansion of Incheon International Airport is planned to be completed by 2017 and will add to the momentum in attracting international arrivals with increased its handling capacity to 62 mn passengers a year and 100 mn by 2020 upon completion of the fourth expansion phase.

## HOTEL SUPPLY

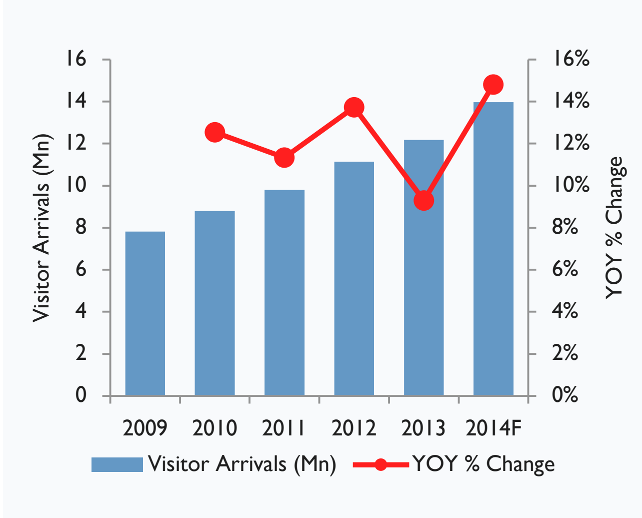
Supported by growing demand, gains in key performance metrics and the government's promotion of hotel development, the Seoul hotel market offers significant potential for developers, investors and operators. According to the Ministry of Culture, Sports, and Tourism, Seoul had 177 hotels with 28,468 rooms in 2013, an increase of 4.7% in total room inventory from 2012, after 2012's YOY growth of 7.9%. Notable additions include Seoul's second JW Marriott in Dongdaemun that opened in late 2013. As of 2013, the city government had approved a total of 136 hotels with 21,257 rooms which are mostly slated to open within the next 3 years until 2016. This pipeline largely consists of Midscale and Economy segment projects, though new Luxury segment developments are ready to debut, such as the Four Seasons Hotel Seoul. A majority of the development projects have yet to begin the financing and funding process, which suggest potential attrition from the current pipeline of planned projects. While there remain some concerns over the significant pipeline, the market is expected to diversify its product offering and offer opportunities for international brands to enter the market.

## SOUTH KOREA GDP




Source: Statistics Korea & Cushman & Wakefield Hospitality

## SEOUL FOREIGN ARRIVALS




Source: Korea Tourism Organization

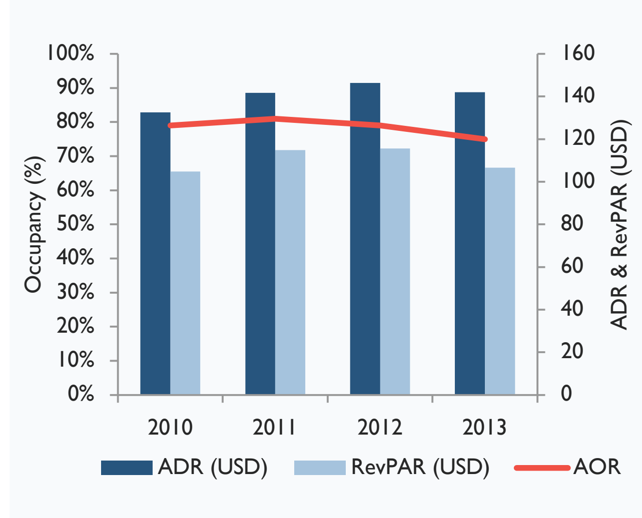
## HOTEL PERFORMANCE

Market-wide key performance metrics declined slightly in 2013 as occupancy registered 75% and ADR stood at KRW 160,090. The overall decline in 2013 is largely attributed to soft demand experienced at the outset of 2013, when demand fluctuated with the weakening of the Japanese Yen and the gradual transition to and retargeting of Chinese demand. The market is expected to witness a slight uplift in occupancy in 2014 to 77% up by 1.9% pts as robust demand growth continues. As the market has increased its proportion of midscale supply, market-wide ADR can be expected to continue its slide, though in the short-term the anticipated addition of luxury hotels should mitigate the impact the repositioning of the wider market.

## OUTLOOK

While uncertainty in the wider global economy recovery and exchange-rate volatility continue to impact South Korea's economy and the attractiveness of Seoul as a destination for its top source markets (Japan and China), the economic outlook remains positive with stable growth expected moving forward. The strong influx of demand from a growing Chinese market and potential recovery from the Japanese market will benefit the Seoul hotel market ahead. While the market has a significant supply pipeline that will subdue ADR growth and heighten competition, the significant growth of Midscale supply will diversify the city's accommodation offerings and lead to an enhanced and more dynamic hospitality environment. With robust demand anticipated to continue, increase in supply is expected to be absorbed in the mid- to long-term.

## SEOUL HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 77% | ► |
| ADR | KRW 165K | ▲ |
| RevPAR | KRW 127K | ▲ |

# COLOMBO
## SRI LANKA

CUSHMAN & WAKEFIELD®

Photo Credit: Hilton Colombo Hotel – Hilton Worldwide

# COLOMBO, SRI LANKA

## ECONOMIC UPDATE

Growth in 2014 has been robust with H1 2014 growth of 7.7% reflecting accelerated growth from 6.4% in H1 2013. Growth was propelled by expansion in the Industry sector and growth in Services and Agricultural sector. Construction, mining, quarrying and manufacturing drove growth for the Industry sector to 12.4%, while services grew by 6.1%. The agricultural sector notched growth of 3.1% as unfavourable weather conditions adversely impacted production of rice and, according to government analyses, has affected 1.6 mn people and cut crop yields by 42% compared to 2013 production levels. The economy is expected to continue strong growth, ahead of the 7.3% GDP growth experienced in 2013 moving forward, though the impact of prolonged drought will continue to temper growth in the agricultural sector.

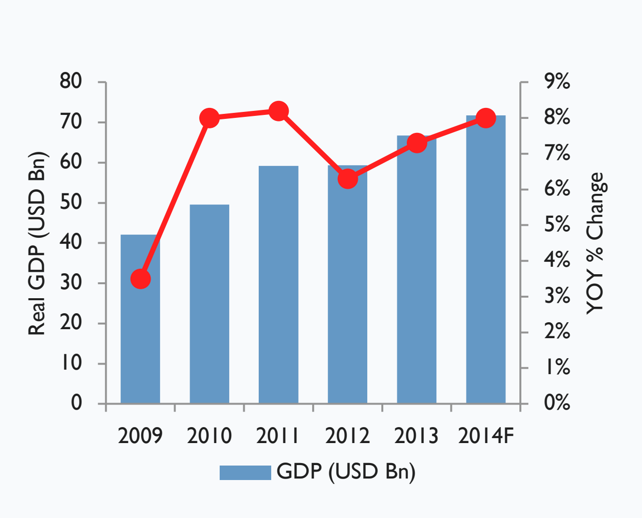
## TOURIST ARRIVALS

Colombo received over 1 mn tourist arrivals from Jan to Aug 2014 recording a growth of 23.1% over the 0.81 million arrivals for the same period in 2013. Colombo witnessed 1.27 million tourist arrivals in the year 2013 recording a 27% YOY growth over 2012. The top 10 feeder markets account for approximately 63% of total arrivals in with India, UK and Germany being the top 3 source markets. India, which accounted for 16% of total arrivals, recorded a 24% growth from Jan-Aug 2014. As a region however, Western Europe accounted for the highest number of arrivals for the period, growing by 16% over Jan-Aug 2013 while arrivals from the US grew 12%, South Asia by 20% and Australia by 11%. Arrivals from East Asia and China witnessed a boom in Jan-Aug 2014 with a 53% jump in arrivals YOY. British Airways, who flys from London to Colombo via Malè, is scheduled to discontinue the service to Colombo in Mar 2015 as the sector is not performing to expectations after it had resumed service after 15 years in 2013. This will impact arrivals growth from the UK who contributed roughly 10% of arrivals from Jan-Aug 2014.

## HOTEL SUPPLY

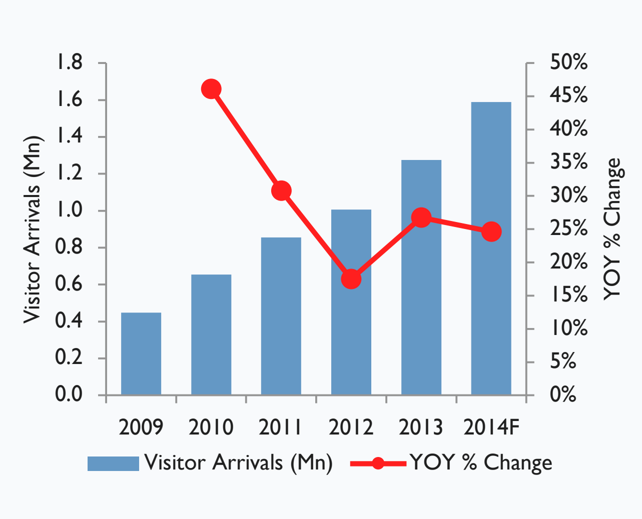
According to our research, the city had an inventory of 3,958 keys in the organized segment in 2013, a 3.9% growth YOY in inventory. The hotel market is dominated by the luxury category which comprises 38% of the total inventory, followed by midscale at 24% of the total inventory, closely followed by 19% in the upper upscale, 12% in the upscale and the remaining 7 % in the budget category. Colombo has a strong pipeline of over 7,000 keys under different stages of development which are expected to enter the market in the next 5 years. Of the total inventory in the pipeline, 30% is in the planning stage, while the remaining 70% is under development. Ozo hotel by ONYX with 158 keys and Cinnamon Red hotel by John Keells with 240 keys were the prominent openings in H1 2014. The inventory is expecting a growth of 29% to reach 5,000 keys by the end of 2014, with the major opening being the 475-key Hyatt Regency, a 98-key Jetwing hotel and the expansion of the Gateway Hotel. The inventory is forecast to grow at 10.3% in 2015, 26% in 2016 and 37% in 2017. The popular tourist destination is expected to achieve an inventory of 10,000 keys in the organized segment by 2018.

### SRI LANKA GDP




Source: Central Bank of Sri Lanka

### SRI LANKA INTERNATIONAL ARRIVALS




Source: Sri Lanka Tourism Development Authority

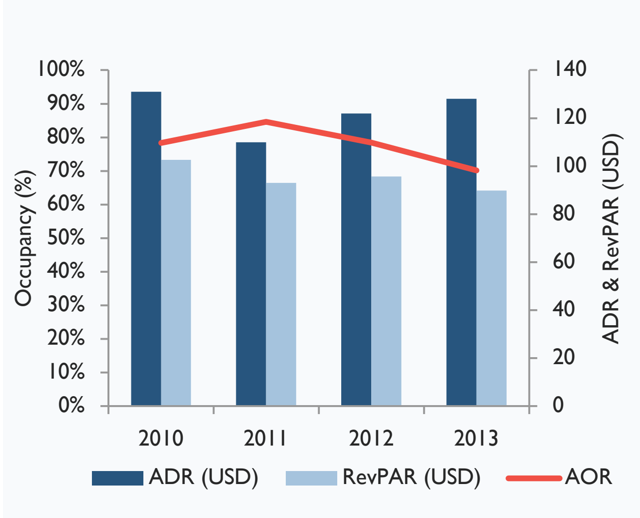
## HOTEL PERFORMANCE

Hotels in Colombo recorded a market-wide occupancy of 70% in 2013, witnessing a decline of 5.6% pts from 2012. ADR for the market however, continued its positive trend with a 5% growth YOY in 2013 over 2012. ADR for hotels in the organized segment recorded USD 128 in 2013 as compared to USD 122 in 2012. The corresponding RevPAR for the market witnessed a 6% drop over the previous year and was recorded at USD 90 in 2013. With the political scenario stabilizing in the country and improved connectivity, the increasing number of tourists recorded in Sri Lanka are seemingly exploring other locations apart from Colombo. Tourism remains to be one of the major sources of foreign exchange and revenue for the country.

## OUTLOOK

Colombo looks positive to achieve the goal set by the government of 2.5 million tourist arrivals and earnings of USD 3.5 billion by 2016. However to achieve this, the Sri Lankan government will have to continue to invest in improving connectivity, infrastructure development, domestic transportation, energy infrastructure and hotel infrastructure. Being the epicenter of all activity in the country, Colombo witnesses both business and leisure demand. Along with being a popular tourist destination, Sri Lanka is looking to establish itself as a preferred entertainment and MICE destination. With the addition of new inventory to the market, the occupancy rates in Colombo are expected to remain under pressure while the ADRs are expected to sustain and grow with the improved connectivity, focused marketing efforts to promote tourism by the government and consistent growth in visitor arrivals. The development of Hambantota in southern Sri Lanka as the second capital with the Mattala Rakapaksa International Airport, international cricket stadium, port city, large convention facility and luxury resorts is likely to result in increased travel to the country. Hotel development is expected to remain on the uptrend in Colombo riding on the robust tourist arrival numbers and the support of the government to promote tourism and hospitality in the country.

### COLOMBO HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 69% | ▲ |
| ADR | USD 137 | ▲ |
| RevPAR | USD 94 | ▲ |


# BANGKOK
## THAILAND

CUSHMAN & WAKEFIELD®

Photo Credit: Hotel Muse Bangkok, M Gallery – Accor

# BANGKOK, THAILAND

## ECONOMIC UPDATE

According to the National Economic and Social Development Board, Thailand's GDP increased by 0.4% in Q2 2014 in contrast to the 0.5% decline of the previous quarter as a result of the growth in domestic and external demand. The Fiscal Policy Office has however, lowered this year's economic growth forecast to 2.0% from 2.6% in Mar 2014 due to a higher-than-expected contraction of 0.6% in Q1 2014. In other projections, the Bank of Thailand has projected this year's economic growth at 1.5% for 2014. With the military junta expected to hold elections in Oct 2015, it remains to be seen if significant progress will be made on an economic front within the next 12 months. The country has however, proved resilient in the past as business activities resume amid recovering consumer confidence and business sentiment.

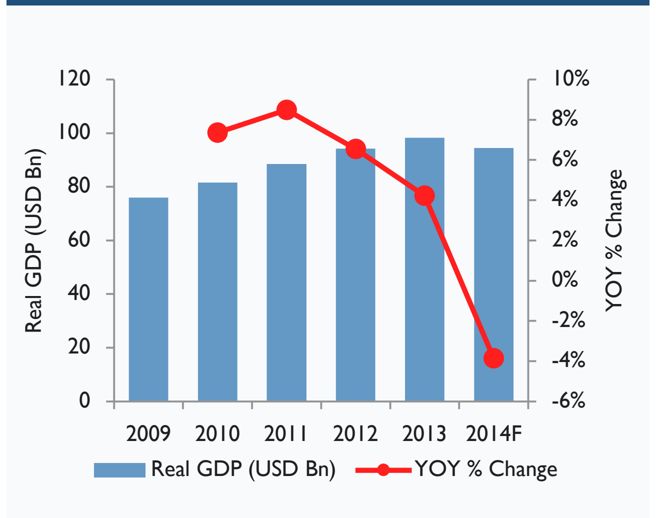
## TOURIST ARRIVALS

Thailand received a total of 26.5 mn international arrivals in 2013, representing a YOY growth of 19%. According to the Department of Tourism, Suvarnabhumi Airport received a total of 15.4 mn international arrivals in 2013, growth of 8.6% over 2012. From Q1 to Q3 2014 however, international arrivals recorded a decline of 17.7% over the same period in 2013. The decline is attributed to the recent political demonstrations across the country, but heavily focused within Bangkok, leading to significant declines from key source markets. Arrivals from all top 10 source markets fell in 2014, with the exception of France (marginal growth of 1%), with the top 5 reflecting large declines in arrivals – China (-31%), Japan (-21%), India (-14%), Russia (-15%) and Korea (-15%). International arrivals at other ports of entry besides Suvarnabhumi Airport actually increased for some major markets - though not enough to make up for the declines seen through Bangkok. Interestingly, a substantial displacement took place with visitors from China, Russia, Australia, USA, Germany and Vietnam travelling through/to other areas in Thailand instead of Bangkok.

## HOTEL SUPPLY

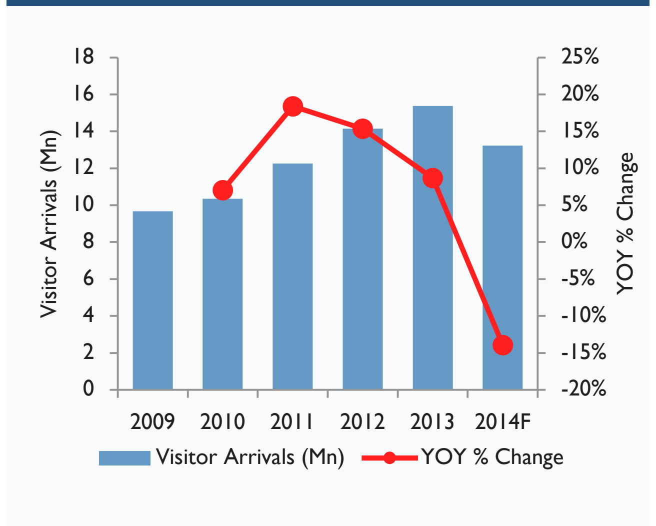
As of 2013, Bangkok had a sizeable inventory amounting to more than 57,000 keys. The majority of the existing Upper Upscale and Luxury hotels in Bangkok are located in the areas of Ploenchit, Riverside, Sathorn, Silom and Sukhumvit. Openings in 2013 included global brands such as Doubletree by Hilton, Hilton, Marriott and Holiday Inn, as well as independents such as the Berkeley Hotel, with new supply for the year largely focused in Sukhumvit with 2,300 rooms added across a range of segments. 58% of the new supply in 2013 belonged to the Upper Upscale segment, followed by the Upscale segment with 21%, Midscale and Economy segments with 16% and 6% respectively. There will be a further infusion of more than 6,700 keys from 2014 to 2018. In H1 2014, about 850 keys became operational, with 1,180 expected in H2 2014. Some of the notable editions expected in the next few years include brands such as Lancaster, Jumeirah, Waldorf Astoria, and Park Hyatt.

## THAILAND GDP




Source: Office of the National Economic & Social Development Board, Thailand

## BANGKOK INTERNATIONAL VISITOR ARRIVALS




Source: Department of Tourism, Ministry of Tourism & Sports, Thailand

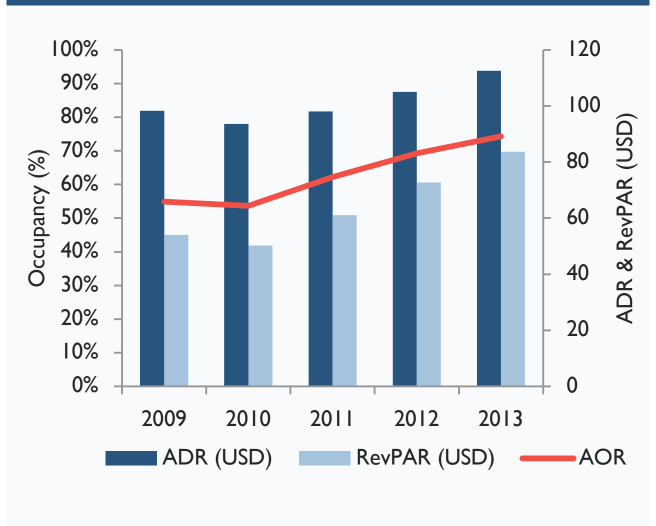
## HOTEL PERFORMANCE

Bangkok witnessed an increase in ADR by 7% to USD 113 in 2013. Occupancy rose by 7% to 74%. ADR and occupancy levels continued their upward trend since 2011 due to the robust growth in tourist arrivals. RevPAR has made resulting gains as well, growing 14% in 2013 to USD 84. In 2014 however, the tourism industry has taken a big hit due to the political tensions and martial law that took effect in H1 2014, pushing occupancy and ADR down to 61% at USD 105 for the first 6 months of the year. The tourism sector that accounts for about 10% of the economy suffered its biggest drop in visitors in June - the first full month after the army took power on May 22nd in a bid to end tensions and drive economic recovery. This political unrest may have also caused ADR in the city to decline as rooms were being packaged with attractive discounts and promotional offers. The year is forecasted to clock an AOR of 63% with an ADR of USD 981.

## OUTLOOK

As the Bangkok hotel market has been particularly impacted by prolonged political tensions from 2013 to 2014, major declines in occupancy (then ADR) have been seen since the strong performance witnessed in the preceding year. The market has since responded by collaborating to promote the city and reassure travellers that all is 'business-as-usual', and relative stability has led to quiet improvements in sentiment. In a positive move to boost the Thai travel and tourism industry, the Immigration Bureau has allowed citizens of 48 countries and one territory to get a 30-day extension of their stay in Thailand after the expiry of their normal period of stay. While international arrivals have yet to fully recover, Bangkok has a history as a resilient market, hotel performance is expected to rebound strongly as concerns over political tensions, safety and security in Bangkok dissipate with a healthy revival of ADR and occupancy in the medium term.

## BANGKOK HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 67% | ▲ |
| ADR | THB 3,450 | ▲ |
| RevPAR | THB 2,309 | ▲ |


# HO CHI MINH CITY
## VIETNAM

CUSHMAN & WAKEFIELD®

Photo Credit: Sheraton Saigon Hotel & Towers – Starwood Hotels & Resorts

# HO CHI MINH CITY, VIETNAM

## ECONOMIC UPDATE

In H1 2014, Vietnam's largest economic hub recorded a growth rate of 8.2%, reaching nearly USD 18 bn. The service sector, that accounts for just under 60% of the city's GDP, grew by 9.6%, followed by growth in the industrial and construction sector and the agricultural sector. According to the city's Committee, Ho Chi Minh City (HCMC) recorded an average annual growth of 9.5% between the 2011 to 2013 period, 1.7 times the national average while the average CPI increase was 6.9% compared to national CPI growth of 9.2%. This high-growth and low-inflation environment has increased HCMC's profile against its sister city Hanoi, the seat of the government in the north, and strengthens its status it as the primary business centre in Vietnam.

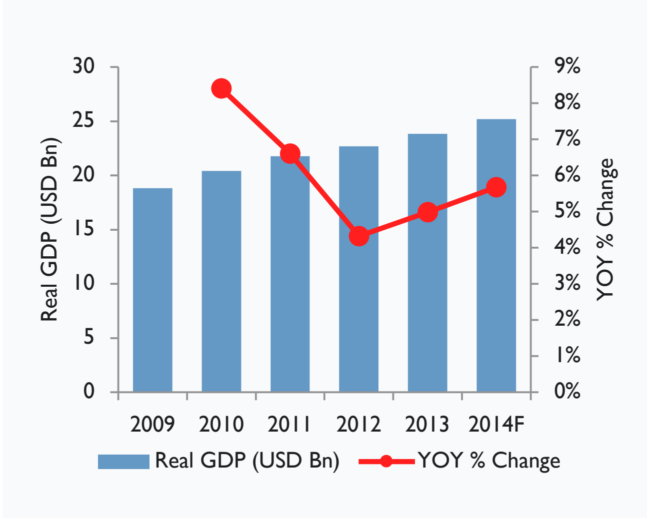
## TOURIST ARRIVALS

In 2013, Vietnam received more than 7.6 mn foreign arrivals, a 10.6% increase over 2012. With 4.9 mn tourists in the from Jan to Jul 2014, a 15.6% increase over the same period in 2013, Vietnam is on track to welcome its target of 8 mn foreign tourists in 2014 despite several challenges in H1 2014. Rising anti-Chinese sentiment over geo-political disputes in the South China Sea had led to violent disruptions across industrial parks in southern Vietnam. This in turn, led to two consecutive months of decline in foreign arrivals in May and June, though recent figures reveal a recovery in July. HCMC welcomed 2.4 mn foreign arrivals from Jan to Jul 2014, a YOY increase of 9.1%, with tourism revenues also up by 8.5% compared to the same period in 2013. While arrivals were impacted in May, the only month to witness a decline in international visitation, growth from long-haul markets in Europe and a recovery in Chinese arrivals has so far and should continue to drive growth in H2 2014. Despite the mid-year setback, arrivals growth has accelerated this year, H1 2014 growth was 9% over 2013 compared to the 5% growth witnessed in H1 2013.

## HOTEL SUPPLY

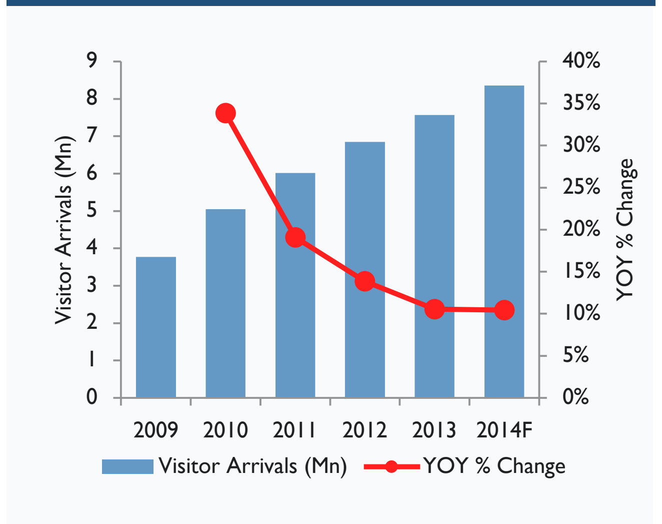
New supply growth in HCMC was limited in 2014, with the only significant opening of the 306-key Pullman Saigon Centre in Q1 2014. A further 2,000 rooms are in the pipeline for the city, with 1,100 rooms scheduled to enter the market next year in 2015. These additions will largely be contributed from internationally-branded operators with the 338-key ibis Saigon Grand Palace, 350-key Le Meridien Saigon, 168-key M Gallery under development, and the much anticipated opening of 286-key The Reverie Hotel. Including the Pullman Saigon Centre, these openings will significantly add to the upscale and luxury supply of the city, contributing to an expected 10% growth in rooms supply by 2015. In the medium term, mooted projects also remain within the higher-tiers of the market with hotels expected within Lavenue Crown, Union Square and Liberty Central developments and the Ritz-Carlton Saigon (slated for 2017). Refurbishment work on the prominent Caravelle Hotel began in May 2014. The hotel in entirety will be renovated in phases to re-open in 2016, the hotel's largest upgrade in the past 15 years, suggesting expectations of heightened competition within the Luxury and Upper Upscale segments moving forward.

### HO CHI MINH CITY GDP




Source: General Statistics Office of Vietnam

### VIETNAM INTERNATIONAL ARRIVALS




Source: Vietnam National Administration of Tourism

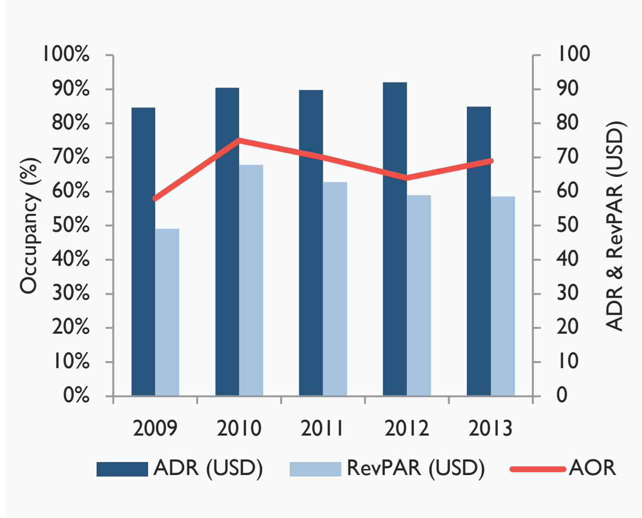
## HOTEL PERFORMANCE

In 2013, hotel and tourism service revenues reached an estimated Vietnamese Dong (VND) 21.5 bn, up 19.5% compared to 2012, with hotel revenues increasing by 10.2% and travel service revenues increasing by 24.6%. Growth in 2013 accelerated over growth in 2012, with the industry posting 13% growth overall, though only 3.5% for hotel revenues and 18.9% for tourism services. Occupancy recovered from a low in 2012, increasing by 5% pts to 69% in 2013. ADR however, fell by 7% YOY as hotels offered competitive rates and promotions to maintain market share and attract guests. As a result, RevPAR in 2013 held steady at USD 59. Although geo-political tensions have led to a decline in arrivals from China in Q2 2014, signs of recovery are reflected moving into Q3 2014 according to the Department of Culture, Sports and Tourism, citing marked increases in occupancy across several hotels in the city.

## OUTLOOK

With significant declines in Chinese arrivals witnessed in July and August across Vietnam, the lingering impact of geo-political tensions may continue to be felt moving in 2015. HCMC's prominence as a commercial hub may mitigate these declines from a longer recovery in Chinese demand faced in resort destinations. The significance of the Chinese source market should not underestimated as it contributed 25% of all international arrivals to Vietnam in 2013. Depressed arrivals from Russia, the country's largest European source market may also be felt moving forward as well. Growth in the near term however will be supported by other major source markets such as South Korea, Japan and the US. HCMC also received permission to create a separate department to oversee tourism activities, a positive indicator of the emphasis placed on the industry and well-timed given the current headwinds hotel and tour operators face in the near term.

### HO CHI MINH CITY HOTEL PERFORMANCE




Source: Cushman & Wakefield Hospitality

| C&W HOSPITALITY FORECAST 2015 | | |
|---|---|---|
| AOR | 72% | ▲ |
| ADR | VND 1.99MN | ▲ |
| RevPAR | VND 1.44MN | ▲ |

## AKSHAY KULKARNI
Regional Director, Hospitality
South & South East Asia, Singapore
+(65) 6232 0819
Akshay.Kulkarni@ap.cushwake.com

## SIGRID ZIALCITA
Managing Director
Research, Asia Pacific
+(65) 6232 0875
Sigrid.Zialcita@ap.cushwake.com

## P. R. SRINIVAS
Director, Hospitality
South Asia, Gurgaon
+(91) 12 4469 5555
PR.Srinivas@ap.cushwake.com

## SOO JIN
Senior Manager
Advisory & Consulting, Seoul
+(822) 3708 8869
Soo.Jin@ap.cushwake.com

## RUCHI BHATIA
Manager, Hospitality
South Asia, Mumbai
+(91) 22 6657 5555
Ruchi.Bhatia@ap.cushwake.com

## ZHIJIAN YEE
Analyst, Hospitality
South East Asia, Singapore
+(65) 6232 0867
Zhijian.Yee@ap.cushwake.com

CHINA
26/F, The Headquarter Building
168 Xizang Zhong Lu
Shanghai, China 200001 PRC
+(86) 21 2320 0808

HONG KONG
9th Floor, St. George's Building
2 Ice House Street, Central
Hong Kong
+(852) 2956 3888

INDIA
14th Floor, Tower C, Building B
DLF Cyber City
Gurgaon, India Haryana-122002
+(91) 12 4469 5555

INDONESIA
Jakarta Stock Exchange Building
Tower 2, 15th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
+(62) 21 2550 9500

JAPAN
Sanno Park Tower 13F
2-11-1 Nagatacho Chiyoda-ku,
Tokyo, Japan 100-6113
+(813) 3596 7070

MALAYSIA
Lot 3A-1, Level 4, Wisma WIM
7 Jalan Abang Haji Openg
Taman Tun Dr Ismail
Kuala Lumpur, Malaysia 60000
+(603) 7728 8116

PHILIPPINES
18/F Philamlife Tower
8767 Paseo de Roxas
Makati City, Metro Manila
Philippines 1226
+(63) 2830 8488

SINGAPORE
3 Church Street
#09-03 Samsung Hub
Singapore 049483
+(65) 6535 3232

SOUTH KOREA
5/F Korea Computer Building
21 Sogong-dong, Jung-gu
Seoul, South Korea 100-070
+(822) 3188 322

TAIWAN
Room A, 38/F
Taipei 101 Tower
7 Xinyi Road Sec. 5
Taipei, Taiwan 11049
+(886) 2 8101 5115

THAILAND
31st Floor, Bangkok Insurance Building /
YWCA, 25 South Sathorn Rd,
Thungmehamek, Sathorn,
Bangkok 10120, Thailand
+(662) 286 8899

VIETNAM
Room 602, Asia Tower
6 Nha Tho Street, Hoan Kiem District
Hanoi, Vietnam
+(84) 4 3938 1786


CUSHMAN & WAKEFIELD®

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 250 offices in 60 countries and more than 16,000 employees. The firm represents a diverse customer base ranging from small businesses to large multi-national firms. It offers a comprehensive range of services within five primary disciplines:

**Leasing,** including tenant and landlord representation in office, industrial and retail real estate;

**Capital Markets,** including property sales and acquisitions, investment banking, and corporate and investor finance;

**Corporate Occupier & Investor Services,** including integrated real estate strategies for large corporations and property owners;

**Consulting Services,** including business and real estate consulting; and

**Valuation & Advisory,** including appraisals, highest and best use analysis, dispute resolution and litigation support, along with specialized expertise in various industry sectors.

A recognized leader in global real estate research, the firm publishes a broad array of proprietary reports available on its online Knowledge Center at: **www.cushmanwakefield.com/knowledge**

Photo Credit: Anantara Xishuangbanna Resort & Spa www.cushmanwakefield.com