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Savills World Research
Singapore

Spotlight
Asia Pacific hotel sentiment survey

2H 2017

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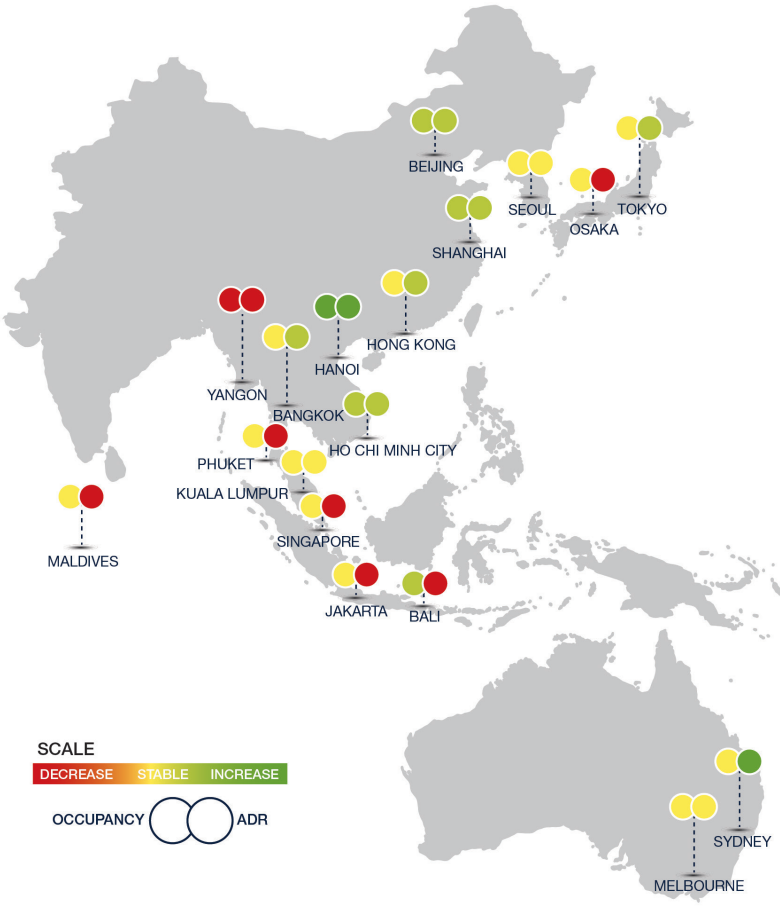
MAP 1

Market sentiment indicator, 2H/2017



Source: Savills Research & Consultancy

Introduction

This market sentiment report aims to provide a forward looking snapshot on the two key performance indicators - occupancy and average daily rate - across 18 major cities in the Asia Pacific region. The potential market performance trends and outlook for 2H/2017 has been evaluated based upon Savills research and interviews with local market experts and operators in the subject locations. Factors which have also been considered include the overall performance in 1H/2017 and current market conditions, at the time of writing. This is followed by brief highlights of some exceptional markets to take note of in 2H/2017. The snapshot serves as an indicator for current mainstream sentiment towards the various markets and does not represent specific properties or market segments.

"As we move into the second half of 2017, the market anticipates further rate compression in most of the Southeast Asia markets, with the exception of Vietnam. The hotel performance outlook in North Asia and Australia is more optimistic, with expected stability in both average daily rates and occupancy."
Savills Research

Methodology

The market sentiment survey presented in this report is collected via personal interviews with, and surveys of, hospitality consultants, corporate-level executives and local market experts. Besides providing qualitative opinion on market events, the respondents are also asked to provide their professional opinion on how the market is likely to move in the next six months.

The colour scale on the chart at the start of this report is an indicative range of where the general consensus stands. Green represents that an increase in that performance indicator is expected for 2H/2017, while red represents a decrease. Yellow represents a stable performance moving forward, in line with the 1H/2017 performance.

Market highlights

Melbourne

Overall market demand growth in Melbourne Visitor Nights is expected to maintain momentum, in line with its 5.1% fiscal year 2018 forecast growth, driven mainly by inbound visitors. International Visitor Nights and Domestic Visitor Nights are forecast to grow by 6.8% and 0.9% respectively.

However, Melbourne hotel occupancy growth remains subdued as new hotel supply enters the market and CBD "Airbnb" residential apartments have shifted demand from the standard hotel sector. Nonetheless the market outlook is positive with both occupancy and rates to remain high and stable for 2H/2017.

Sydney

Sydney's robust demand growth continues with limited new supply in 2H/2017. Sydney Visitor Nights are also expected to grow by 6.6% in fiscal year 2018, attributed to the increase in international arrivals. International Visitor Nights and Domestic Visitor Nights are forecast to grow by 8.8% and 0.4% respectively.

Furthermore, with limited supply, Sydney's market wide occupancy continues to achieve a high 85% level. Considering this high occupancy rate, further average daily rate growth is expected for the second half of 2017.

Singapore

Singapore's hotel market has seen a continued downturn in performance in 1H/2017. This is mainly due to a significant supply increase (more than 3,000 new rooms added to the market in the first half of the year) in both central and fringe areas. While occupancy may remain stable due to steady corporate demand and healthy leisure demand, room rates will come under pressure as price competition continues in 2H/2017. While the government is considering allowing short-term rentals in certain private residences, upmarket hotels may be less affected due to the difference in the captured travel demand.

Hanoi

Hanoi is a market which has reported a stellar performance in 1H/2017, compared with other cities in South East Asia. With limited future supply and the accelerated growth in terms of arrivals to the city, average daily rates and occupancy are estimated to continue to increase over 2H/2017.

Hanoi achieved record total arrivals in 1H/2017, with approximately 14 million tourist arrivals and a growth rate of 9% compared to the same period last year. This figure was boosted by international arrivals which have increased significantly by 19%.

On the supply side, no four or five star hotels opened in 1H/2017 while only two properties, with a combined offering of approximately 450 rooms, are due to enter the market by the end of 2017. This gives Hanoi a positive outlook for both occupancy and room rates.

Bangkok

Respondents have expressed opposing views on Bangkok's hotel performance for the second half of 2017. Some respondents are positive that the growth in demand is likely to remain at current levels, improving the overall market performance. The policy to crack down on 'zero baht' tourism is expected to help enhance the quality of arrivals and benefit the upscale to luxury segments. However, some respondents also believed that the market will see lower occupancy as room rates increase.

Bangkok is also experiencing an increase in room inventory which remains a main concern and is reflected in hotel occupancy. When compared to the performance at the beginning of the year, both occupancy and room rates experienced a fall at the end of 1H/2017. However, this did not deter speculation that the market has the ability to rebound slightly by the end of the year due to steady commercial demand.

Osaka

Despite growing arrival numbers and the popularity of the destination, Osaka hotels may have reached a peak in occupancy and room rates, therefore seeing only moderate to zero growth in 2H/2017. Occupancy is expected to remain stable as increasing hotel supply and "minpaku" (peer-to-peer accommodation like Airbnb) prevents a further escalation of occupancy in the overall market.

Room rates may see a mild fall as hotels start to switch their strategies towards maintaining higher occupancy rather than pushing up room rates. During 2015-2016, room rates in Osaka increased significantly to a level which may not be sustainable going forwards. Furthermore, most of the current and future hotel supply in Osaka are mid-scale limited-service hotels, targeting price sensitive travellers, which may limit the market's ability to increase rates further. While a price surge or increase in occupancy is unlikely, Osaka remains a very strong market for both travellers and hotel investors.

Seoul

Compared to last year's performance, hotel occupancy in 1H/2017 was negatively affected by the decrease in Chinese visitors. Although some respondents expect that the new Korean president will solve the political issue with China, it seems that the negative impact will not be reversed by the end of 2017. It will take time for Chinese tourist numbers to rebound to pre-crisis levels.

Compared to 1H/2017, hotel performance is likely to remain stable, albeit at a lower level, in 2H/2017. Demand growth remains restrained due to the on-going political tension and the threat from North Korea. New supply, especially in the limited-service and 4-star segment has entered the market, thus creating price pressure. However, branded hotels continue to out-perform unbranded hotels, given the wider range of sales channels available.

ASIA PACIFIC **SAVILLS HOTELS**

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The Savills Hotels team can offer professional advisory services at all stages of the construction cycle including feasibility, development and operation, across all the major Asia Pacific markets. Our client profile includes hotel investors and developers, both institutional and HNWIs interested in growing or improving their hotel portfolio performance as well as investors diversifying for the first time into hotel properties. Savills Hotels has a mature working relationship with many international hotel brands with an established presence in Asia Pacific as well as those seeking to enter the Asian hotel market.

Savills Hotels provides services throughout the asset development lifecycle

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■ Scenario analysis	■ Master plan review	■ Sales & marketing		■ Brokerage
■ Feasibility study	■ Operator selection			
■ Development recommendations	■ Rental pool advisory			

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Savills plc
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