Savills World Research
Taiwan

Asian Cities Report
Taiwan Hospitality

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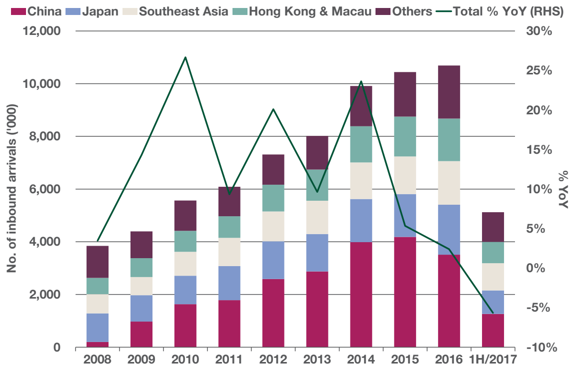
GRAPH 1

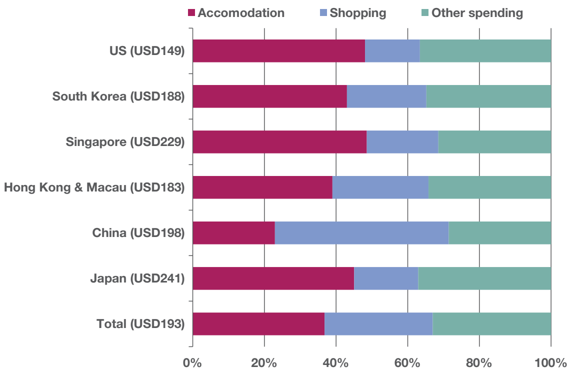
Number of inbound arrivals, 2008–1H/2017



Source: Taiwan Tourism Bureau, Savills Research & Consultancy

GRAPH 2

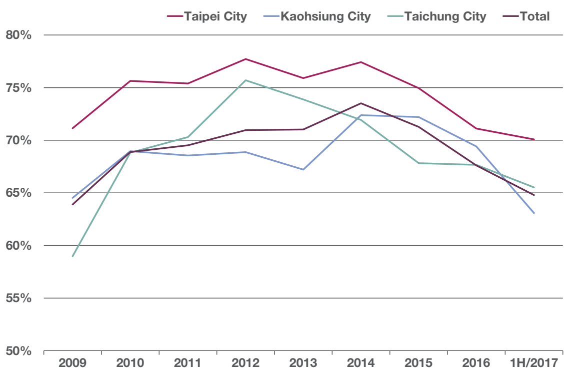
Inbound tourist consumption by country and expenditure type, 2016



Source: Taiwan Tourism Bureau, Savills Research & Consultancy

GRAPH 3

International tourist hotel occupancy rates, 2009–1H/2017



Source: Taiwan Tourism Bureau, Savills Research & Consultancy

Tourism in Taiwan

The number of foreign visitors to Taiwan marginally increased, by 2.4% year-on-year (YoY) to 10.69 million in 2016, with Chinese visitors accounting for 33% (3.51 million), Japan for 18% (1.9 million) and Hong Kong and Macau for 15% (1.6 million). The tourism industry had previously been in decline for two consecutive years, due to rising political tensions between China and Taiwan. However, in 1H/2017, conditions again proved to be difficult, with the number of overseas tourists falling by 5.66% YoY. The drop is mainly attributable to the reduction in visitors from China, which decreased by 40% (0.85 million), shrinking their share of total inbound travellers from 40% to 25%.

The increase in foreign visitors from other Asian countries somewhat eased the impact of the decline in tourists from China. From 2010 to 2016, the average annual increase in the number of overseas tourists (except Mainland arrivals) was 11%. In the first half of 2017, growth reached 16% and the number of arrivals from several Asian countries achieved double-digit growth, such as Vietnam (113% YoY), Thailand (82% YoY), Philippines (77% YoY) and South Korea (30% YoY). While the government continues to promote the "New Go South" policy, the number of foreign visitors is expected to hit 10 million again in 2017.

Characteristics of visitors

The growth of foreign visitors is mainly attributable to leisure travellers. According to a survey by the Taiwan Tourism Bureau, leisure travellers in 2016 accounted for 70.7%, while only 6.7% of visitors were here on business. Even though the government has promoted MICE (Meeting, Incentive, Convention, and Exhibition) for years, there are less than 1 million visitors here for business, conference and exhibition purposes. Of these visitors, 35% are from Japan and 13% from the US.

By traveller type, the free independent traveller (FIT) sector has grown fastest in the past few years. In 2016, the share of FIT increased significantly by 5.6 percentage points (ppts) to 76.4%. This is due to strong growth in the number of tourists from Hong Kong, Macau and South Korea, coupled with over 85% of tourists from these countries preferring to travel independently. In addition, while the rising political tension across the Taiwan Strait has caused group tourism from China to drop by 23%, FIT from China only declined by 2%.

Inbound tourist consumption

The contribution of tourism to GDP was US$13.37 billion (4.84% of total GDP) in 2016, down by 7% compared with 2015. This is due to the decline of the average daily expenditure for inbound travellers, decreasing by US$15 to US$193 per day, largely due to a decline in retail spending by these visitors. In terms of expenditure categories, accommodation accounted for 36.8% of daily expenditure, followed by shopping (30.2%) and food and beverage (16.6%). Japanese and Singaporean visitors (who are willing to spend more on accommodation) spent more than other travellers, with daily expenditure of US$241 and US$229, respectively.

The decrease in the number of mainland visitors resulted in a reduction in the shopping sector. Mainland travellers prefer tour groups and usually stay in two- or three-star hotels due to limited accommodation budgets. In 2016, they spent US$198 per day, with approximately 49% of the daily spending on shopping (at US$96 per day this was 65% higher than average), and accommodation only accounting for 23%, lower than the average.

New supply

At the end of 1H/2017, the total number of hotels in Taiwan was 3,338, providing 180,744 rooms. By grade, hotels accounted for 96.3% of total supply and international tourist hotels and tourist hotels only accounted for 2.3% and 1.4%, respectively. 40% of supply is concentrated in the major metropolitan areas, especially in Taipei City (17.4%), Kaohsiung City (12.2%) and Taichung City (10.8%). Small towns or rural areas with tourist attractions, such as hot springs, beaches or national parks are also popular with hoteliers, who focus on domestic clients. For example, 6.6% of total stock is located in Yilan County, due to its famous hot springs and easy access to Taipei City. Tainan City, a historical city in the south of Taiwan, has 242 hotels, equivalent to 7.2% of the total stock.

In the past 12 months, 129 hotels, with a total of 8,603 rooms, were launched and total supply increased by 4.8%. Five of the 129 new hotels are in the international tourist hotel and tourist hotel categories. Dancewoods Hotels & Resorts and Yilan The Walden are located in Yilan, while the other three hotels are located in Taipei, Tainan and Pingtung. In order to reduce the preparation time for new hotels, some hoteliers chose to renovate old buildings. S Hotel, located in the heart of Taipei City with 102 rooms, was remodelled from an old office building and positioned as a boutique hotel. HOTEL CHAM CHAM (198 rooms) and Flora Hotel Main (56 rooms), which used to be hotels, were renovated by new operators and re-opened as well.

The fall in Chinese tourist numbers, coupled with a huge boom in hotel supply, was intensified the competition in the hotel sector, causing both the occupancy rate and room rate to decline. In order to differentiate themselves from their competitors and attract domestic customers, more and more operators are creating theme hotels. In addition to hot spring hotels, which are popular with the domestic market, hoteliers are recently looking to target niche markets such as cyclists, families, teenagers and scuba divers. By providing more leisure facilities or activity packages, customers stay longer in the hotel and increase F&B sales. Grand Bay Resort and Yilan The Walden, both newly-opened hotels, are kid-friendly, providing swimming pools, kids' clubs, and family rooms.

Occupancy rate and vacancy rate

In 1H/2017, the occupancy rate for Taiwan's international tourist hotels decreased by 2.55 ppts to 64.79% YoY, according to statistics released by the Tourism Bureau. While the occupancy rate in Taipei City remained firmly above 70%, Kaohsiung experienced a significant decline, with its occupancy rate down by 7.2 ppts to 63%. Hotels in Kaohsiung rely more on group tours, especially from China. Group tours accounted for 44% of hotel room demand in Kaohsiung in 2016, which is higher than the 37% nationwide average. Therefore, when Chinese tourist number fell, occupancy rates in Kaohsiung were more directly affected.

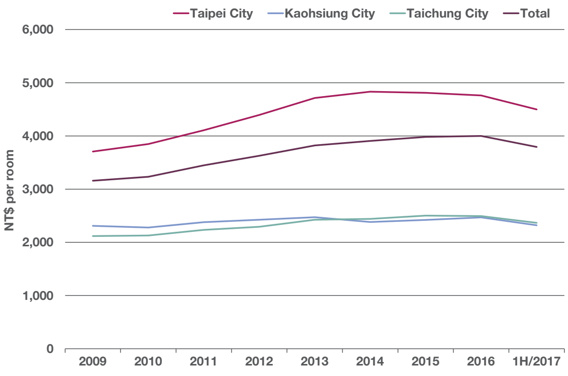
Average room rates decreased to NT$3,793 per night in 1H/2017, 5.5% down from 1H/2016's average of NT$4,014, decreasing for the first time since 2009. Taichung's room rate fell most out of the three major cities. They provided more discounts to attract customers, which led their room rate to fall by 8.3% YoY to NT$2,366, although it successfully increased occupancy rates by 3.15 ppts in a struggling tourism market. Taipei City used to benefit from abundant business travellers and was the first destination for tourists. However, it also saw a 6.9% drop in room rates, falling back to 2012 levels. Room rates of several selected leading international tourist hotels, including W Hotel, Le Meridien, Far Eastern Plaza and the Westin Taipei, declined. However, the Regent Taipei has seen a small growth in room rates, due to 45% of their hotel room demand coming from Japanese tourists, with only 7.2% relying on mainland Chinese tourists.

Hotel market outlook

In the short term, the relationship between Taiwan and China is not set to improve, and the promotion of Taiwan tourism in other Asian countries cannot cover the loss. The fast growth trend experienced in the past few years will not return, and the entire tourism industry, including hotels, travel agencies, tour bus businesses, jewellery shops and duty free stores, will face challenges. Several hotel development projects have been or cancelled. From 2016 to 2017, only six of 20 tourist hotels were launched on schedule, as nine were postponed and five were cancelled. In the next three years, more hotel projects which are under construction or in the planning stage, will reconsider their market position or postpone their construction schedule.

GRAPH 4

International tourist hotel room rates, 2009–1H/2017



Source: Taiwan Tourism Bureau, Savills Research & Consultancy

TABLE 1

Newly opened tourist hotel rooms, 2016–2017

Hotel	Location	Room	Type
Dancewoods Hotels and Resorts	Yilan County	104	Hot spring hotel
The Walden	Yilan County	103	Kids-friendly hotel
S Hotel	Taipei City	102	Boutique hotel
Grand Bay Resort	Pingtung County	234	Kids-friendly hotel

Source: Taiwan Tourism Bureau, Savills Research & Consultancy

TABLE 2

Selected international tourist hotels in Taipei, 1H/2017

Hotel	No. of rooms	Room rate/night (NT$)	Occupancy rate in 1H/2017
W Taipei	405	8,561	75.9%
Le Meridien	160	8,599	81.2%
The Regent Taipei	538	5,781	71.8%
Far Eastern Plaza	420	6,395	60.3%
The Westin Taipei	288	6,101	67.4%
Taipei average		**3,954**	**70.4%**

Source: Taiwan Tourism Bureau, Savills Research & Consultancy

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