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Singapore

Spotlight
Asia Pacific hotel sentiment survey

1H 2017

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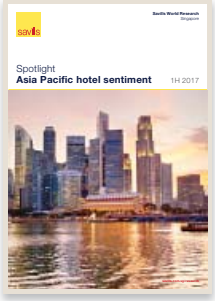
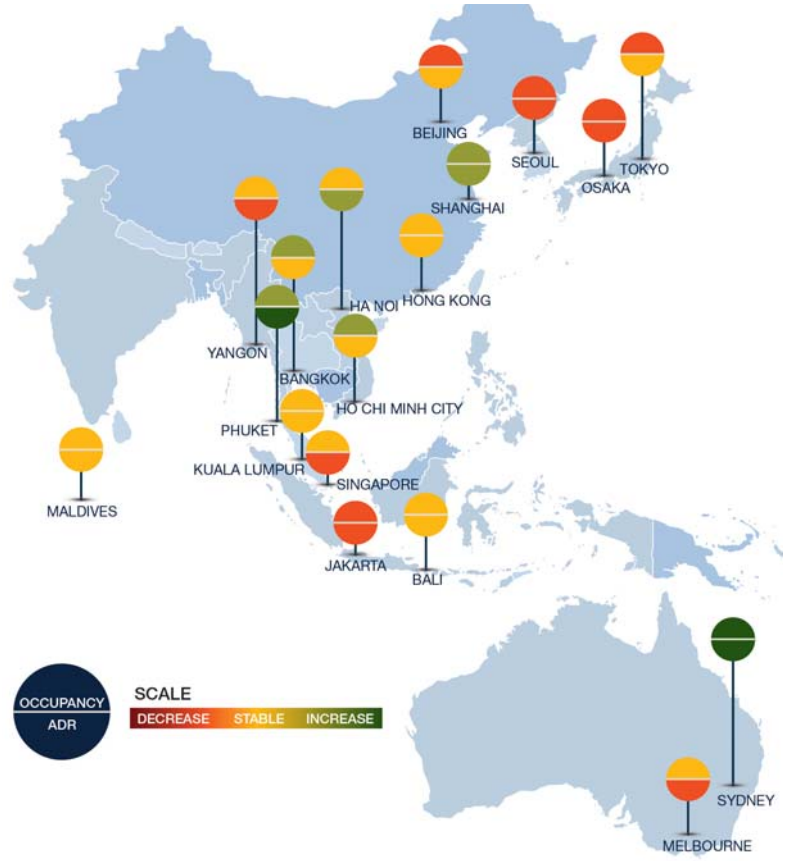


MAP 1

Market sentiment indicator, 1H/2017



Source: Savills Research & Consultancy

Introduction

This market sentiment report aims to provide a forward-looking snapshot of the two key performance indicators – occupancy and average daily rate – across 18 major cities in the Asia Pacific region. While taking in the overall performance in 2016, and market conditions in the beginning of 2017, we have evaluated the potential performance of 1H/2017 based on Savills' hotel research as well as interviews with local market experts. We've also highlighted some exceptional markets to take note of in the first half of 2017. The snapshot serves as an indicator of current mainstream sentiment towards the various markets and does not represent or reflect the potential performance of specific properties or market segments.

"Even though APAC witnessed a moderate decline in occupancy as a whole during 2016, a majority of regional markets have responded with strong rate growth. ADR will likely remain the primary driver behind performance in the APAC hotel sector this year." Savills Research

TABLE 1

Occupancy rate and ADR

	OCCUPANCY (%)			ADR (US$)		
	2016	JAN 2016	JAN 2017	2016	JAN 2016	JAN 2017
Bali	66%	62%	68%	111	111	119
Bangkok	77%	81%	81%	95	99	105
Beijing	73%	67%	62%	85	86	78
Hanoi	79%	79%	77%	106	110	109
Ho Chi Minh City	71%	72%	70%	114	121	114
Hong Kong	86%	85%	86%	177	205	185
Jakarta	58%	50%	49%	81	80	79
Kuala Lumpur	66%	65%	65%	86	89	80
Maldives	62%	66%	70%	647	1016	958
Melbourne	83%	81%	81%	137	142	154
Osaka	90%	84%	85%	150	126	134
Phuket	76%	87%	90%	108	164	173
Seoul	75%	64%	65%	156	147	134
Shanghai	75%	71%	64%	94	92	85
Singapore	81%	82%	79%	203	199	196
Sydney	85%	81%	82%	164	147	167
Tokyo	85%	77%	78%	177	149	159
Yangon	44%	50%	49%	131	156	139

Source: Savills Research & Consultancy

Market highlights

Sydney

The Sydney hotel market has started 2017 in a strong position and is poised for further growth in 1H/2017. Total arrival numbers for both international and domestic travellers are expected to remain strong and stable. Already the key commercial and leisure destination in Australia, Sydney is anticipated to further boost MICE and general corporate demand in the city with the opening of the International Convention Centre.

In Sydney's Central Business District, a limited 3.8% increase in hotel supply is unlikely to cause much disruption to the market. As the overall market occupancy currently stands at 85%, there is potential for hotels in key locations to further improve their average daily rates (ADRs). The stability of this mature and well-placed market will continue to draw investor interest.

Shanghai

Shanghai is expected to outshine Beijing as the key commercial and leisure hub in China. In June 2016, the Chinese government implemented a value added tax (VAT) at 6.6 %, which had an impact on operator profit margins in calculating the base management and incentive fees. However, changes to VAT have not had a major effect on overall hotel performance. 2017 got off to a soft start with Chinese New Year at the end of January, which affected overall commercial demand during the first month. However, looking forward, there is still room for growth in the first half of 2017.

While the Shanghai market has 22,071 rooms in the pipeline over the next few years, new openings in 2017 are concentrated in the luxury segment, with their impact expected to be felt in 2018. Demand from business and MICE travellers is increasing, and leisure demand remains strong. Looking ahead, the market should experience a growth in both occupancy and ADRs.

HCMC

Respondents were cautiously optimistic about Ho Chi Minh City and participants thought that ADRs would remain broadly stable over the coming months. Some were more positive in forecasting a mild increase in occupancy for 1H/2017. "HCMC set a new record in 2016 with 5.2 million international arrivals and there is currently nothing to indicate that this growth trend will not continue in 2017. However, more than 3,000 new rooms are expected to enter the market over the next three years, which will put a cap on room rates and occupancy growth." Another respondent believed that although the market will continue to see year-on-year supply increases, they are at "manageable levels".

Osaka

Overall, despite growing arrival numbers, the Osaka hotel market has seen some weakening in performance since 2016. Due to the accelerated growth in hotel supply and ADRs in the past few years, Osaka is expected to experience a re-adjustment in hotel performance as current price levels are perceived to be unsustainable. In addition, the rise in alternative short-term rental accommodation has also diverted price-sensitive demand away from hotels, leading to a weakening in occupancy levels. While the overall market for tourism is still experiencing healthy growth, we expect hotels to report lower performance levels in 1H/2017.

In 2016, Japan received 24 million inbound visitors, 3.7 million of whom stayed at short-term rental properties. This represents more than 15% of inbound visitors using alternative accommodation instead of hotels. One of the main reasons for this phenomena is the price surge of hotel accommodation in recent years.

Jakarta

Most interviewees believed there would be a mild or significant decrease in occupancy and ADR. Corporate demand has been stagnant and may negatively affect occupancy over 1H/2017. Another respondent believed that there was "no positive sentiment about visitor arrivals" as visitor numbers are "impacted by the oil and gas business down turn". Excess supply of inventory was the main concern for occupancy. For international travellers, the memory of the terrorist attacks nearly 14 months ago in January 2016 still lingers, although regional non-leisure travellers are less concerned. One local hotel chain said, "luxury in particular is struggling, while budget is stable." The same hotel chain also commented that RevPAR for their Jakarta hotel portfolio was down 6% for year-to-date February 2017.

Yangon

Many interviewees expressed concern about upcoming supply levels, but believed occupancy will be stable during 1H/2017 despite this. Many openings have been postponed due to construction delays and licencing issues. Further visitor arrivals growth is expected this year, but this has not converted to better performance indicators, "it seems [visitor arrivals] expectations were too high". New airport capacity should eventually increase hotel demand, as long as new supply is manageable. It is likely that ADR decline will continue. Demand for large properties is likely to be generated by local events, launches, symposiums and conferences. Local demand for food and beverage has been strong, as guests are happy to pay more for quality experiences – "locals fill up our buffets on weekend nights… same with weddings and other social events, as long as we provide a modern and better environment [than what is available elsewhere in the market]"

Methodology

The market sentiment survey presented in the report is collected via in-person interviews and surveys with hospitality consultants, corporate-level executives and local market experts. Besides providing qualitative opinion on market events, they are also asked to provide professional opinion on how the market is likely to move in the next six months. The colour scale on the map at the start of this report is an indicative range of where the general consensus stands. Green represents an increase in that performance indicator is expected for 1H/2017, while red represents a decrease. Yellow represents a stable performance moving forward, in line with last year's performance.


Image: Japan

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Savills plc
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