Horwath HTL

Hotel, Tourism and Leisure

Asia Pacific Chains & Hotels Report 2018


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Foreword

A very warm welcome to the very first edition of The Asia Pacific Chains Report, which looks at the development of branded and chain hotels across key markets.

A few years ago, our team in Rome decided to put together a report on the state of hotel chains in Italy, no easy task as you can imagine. As we investigated the market, we found that it was complicated and opaque, a labyrinth of family ownership and local brands many of whom were unheard of outside of their local city, let alone Italy itself.

Our goal was to try and accurately shed light on the market and see how brands were evolving. Investors need transparency and hotel companies need to know what the competitive landscape looks like. This Italian report has become incredibly respected and we decided to expand our scope to the key global markets, building on the database year by year to provide a comprehensive view of the branded versus independent hotel situation.

Some of this data exists elsewhere of course, there are a number of countries that have good amounts of data on their hospitality industry, some for sale and some free to access.

A surprising high number of countries do not however, and we saw an opportunity to consolidate much of this data in one place to make it easier to have a holistic view of the market. This is our first Asia report and we will continue to build on the information every year, making it more accurate and adding to the number of ways this data can be shown and interpreted.

This is the third iteration of this report, which is well on the way to becoming a truly global look at the phenomenon that is branded hotels and their role in hospitality and real estate. To date we have produced two versions of a European report and one Latin American. As this is our first report on Asia, we do not have year on year data yet, but will have for the next edition to be released in 2019.

Another large gap is China, which we will address in a separate report. The market is so vast and opaque, that we need to dedicate a special report to look exclusively at that market.

The most positive stat for our industry is how many of these brands are growing and expanding, a good indicator that the industry is in rude health and attracting significant levels of investment. Much of this makes for fascinating reading,

We certainly hope you enjoy reading it as much as we enjoyed putting it together.

James Chappell
Horwath HTL Global Business Director

Introduction

Our goal was to try and accurately shed light on the market and see how brands were evolving. Investors need transparency and hotel companies need to know what the competitive landscape looks like.

In the compilation of the data, we asked our offices to not rely on available local data, but to create our own databases from scratch. Once that was done, we checked our results with institutional data providers who have comprehensive numbers on hotels, restaurants, hostels and all the rest.

We then dug deeper into each market to get an understanding of the players, and what size and scope they have. We looked at overall ranking by size in each country, by overall group (hotels and rooms) and by brand. We broke the information down by domestic and international groups and brands, and then by scale/style of hotels.

For future editions, we will look at including more ownership details, including business model and any pipeline coming into a destination. In order to standardize the data, we looked at the same KPIs across all countries using the same methodology.

We looked at the following KPIs:

- Total number of chain hotels
- Total number of chain rooms
- Average size per chain hotel in rooms
- Country hotels stock (overall supply)
- Country rooms stock (overall supply)
- Average size per hotel in rooms
- Chain penetration % by hotels
- Chain penetration % by keys
- Total number of brands
- Domestic brands
- International brands
- Second tier operated hotels
- International chain hotels *(incl. double counting)*
- Domestic chain hotels *(incl. double counting)*
- International chain rooms *(incl. double counting)*
- Domestic chain rooms *(incl. double counting)*

Asia Pacific: Chain Hotels 2018

Like their European counterparts, the first statistic that stands out when looking at the chain hotel statistics, is how much bigger chain hotels are than Independents.

For this initial report, we have looked at 11 markets across Asia Pacific: Australia, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Thailand and Vietnam.

The first statistic that stands out when looking at the chain hotel data, is how much bigger chain hotels are than Independents. This may be self-evident given the rule of thumb that you 'need' a minimum of 100 rooms to make money, certainly outside of super budget hotels, but is worth emphasising.

It's also clear that branded hotel companies are not interested in putting their flag on hotels that won't make money. For 2017, the average chain hotel had 164 rooms and the average independent hotel had just 52.

This can be seen in the overall numbers. We estimate the overall size of the market to be just over 120,000 hotels with over 4 million rooms. Chains make up just over 7.45% of the market in actual hotels with 9,676, but 34% of the keys (just over 1.4 million).

The biggest example of this is in Japan where chains make up only 5.3% of the overall supply of hotels, but 33% of rooms.

Thailand has 6% Chain hotels and 24% rooms, the Philippines has 17% chain hotels and 46% Chain rooms.

Hong Kong has 11% branded hotels making up 67% of the rooms market.

In other markets, the saturation is far more evident. Singapore has 55% branded hotels making up 88% of the room market. Indonesia has 6.5% and 33%.

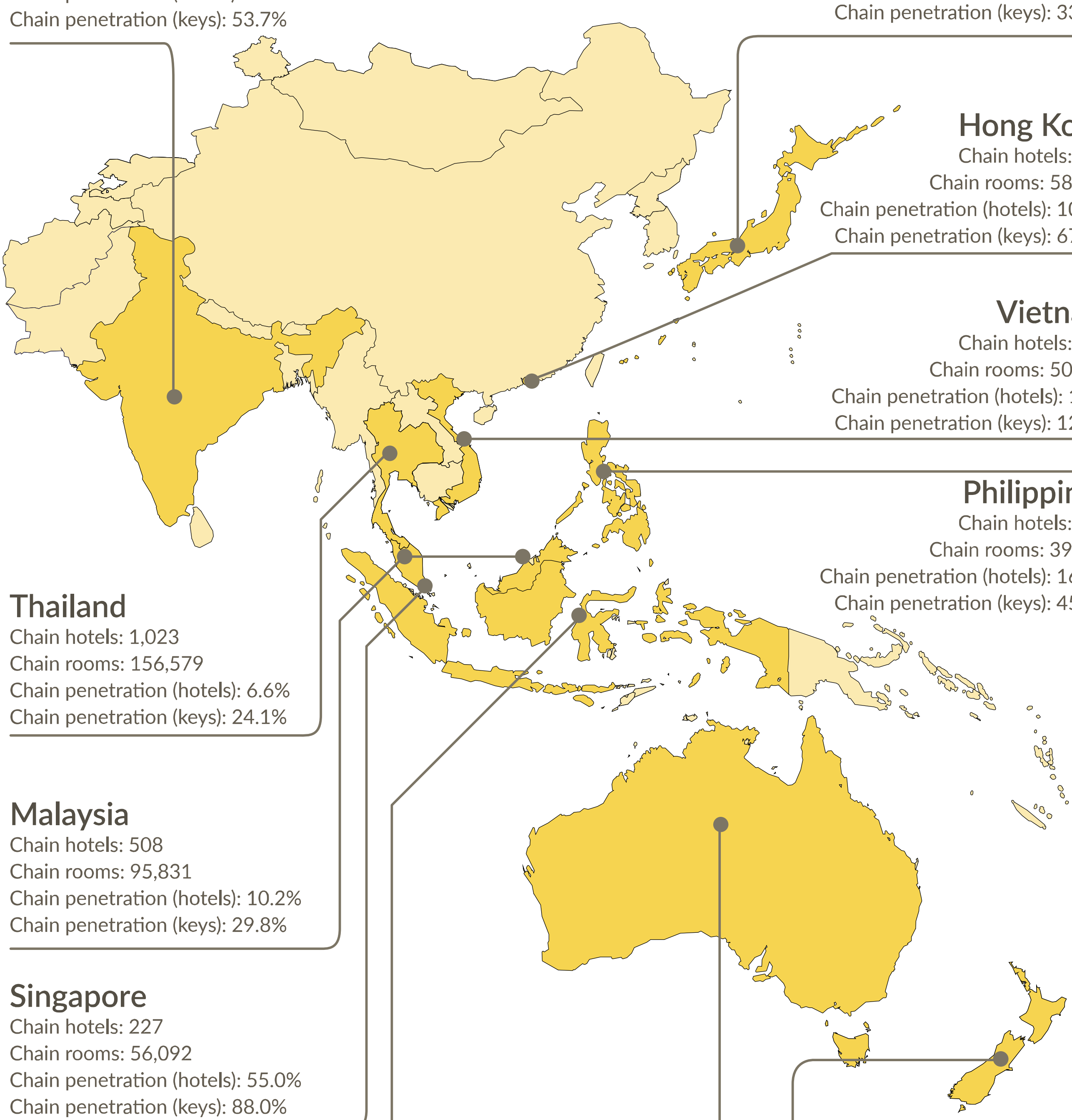
Damien Little, Director
Horwath HTL Australia

India
Chain hotels: 1,251
Chain rooms: 133,357
Chain penetration (hotels): 34.4%
Chain penetration (keys): 53.7%

Japan
Chain hotels: 2,624
Chain rooms: 468,376
Chain penetration (hotels): 5.3%
Chain penetration (keys): 33.7%

Hong Kong
Chain hotels: 186
Chain rooms: 58,670
Chain penetration (hotels): 10.8%
Chain penetration (keys): 67.2%

Vietnam
Chain hotels: 356
Chain rooms: 50,686
Chain penetration (hotels): 1.7%
Chain penetration (keys): 12.1%



Philippines
Chain hotels: 283
Chain rooms: 39,993
Chain penetration (hotels): 16.7%
Chain penetration (keys): 45.9%

Thailand
Chain hotels: 1,023
Chain rooms: 156,579
Chain penetration (hotels): 6.6%
Chain penetration (keys): 24.1%

Malaysia
Chain hotels: 508
Chain rooms: 95,831
Chain penetration (hotels): 10.2%
Chain penetration (keys): 29.8%

Singapore
Chain hotels: 227
Chain rooms: 56,092
Chain penetration (hotels): 55.0%
Chain penetration (keys): 88.0%

Indonesia
Chain hotels: 1,223
Chain rooms: 175,659
Chain penetration (hotels): 6.5%
Chain penetration (keys): 33.3%

Australia
Chain hotels: 1,732
Chain rooms: 154,651
Chain penetration (hotels): 14.0%
Chain penetration (keys): 53.1%

New Zealand
Chain hotels: 260
Chain rooms: 25,000
Chain penetration (hotels): 48.2%
Chain penetration (keys): 78.1%

Since the industry moved away from a capital intense owner/operator model, into an asset light platform of management contracts and franchises, the proliferation of brands has really taken off.

The region represents a broad cross section of maturity and levels of saturation of branded and chain affiliated hotels. Since the industry moved away from a capital intense owner/operator model, into an asset light platform of management contracts and franchises, the proliferation of brands has really taken off.

The reasons for this are clear in an industry approaching its fourth decade as an asset class. Brands and chains not only represent quality and comfort for the traveller, they represent risk management for owners. Asia in particular has always been a region where international brands have been embraced without the snobbery that used to be prevalent in Europe.

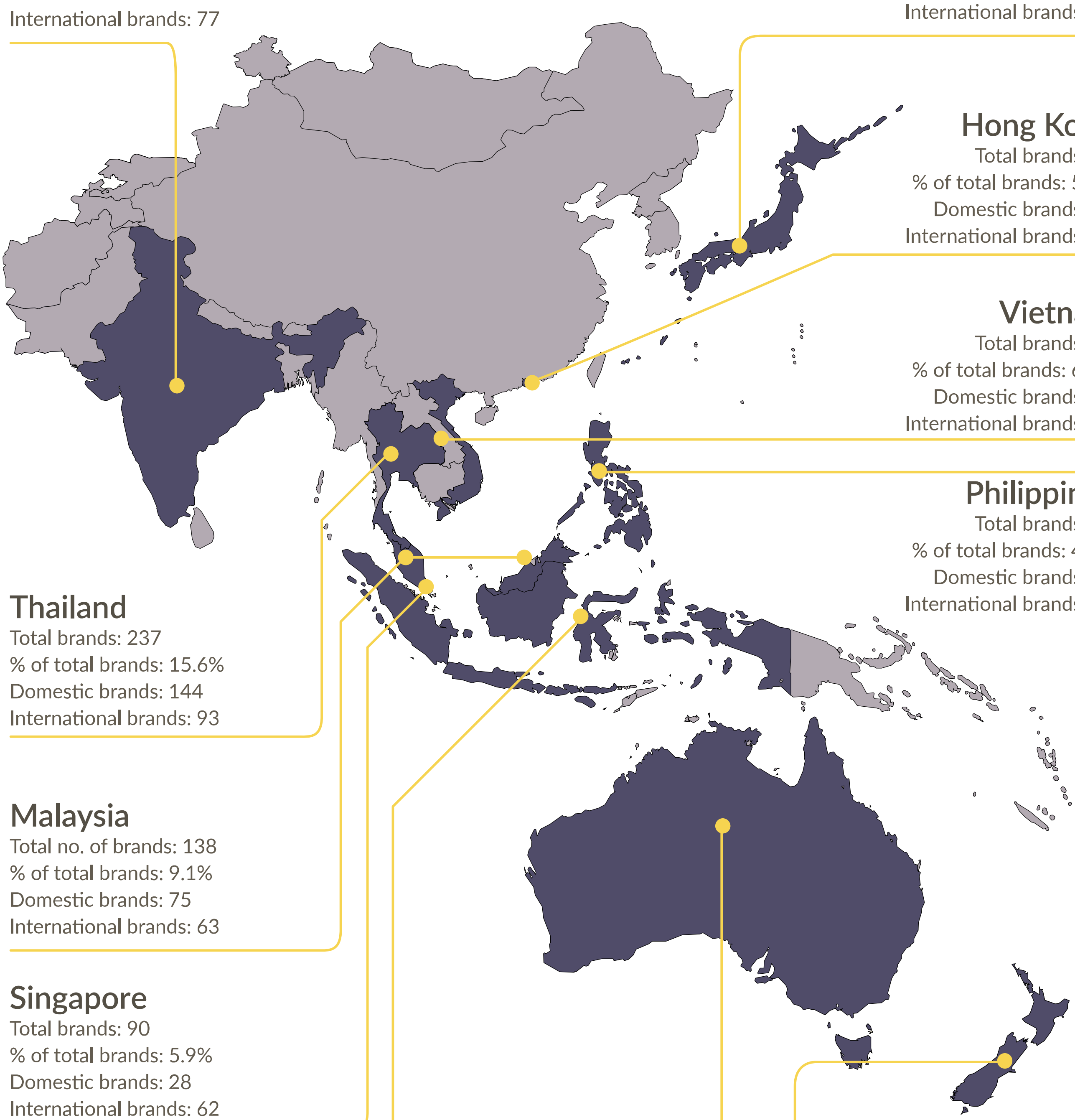
There are two areas in the industry that are particularly interesting at the moment. The first is the amount of consolidation and M&A activity. The industry is very cyclical, from both demand/performance and financing/development standpoints, and we are at that point in the cycle where a lot of capital is trying to find a home, which is causing transactional activity to be at record levels.

Accor and Marriott have been two of the most active buyers, but not the only ones. The Thai Minor group has been very active, as well as Jin Jiang, HNA and other Chinese groups.

The other has been the development of local brands to compete with International players. Overall, there is a much more even split than we see in Western markets.

Overall, there are 1,511 brands of which 861 are domestic and 650 international. These 650 international brands equate to 2,980 hotels and 532,174 rooms. The 6,696 domestic brands equate to 6,616 hotels with 881,429 rooms.

Robert Hecker, Managing Director
Horwath HTL Asia Pacific



India
Total brands: 161
% of total brands: 10.7%
Domestic brands: 84
International brands: 77

Japan
Total brands: 182
% of total brands: 12.0%
Domestic brands: 136
International brands: 46

Hong Kong
Total brands: 78
% of total brands: 5.2%
Domestic brands: 34
International brands: 44

Vietnam
Total brands: 94
% of total brands: 6.2%
Domestic brands: 52
International brands: 42

Philippines
Total brands: 70
% of total brands: 4.6%
Domestic brands: 39
International brands: 31

Thailand
Total brands: 237
% of total brands: 15.6%
Domestic brands: 144
International brands: 93

Malaysia
Total no. of brands: 138
% of total brands: 9.1%
Domestic brands: 75
International brands: 63

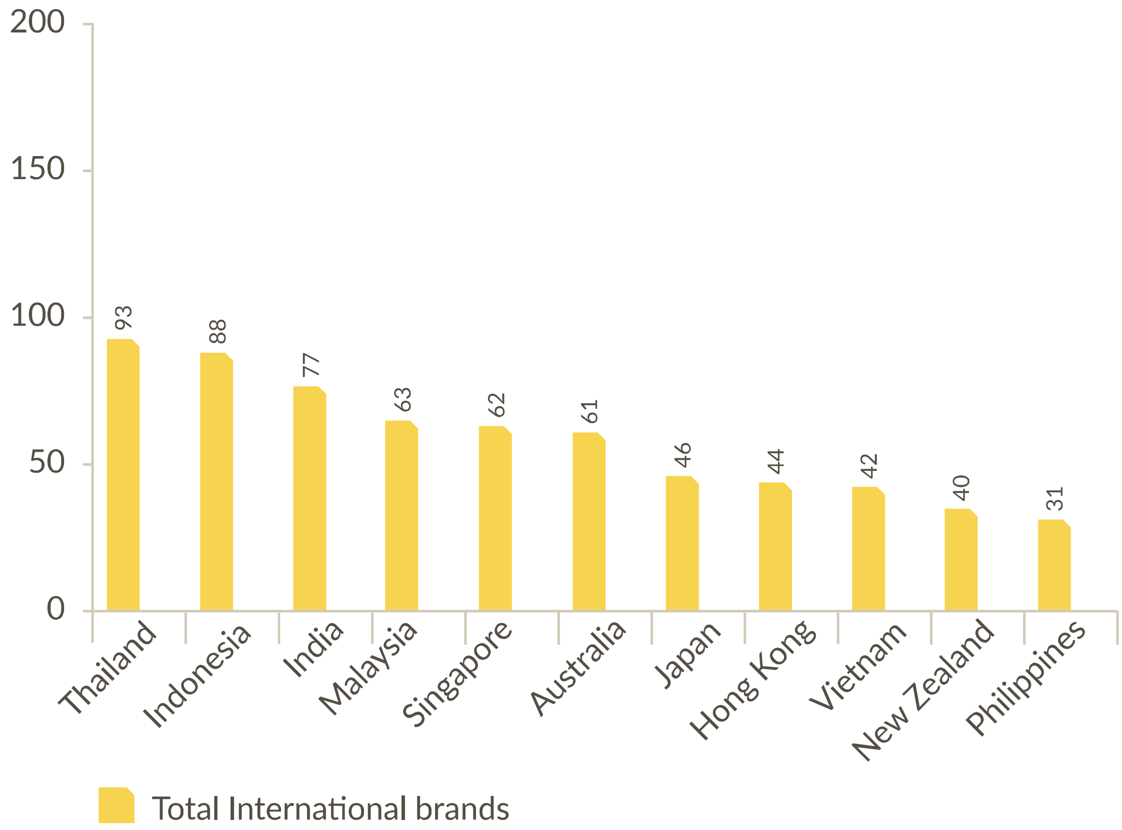
Singapore
Total brands: 90
% of total brands: 5.9%
Domestic brands: 28
International brands: 62

Indonesia
Total brands: 285
% of total brands: 18.8%
Domestic brands: 197
International brands: 88

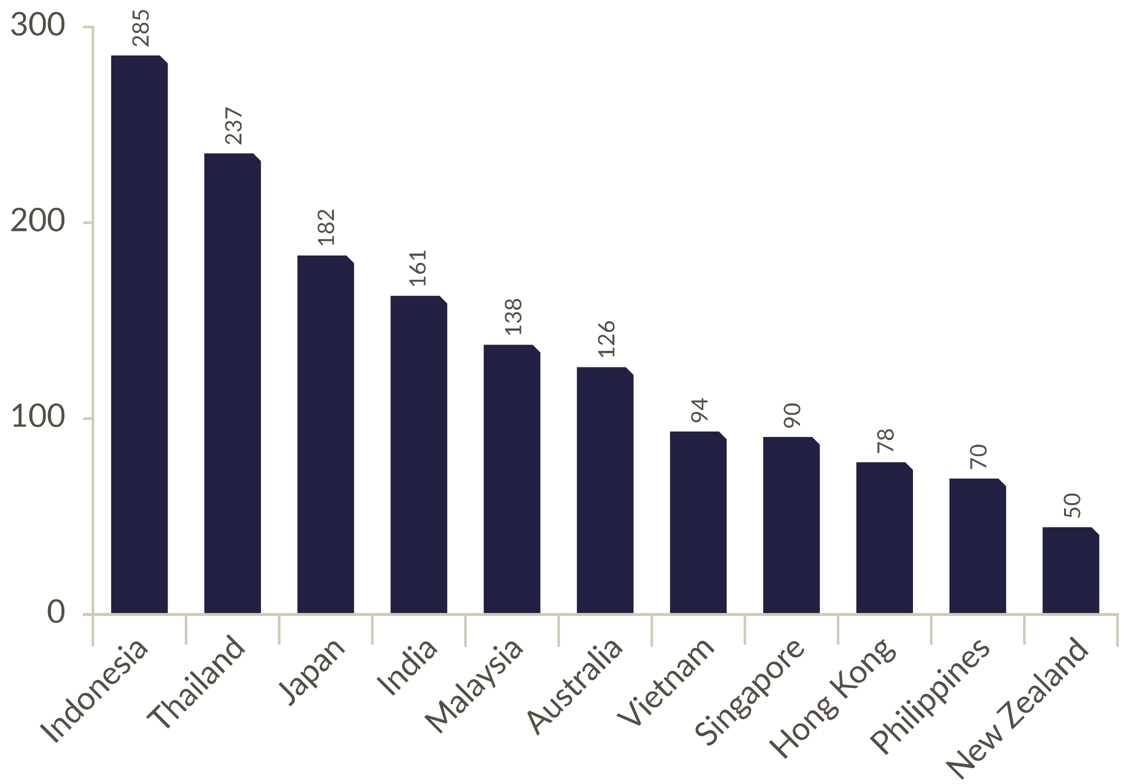
Australia
Total brands: 126
% of total brands: 8.3%
Domestic brands: 65
International brands: 61

New Zealand
Total brands: 50
% of total brands: 3.3%
Domestic brands: 10
International brands: 40

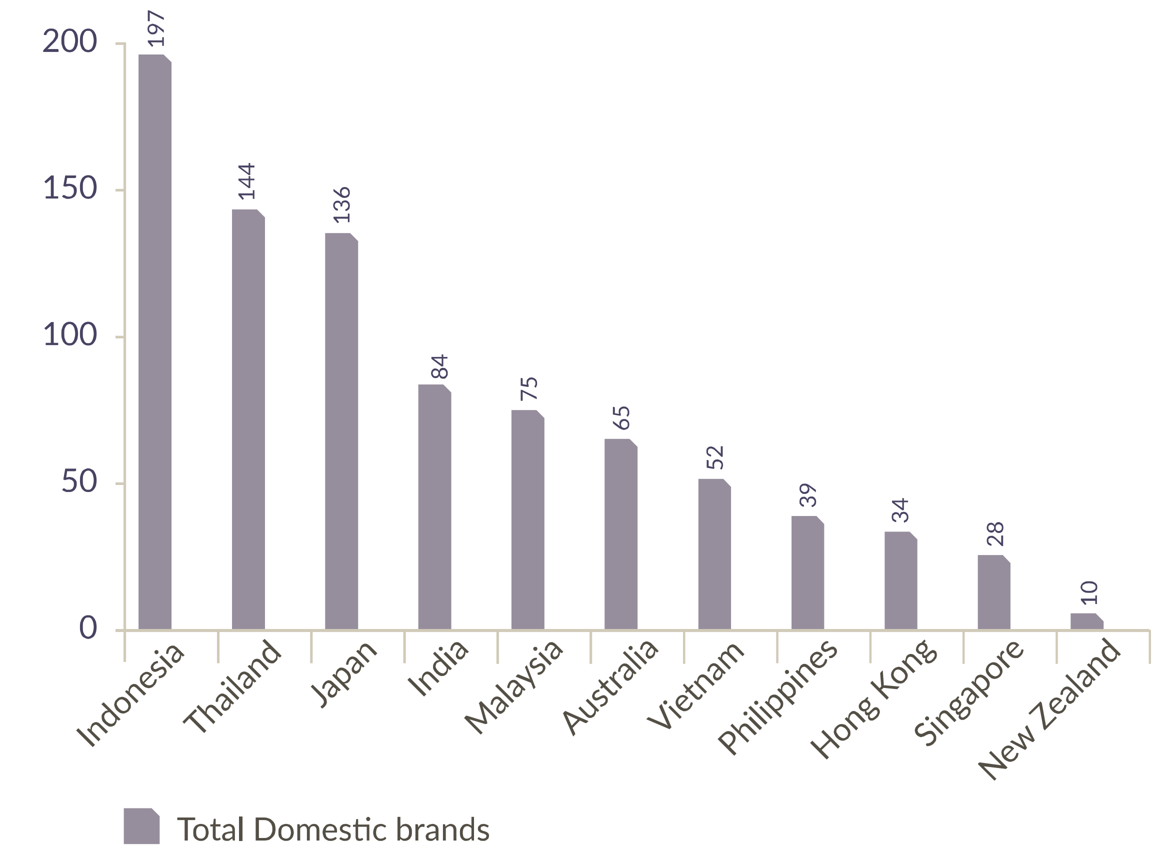
Total Brands: International



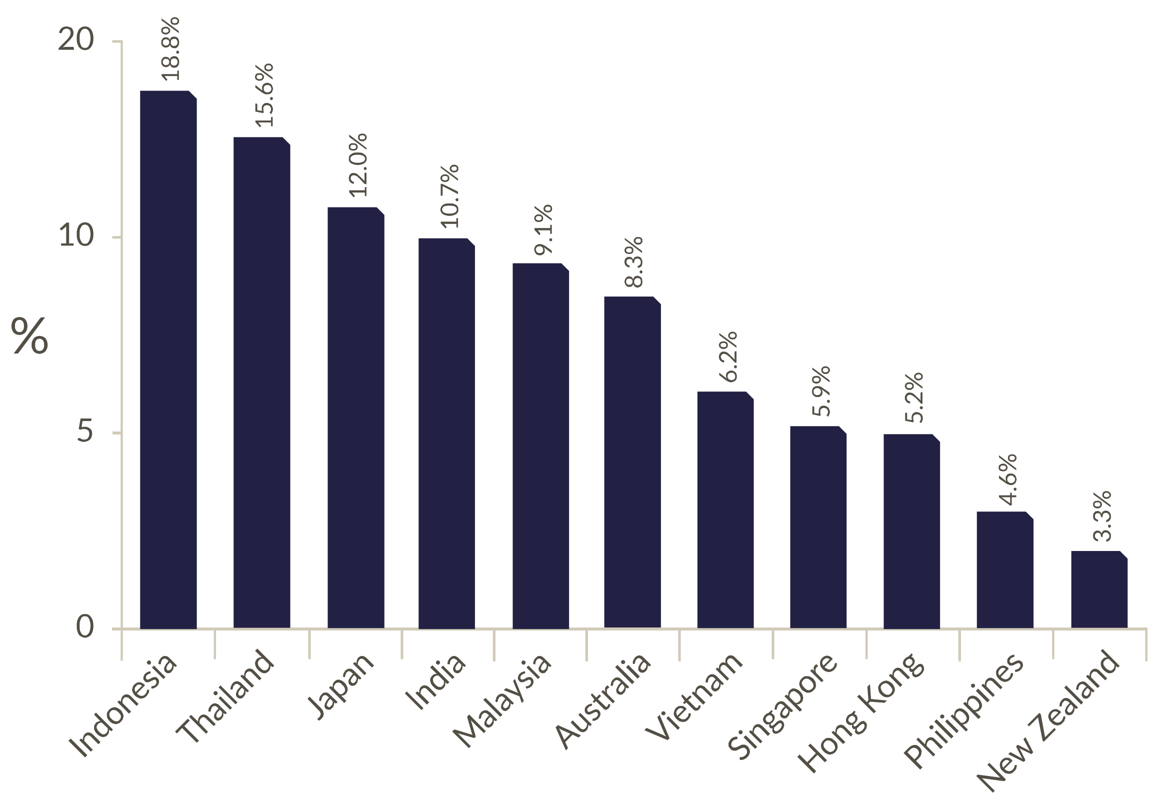
Asia Pacific: Total brands



Total Brands: Domestic



Total Brands: % of Total of brands in Asia Pacific



Key Statistics	2017
Total chain hotels	**260**
Total chain rooms	**25,000**
Average size per chain hotel in rooms	**96**
Country hotels stock *(overall supply)*	**540**
Country rooms Stock *(overall supply)*	**32,000**
Average size per hotel in rooms	**59**
Chain penetration % by hotels	**48.2%**
Chain penetration % by keys	**78.1%**
Total number of brands	**50**
Domestic brands	**10**
International brands	**40**
International chain hotels	**180**
Domestic chain hotels	**80**
International chain rooms	**17,500**
Domestic chain rooms	**7,500**

New Zealand

78% of hotel rooms are operated under international and local brands, and this ratio will increase - a 50% increase in room supply is expected by 2022, driven mainly by continuing increases in international visitor arrivals.

The Market

Growth in inbound visitors is the key driver of increasing hotel demand. International visitor arrivals grew by 6.7% in 2017, with international visitor nights increasing by 3.1%. The reduction in Average Length of Stay of international visitors was consistent with a long-term trend. We estimate that domestic overnight visits and visitor nights grew by 3.0% in 2017.

We estimate a total of 134 million international and domestic visitor nights spent in 2017. The Accommodation Survey (published by Stats NZ) shows that 40 million guest nights were spent in commercial accommodation (30% of the total) of which 14 million were spent in hotels, which was an increase of 2.4% over the previous year.

Average hotel occupancy, as reported by Stats NZ, increased from 68.4% to 69.8%. Occupancy in major hotels (reported by Tourism Industry Aotearoa member hotels) (TIA) increased from 80.8% to 81.2%. Major hotels represent approximately 60% of total hotel inventory in New Zealand.

In the main centres where many of the international and local brands are well represented, average occupancies are higher. For example, Stats NZ reported that AOR in Auckland hotels in 2017 was 81.6% and in Queenstown was 81.9%. The AOR of the major hotels in those centres was reported by TIA to be 86.6% and 82.5% respectively.

Average achieved room rates increased relatively strongly in 2017. Major hotels achieved an average increase in ADR of 9.2%. The increase in Auckland was 11.6% and in Queenstown was 15.7%.

Key points

- **Domestic brands comprise 30%**
  Local New Zealand-based brands comprised 30% of all branded rooms, with the largest local operator being Scenic Hotel Group (with 21% of the locally branded hotel rooms).

- **Increase in franchising**
  Franchising of international brands in New Zealand increased in 2017.

- **Strong development pipeline**
  There is now a strong development pipeline, with approximately a 50% increase in room inventory expected in the five main hotel centres by 2022.

Stephen Hamilton, Managing Director
Horwath HTL New Zealand

New Zealand: Ranking by size

	CHAINS		
Rank	Chain Groups	Hotels	Rooms
1	AccorHotels	31	4,366
2	Millennium & Copthorne	20	2,537
3	Scenic Hotel Group	16	1,571
4	IHG	7	1,457
5	Quest Apartments	33	1,413
6	Event Hospitality	8	1,341
7	Distinction Hotels	12	1,296
8	Heritage Hotels	18	1,238
9	Choice Hotels	25	1,213
10	Hilton	6	895

	BRANDS		
Rank	Chain Brands	Hotels	Rooms
1	Novotel	8	1,437
2	Quest	33	1,413
3	Distinction	11	1,242
4	ibis	8	1,134
5	Copthorne	10	1,127
6	Rydges	6	1,093
7	Millennium	5	992
8	Scenic	8	864
9	Mercure	8	797
10	Quality	13	789

	Domestic Chain Groups	Hotels	Rooms
1	Scenic Hotel Group	16	1,571
2	Distinction Hotels	12	1,296
3	Heritage Hotels	18	1,238
4	VR Hotels	10	671
5	Sudima Hotels	3	649
6	SKYCITY	2	635
7	CPG Hotels	9	551
8	Jet Park	2	284
9	Plaza Hotels	2	178
10	Haka Hotels	2	114

	Domestic Chain Brands	Hotels	Rooms
1	Distinction	11	1,242
2	Scenic	8	864
3	Sudima	3	649
4	Heartland	7	607
5	SKYCITY	2	635
6	Heritage	4	440
7	VR	6	362
8	Jet Park	2	284
9	CityLife	2	228
10	Plaza	2	178

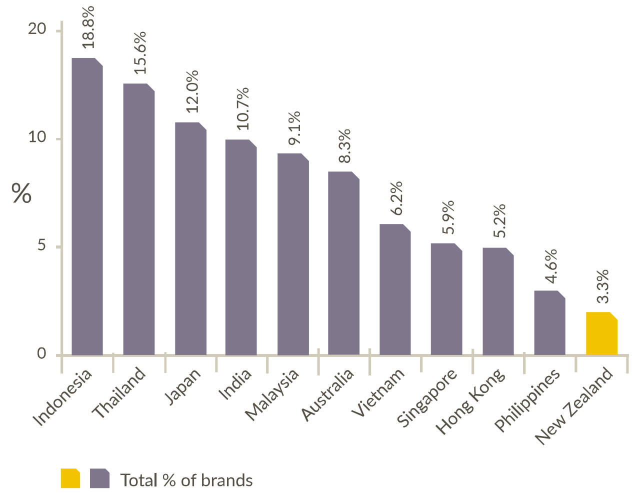
	International Chain Groups	Hotels	Rooms
1	AccorHotels	31	4,366
2	Millennium & Copthorne	20	2,537
3	IHG	7	1,457
4	Quest Apartments	33	1,413
5	Event Hospitality	8	1,341
6	Choice Hotels	25	1,213
7	Hilton	6	895
8	Mantra Hotels	9	705
9	TFE Hotels	3	463
10	Waldorf Apartment Hotels	7	458

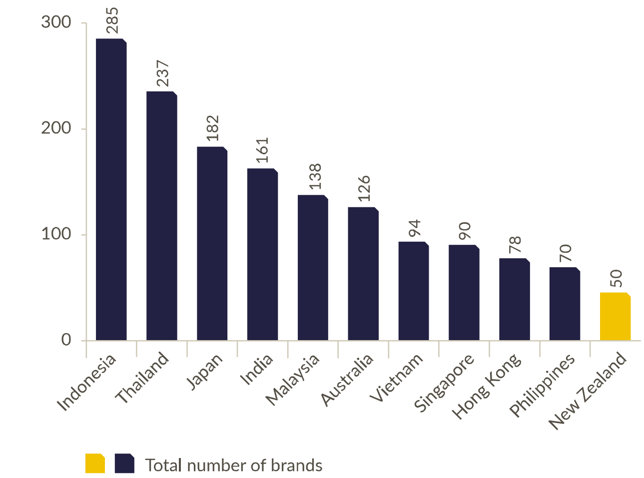
	International Chain Brands	Hotels	Rooms
1	Novotel	8	1,437
2	Quest	33	1,413
3	ibis	8	1,134
4	Copthorne	10	1,127
5	Rydges	6	1,093
6	Millennium	5	992
7	Mercure	8	797
8	Quality	13	789
9	Crowne Plaza	3	695
10	Holiday Inn	3	528

New Zealand: Ranking per scale & size

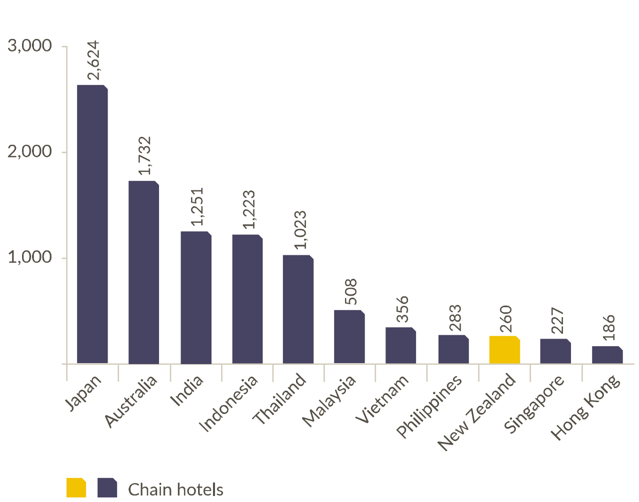
CHAINS					CHAIN HOTELS		CHAIN ROOMS	
	Hotels	Rooms	%	Avg Size	Intl.	Dom.	Intl.	Dom.
Budget & Economy	-	-	-	-	-	-	-	-
Midscale	60	4,000	16.0%	67	30	30	2,500	1,500
Upscale & Upper-Upscale	180	17,825	71.3%	99	131	49	12,139	5,688
Luxury	20	3,175	12.7%	159	19	1	2,861	312
TOTAL	**260**	**25,000**		**96**	**180**	**80**	**17,500**	**7,500**

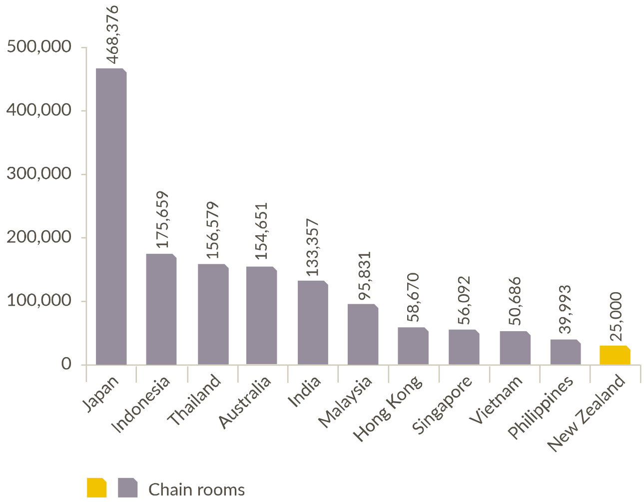
New Zealand: Total brands





New Zealand: Chain hotels & rooms





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Rwanda
South Africa

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Japan
Malaysia
New Zealand
Singapore
Thailand

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Andorra
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