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EXCERPT

# THE ANNUAL HVS ASIA-PACIFIC HOTEL OPERATOR GUIDE (AS OF 31 DECEMBER 2016)

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# The HVS Asia-Pacific Hotel Operator Guide 2017

## Foreword



**I**t is with great pleasure that I share with you our fourth annual Asia-Pacific Operator Guide, data as of 31 December 2016. This fourth edition will continue to serve owners as a reference for which operator has a strong presence in their home market and in potential future markets further ashore as well as key feeder markets across the region. As more brands are created and/or introduced to the region, owners need to navigate a more complex environment. At the same time, M&A activities have created larger companies with a very large portfolio of brands. At the same time, we see operators building pipelines with limited-service brands that are easier to scale. Which operator to choose?

**Branding**, anchored by the management expertise and distribution power that operators bring to a hotel property, is becoming more and more critical. In the face of increasing competition, non-branded properties often perform at a discount to their branded peers due to lack of awareness and quality assurance. Running a hotel is no easy task and owners have a tendency to view operators' fees as unjustified for the value they deliver. It is essential that owner and operator align their interest from very early in the process and work towards a common goal, rather than start their long-term relationship from conflicting standpoints.

**I**n this fourth edition, we have captured close to one million existing and more than half a million pipeline rooms spread over 6,930 properties. This publication features major operators and we look forward to have more brands included in forthcoming editions. Our analysis covers 30 countries and territories in Asia-Pacific (excluding India) and 901 markets with existing hotels as well as 574 markets with proposed hotels.

A handwritten signature in black ink, appearing to read 'Daniel J. Voellm', with a stylized flourish at the end.

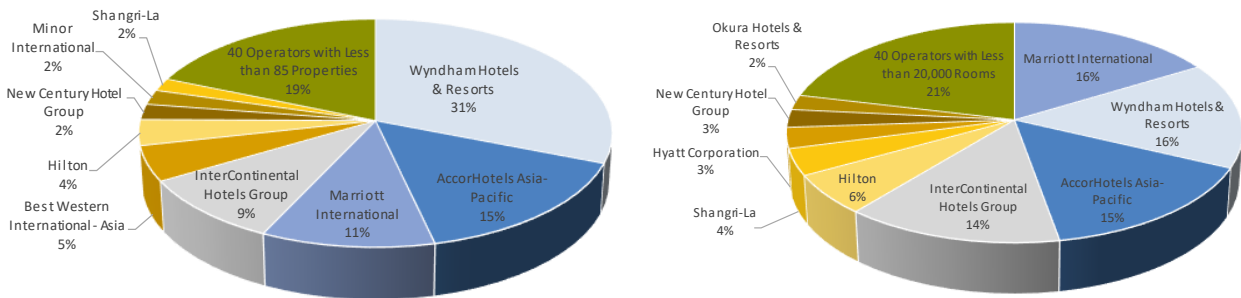
Daniel J. Voellm, MRICS  
Managing Partner, Asia Pacific

# Overview

We have prepared our analysis by number of properties and number of rooms for operators, brands, countries and cities. The following discussion highlights the largest players in each category.

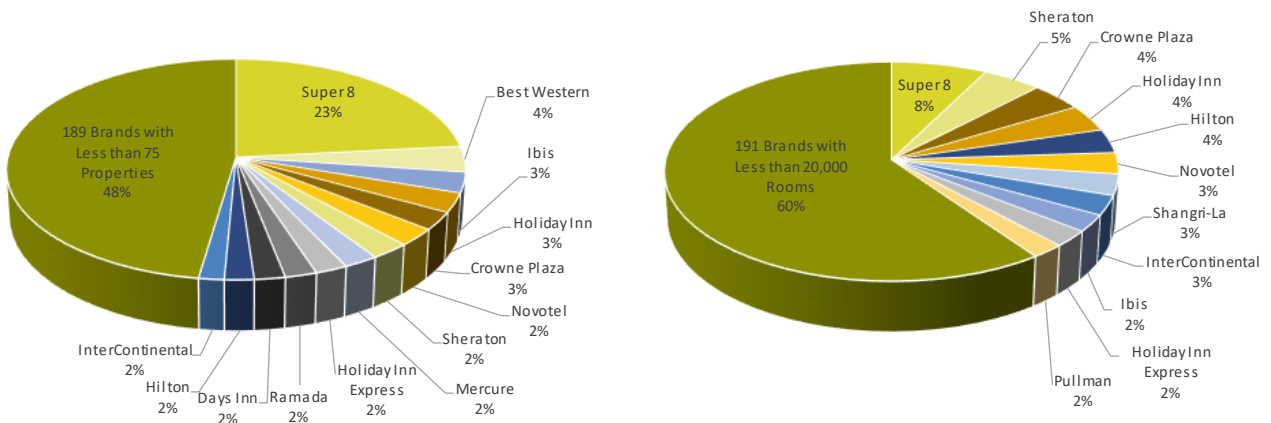
## Operators

OPERATOR MARKET SHARE BY NUMBER OF PROPERTIES AND NUMBER OF ROOMS



**Among** the 49 operators reviewed, the top nine have a market share of 81% by number of properties and 79% by room inventory. The top three players are Marriott, Wyndham and Accor, followed by InterContinental Hotels Group, Hilton, and Shangri-La. The takeover of Starwood has significantly enhanced Marriott's standing in the region.

BRAND MARKET SHARE BY NUMBER OF PROPERTIES AND NUMBER OF ROOMS

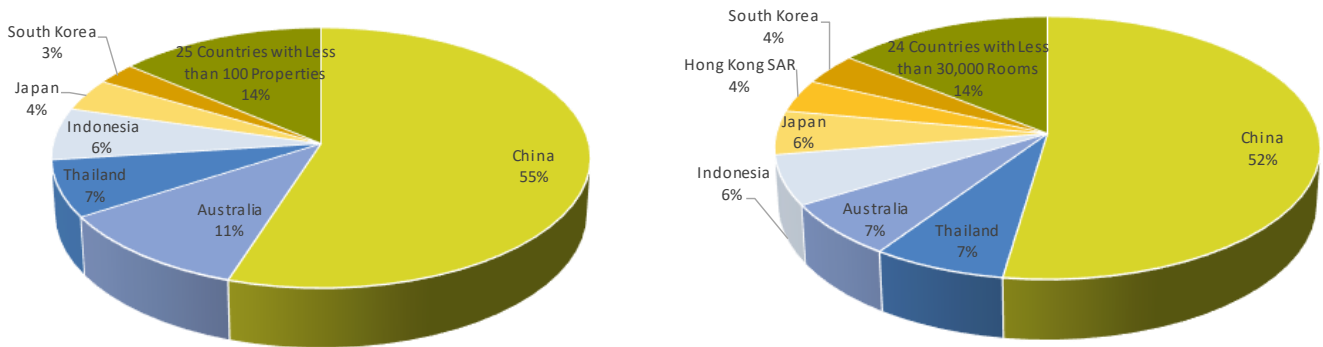


## Brands

**Given** the prevalence of multi-brand operators, the brand landscape is subject to an even higher degree of fragmentation. By number of properties, the budget chains – particularly Super 8 with its presence in China – have the largest market share. Iconic full-service brands, including Best Western, Ibis, Holiday Inn, Crowne Plaza, Novotel and Sheraton, come next. In terms of number of rooms, full-service brands dominate, with Sheraton enjoying the second-largest market share at 5% after Super 8.

## Countries

### GEOGRAPHIC DISTRIBUTION BY NUMBER OF PROPERTIES AND NUMBER OF ROOMS



**Given** its sheer size, China dominates in terms of geographic market share at 55% and 52% of all branded properties and room inventory, respectively. Other significant markets include Australia, Thailand, Indonesia, Japan and South Korea. Despite being a relatively small territory, Hong Kong SAR has the sixth largest share of branded room supply in Asia-Pacific.

## Markets

### TOP 10 MARKETS BY NUMBER OF PROPERTIES AND PIPELINE

| Rank | Market        | Number of Existing Properties | Rank | Market        | Property Pipeline |
|------|---------------|-------------------------------|------|---------------|-------------------|
| 1    | Beijing       | 303                           | 1    | Petaling Jaya | 500%              |
| 2    | Shanghai      | 202                           | 2    | Daegu         | 400%              |
| 3    | Bangkok       | 114                           | 3    | Dali          | 400%              |
| 4    | Chengdu       | 91                            | 4    | Johor         | 400%              |
| 5    | Hong Kong SAR | 90                            | 5    | Taichung      | 400%              |
| 6    | Bali          | 85                            | 6    | Bintan        | 367%              |
| 7    | Jakarta       | 77                            | 7    | Jiaxing       | 367%              |
| 8    | Hangzhou      | 75                            | 8    | Lombok        | 367%              |
| 9    | Guangzhou     | 69                            | 9    | Genting       | 300%              |
| 10   | Singapore     | 65                            | 10   | Hai Phong     | 300%              |

**Beijing** has the largest number of branded properties at 303. The ten leading markets feature 1,171 branded properties or 25% of the total sample.

Among the top ten markets with the strongest property pipelines, there is a clear shift towards Malaysia, China and Indonesia, which have seen very active development.

The strongest growth is expected in Petaling Jaya, where five new hotels are in the pipeline. By number of properties, Shanghai is set to see the largest growth by properties in absolute terms at 68 properties, followed by Chengdu at 56.

**TOP 10 MARKETS BY NUMBER OF ROOMS**

| Rank | Market        | Number of Rooms |
|------|---------------|-----------------|
| 1    | Shanghai      | 56,321          |
| 2    | Beijing       | 53,483          |
| 3    | Hong Kong SAR | 38,791          |
| 4    | Bangkok       | 32,954          |
| 5    | Singapore     | 23,888          |
| 6    | Chengdu       | 19,708          |
| 7    | Seoul         | 19,455          |
| 8    | Jakarta       | 17,602          |
| 9    | Guangzhou     | 16,358          |
| 10   | Bali          | 16,254          |

**Shanghai** features the largest number of branded rooms at more than 50,000, followed by Beijing and Hong Kong SAR. Bangkok is the fourth-largest hotel market in the region. Singapore leads a group of mid-sized markets with more than 23,000 rooms.

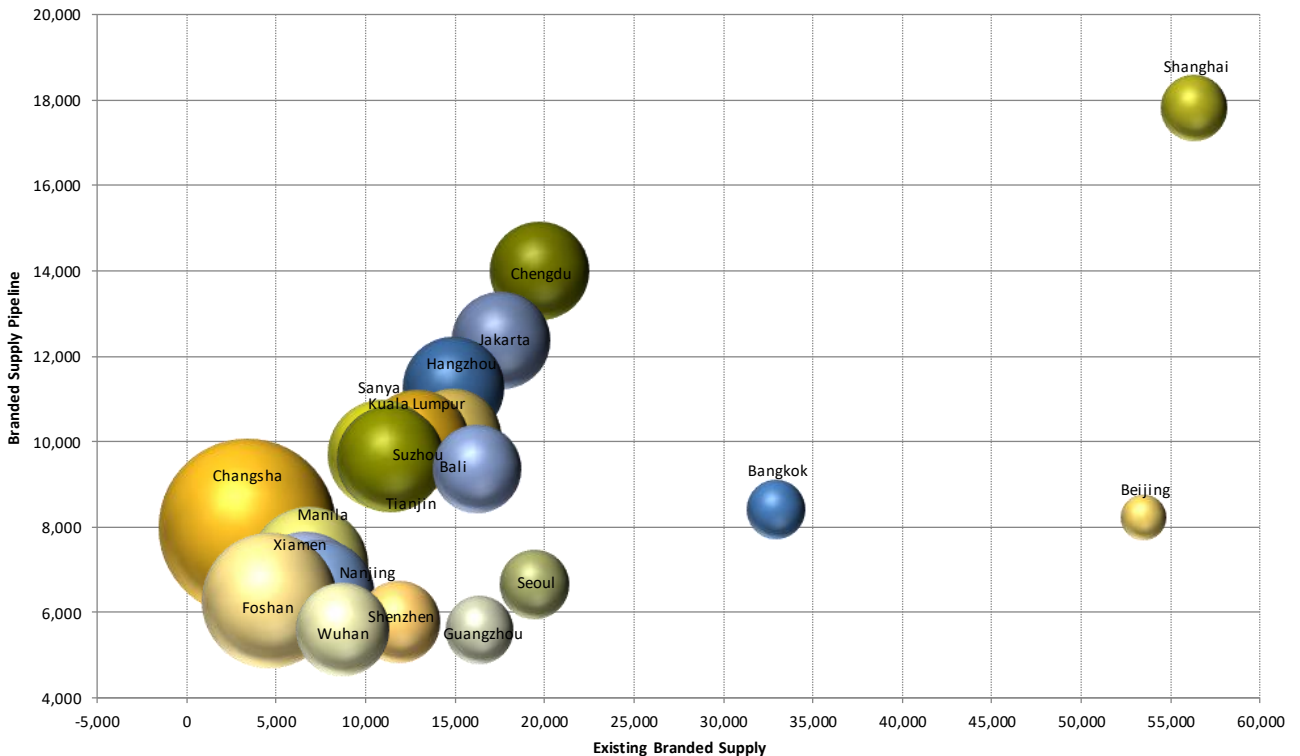
All Markets with the largest room supply growth are coming off a relatively low base.

In a shift from 2016, six of the top ten markets with the strongest pipeline by number of rooms are located in China. In absolute terms, Shanghai claims the top spot for the largest supply pipeline with almost 18,000 branded rooms. Chengdu is the market with the second largest pipeline at approximately 14,000 branded rooms. Among the other markets with a pipeline of more than 6,000 rooms, Changsha, Foshan, Manila and Xiamen look at the largest growth at 235%, 136%, 103%, and 98%, respectively.

**TOP MARKETS ROOM SUPPLY GROWTH**

| Rank | Market     | Rooms Pipeline |
|------|------------|----------------|
| 1    | Rizhao     | 1680%          |
| 2    | Dujiangyan | 1288%          |
| 3    | Baishan    | 1028%          |
| 4    | Suining    | 1017%          |
| 5    | Guian      | 929%           |
| 6    | Chaozhou   | 853%           |
| 7    | Xingyi     | 849%           |
| 8    | Huainan    | 833%           |
| 9    | Bintan     | 823%           |
| 10   | Sanming    | 808%           |
| 11   | Jinzhong   | 736%           |
| 12   | Weinan     | 729%           |
| 13   | Daocheng   | 680%           |
| 14   | Hai Phong  | 606%           |
| 15   | Hualien    | 596%           |
| 16   | Anqing     | 584%           |
| 17   | Lombok     | 521%           |
| 18   | Yongkang   | 501%           |
| 19   | Hengyang   | 486%           |
| 20   | Suqian     | 467%           |

**TOP MARKETS: EXISTING AND NEW SUPPLY - SUPPLY GROWTH**



In terms of markets with the largest growth in supply, aside from the top four markets mentioned in the previous paragraph, most markets in the graph above have a pipeline that is between 15% and 90% of their existing room supply. All these markets are likely to experience some level of moderating performance in the medium term until the new supply is absorbed.

## Operator Pipeline

### TOP 10 OPERATORS: GROWTH

| Rank | Operator                            | Pipeline/<br>Existing<br>Rooms |
|------|-------------------------------------|--------------------------------|
| 1    | <b>General Hotel Management</b>     | <b>2220%</b>                   |
| 2    | Urban Resort Concepts               | 407%                           |
| 3    | StayWell Hospitality Group          | 309%                           |
| 4    | Bespoke Hospitality Management Asia | 308%                           |
| 5    | Two Roads Hospitality               | 293%                           |
| 6    | Mövenpick Hotels & Resorts          | 248%                           |
| 7    | Absolute Hotel Services             | 240%                           |
| 8    | Regent Hotels & Resorts             | 191%                           |
| 9    | Dusit International                 | 159%                           |
| 10   | New Century Hotel Group             | 138%                           |

In terms of absolute growth by number of rooms, Marriott has the strongest pipeline in Asia-Pacific at more than 120,000 rooms, followed by InterContinental, Hilton and Accor. New Century and Hyatt have also forced their way into the top ten, where BTG-Jianguo and Swiss-Belhotel represent regional players. The acquisition of Starwood Hotels & Resorts has given Marriott International a significant boost in the region. The top 10 operators account for more than 83% of the rooms pipeline of the 43 operators that reported pipeline data.

In terms of growth (pipeline vs. existing room inventory), General Hotel Management is expected to post the strongest performance in size. However, it should be noted that this growth is coming off of a small base. Notably, the top six operators will more than triple their current size with their current pipeline. Smaller and regional players dominate the Top 10 list. Operators of four-Star and mid-market brands have been aggressive and successful at building their pipeline, reflecting a gradual shift away from the top tier product, and moving towards offering a value experience.

### TOP 10 OPERATORS: PIPELINE BY NUMBER OF ROOMS

| Rank | Operator                          | Number<br>of Rooms |
|------|-----------------------------------|--------------------|
| 1    | <b>Marriott International</b>     | <b>122,159</b>     |
| 2    | InterContinental Hotels Group     | 83,383             |
| 3    | Hilton                            | 78,593             |
| 4    | AccorHotels Asia-Pacific          | 62,453             |
| 5    | New Century Hotel Group           | 34,929             |
| 6    | Hyatt Corporation                 | 29,748             |
| 7    | Best Western International - Asia | 16,614             |
| 8    | BTG-Jianguo                       | 10,909             |
| 9    | Swiss-Belhotel International      | 9,864              |
| 10   | Dusit International               | 8,603              |

#### TOP OPERATORS: NET ROOM GROWTH

|   | Rooms Added  | Net Room Growth |
|---|--------------|-----------------|
| <b>Regent Hotels &amp; Resorts</b>          | <b>1,922</b> | <b>130%</b>     |
| Lanson Place Hospitality Management Limited | 745          | 81%             |
| Melia Hotels International                  | 1,186        | 45%             |
| StayWell Hospitality Group                  | 452          | 41%             |
| Oakwood Worldwide                           | 1,102        | 30%             |
| Mövenpick Hotels & Resorts                  | 470          | 25%             |
| Park Hotel Group                            | 759          | 24%             |
| Hilton                                      | 9,507        | 20%             |
| New Century Hotel Group                     | 4,112        | 19%             |
| Wyndham Hotels & Resorts                    | 22,077       | 17%             |
| Langham Hospitality Group                   | 693          | 14%             |
| Swiss-Belhotel International                | 1,191        | 13%             |
| Marriott International                      | 16,276       | 12%             |
| AccorHotels Asia-Pacific                    | 13,108       | 10%             |
| Hotel Shilla                                | 325          | 9%              |
| InterContinental Hotels Group               | 10,411       | 8%              |
| Dusit International                         | 405          | 8%              |
| Hyatt Corporation                           | 1,933        | 7%              |
| Four Seasons Hotels & Resorts               | 316          | 7%              |
| Onyx Hospitality Group                      | 377          | 6%              |
| Dorsett Hospitality International           | 400          | 6%              |
| Banyan Tree                                 | 243          | 6%              |
| Minor International                         | 572          | 5%              |
| Pan Pacific Hotel Group                     | 271          | 3%              |
| Kempinski SA                                | 176          | 2%              |

#### Net Room Growth

**Lastly**, ranked by the very important KPI in the industry - net room growth - there is a mix of small and large operators at the top. Regent Hotels & Resorts posted the highest new room growth of 130% whereas in absolute terms it ranked 8<sup>th</sup> with 1,922 rooms added, mainly in the limited service segment. Other operators that made their marks in 2016 include Lanson Place, Melia, StayWell, Oakwood and Mövenpick. In absolute terms, Wyndham claims the top spot for the largest supply added in 2016 at approximately 22,000 rooms.

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## About HVS

**HVS**, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, celebrates its 35th anniversary in 2015. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and more than 500 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [HVS.com](http://HVS.com)

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Everywhere.**

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The Hong Kong team has worked on a broad array of projects that include economic studies, hotel valuations, operator search and management contract negotiation, development strategies for new brands, asset management, research reports and investment advisory for hotels, resorts, serviced residences and branded residential development projects. HVS Hong Kong's clients include New World Development, The Wharf, Sun Hung Kai, Samsung, SK, Lotte, Taj Hotels and Resorts, Agile Property Holdings, Citibank and LaSalle Investment Management, amongst others.

## About the Authors



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**Daniel J Voellm**, Managing Partner HVS Asia-Pacific is based in Hong Kong and has provided advice in all major markets across 18 countries in the region. Daniel Voellm started his career at HVS in the New York office; as Vice President at the global headquarters he conducted a wide range of appraisals and market studies as well as underwriting due diligence services in 22 US states and in Canada. Daniel brings a strong understanding of the hospitality industry to HVS. His experience in hotel and food and beverage operations in Germany, Switzerland, England and the US is complemented by an Honours Bachelor of Science degree from Ecole Hôtelière de Lausanne in Switzerland. Daniel works closely with key institutional and private owners of hotel properties, financiers, developers and investors, and has gained a strong understanding of their investment requirements and approaches to assessing the market value of investment properties. Daniel further advises on property and concept development and strategy.

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