



Horwath HTLTM
Hotel, Tourism and Leisure

MARKET REPORT

**Wuhan, China
Upper-Tier
Hotel Market**

APRIL 2018

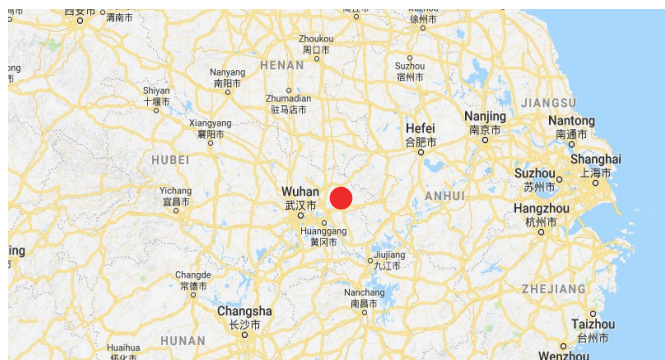


Wuhan Introduction

Wuhan Overview

Wuhan is the provincial capital of Hubei province, the only vice-provincial and megalopolis city in all 6 provinces in Central China.

- One of the most important industry bases in China
- A key technology and education base in China
- A comprehensive transportation hub in China
- Wuhan population - 10.8 million (2016)



Source: Google maps

Economic Overview

| | 2012 | 2013 | 2014 | 2015 | 2016 | CAAG |
|--|--------|--------|--------|--------|--------|-------|
| GDP (RMB bn) | 800 | 905 | 1,006 | 1,090 | 1,191 | 10.5% |
| Primary Industry (RMB bn) | 30 | 34 | 35 | 35 | 39 | 6.8% |
| Secondary Industry (RMB bn) | 387 | 439 | 478 | 498 | 523 | 7.8% |
| Tertiary Industry (RMB bn) | 383 | 432 | 493 | 556 | 629 | 13.2% |
| Value-Added Output (RMB bn) | 278 | 311 | 345 | 350 | 368 | 7.3% |
| Fixed-assets Investment (RMB bn) | 503 | 600 | 700 | 772 | 709 | 9.0% |
| Retail Sales (RMB bn) | 343 | 388 | 436 | 510 | 561 | 13.1% |
| Imports and Exports (USD bn) | 20.3 | 21.7 | 26.4 | 28 | 16 | -5.8% |
| Utilized FDI (USD bn) | 4.4 | 5.2 | 6.1 | 7.3 | 8.5 | 17.9% |
| Urban per capita disposable income (RMB) | 27,061 | 29,821 | 29,627 | 32,478 | 39,737 | 10.1% |

Source: Wuhan Statistic Bureau



Hotel Market

Hotel Supply

We have identified the following properties, in the chart below, in Wuhan, which we believe are indicative of the current upper-tier hotel market.

Hotel Market Overview

Wuhan is divided into three parts: Wuchang, Hankou, and Hanyang. More than 80 percent of the hotel rooms are managed by international hotel chains such as Marriott, InterContinental etc, with the rest being domestic hotel chain managed.

The entire hotel market encountered a strong competition in terms of average daily rate. The majority of identified hotels would somewhat sacrifice room rates in order to pull up their occupancy performance.

| Hotel Name | Location | Room Count | Opening Year |
|-------------------------|----------|--------------|--------------|
| Shangri-La Hotel | Hankou | 442 | 1999 |
| Renaissance Hotel | Wuchang | 300 | 2007 |
| Marco Polo Hotel | Hankou | 370 | 2008 |
| New World Hotel | Hankou | 327 | 2008 |
| Westin Hotel | Wuchang | 305 | 2011 |
| Wanda Realm | Wuchang | 409 | 2014 |
| Wanda Reign | Wuchang | 413 | 2014 |
| Sheraton Grand Hotel | Hankou | 500 | 2014 |
| Hyatt Regency | Wuchang | 323 | 2015 |
| Hilton Wuhan Riverside | Hanyang | 338 | 2016 |
| InterContinental | Hanyang | 485 | 2016 |
| Total Room Count | | 4,212 | |

Source: Horwath HTL

Hotel Historical Performance

The chart below shows the overall room supply and demand of the Wuhan market and the aggregated performance.

Room Supply and Demand

After stable supply growth from 2012 to 2013, the supply level surged in 2014 with the opening of the higher quality hotels including Wanda Reign, Wanda Realm and Sheraton Grand Hotel, with 1,322 room counts total. Year-on-year supply growth increased from 8 percent in 2013 to 39 percent in 2017.

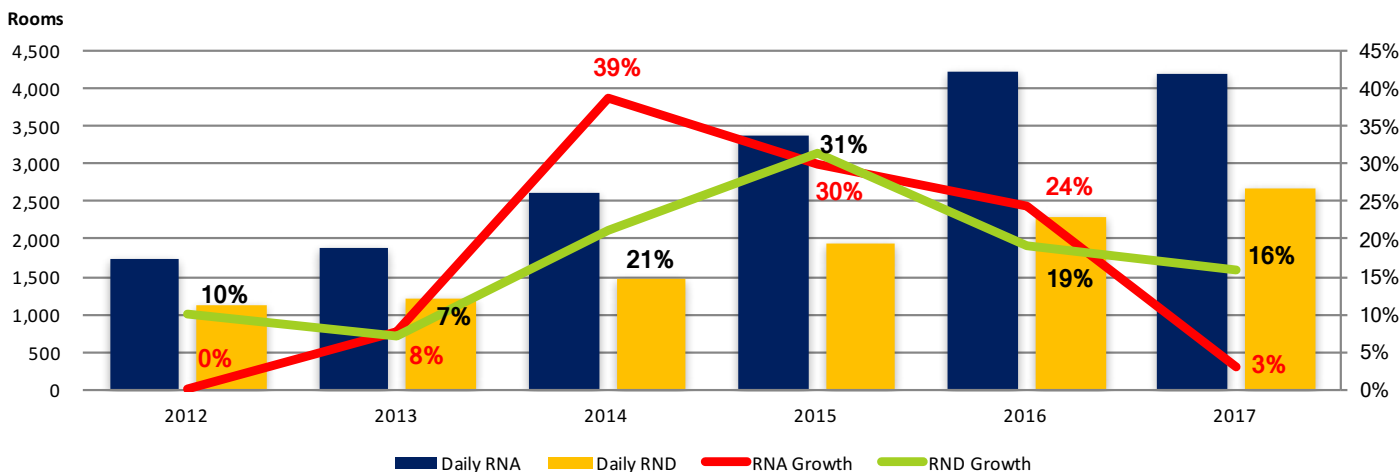
With the supply growth, the demand level also increased accordingly from 2012 to 2017, indicating that the market demand can be induced by higher quality hotel products. Due to a continued rise in new supply, the CAAG of room nights available (20 percent) outpaced the CAAG of room nights demand (18 percent) from 2012 to 2017.

Occupancy

Because of a lot of new supplies such as Wanda Reign, Wanda Realm, Hilton and InterContinental coming to the market, the market occupancy declined from 64.9 percent in 2012 to 54.6 percent in 2016.

As a result of room nights demand growth surpassing that of room nights available in 2017, the market occupancy increased significantly to 63.7 percent, compared with 54.6 percent in 2016.

Wuhan Market Supply and Demand, 2012 - 2017



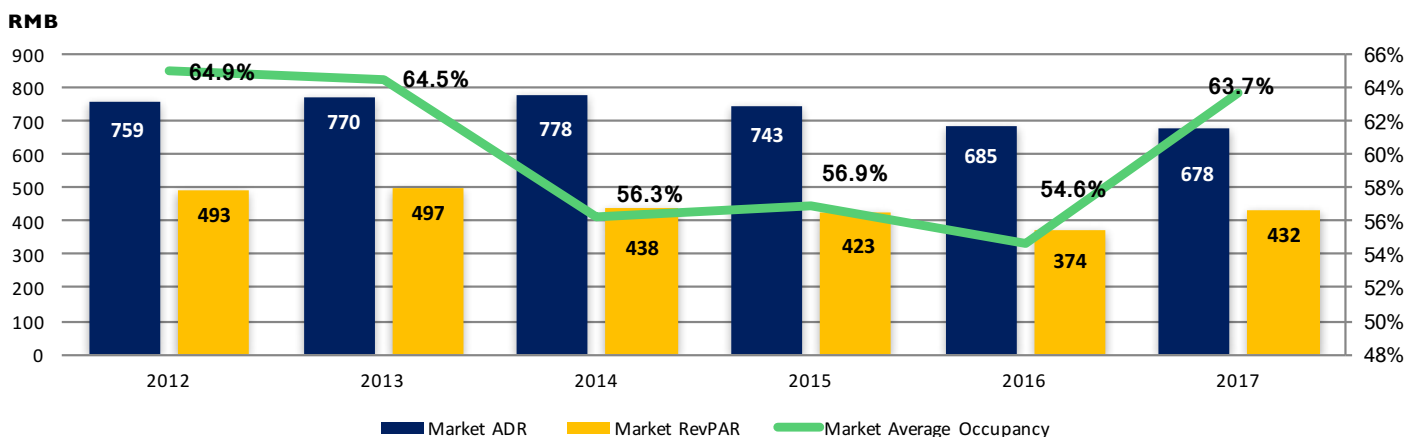
Source: Horwath HTL

ADR and RevPAR

Due to the new supplies coming, other hotels had to offer a discount rate in order to pull up the occupancy. Hence, hotel average daily rate decreased from RMB 759 in 2012 to RMB 678 in 2017.

With the decreased occupancy and average daily rate, the RevPAR level of the competitive market showed a continuous decline from 2013 to 2016. However, due to the business development of “core financial district” in 2017, the RevPAR increased in 2017 with a growing occupancy.

Wuhan Hotels Historical Performance, 2012-2017



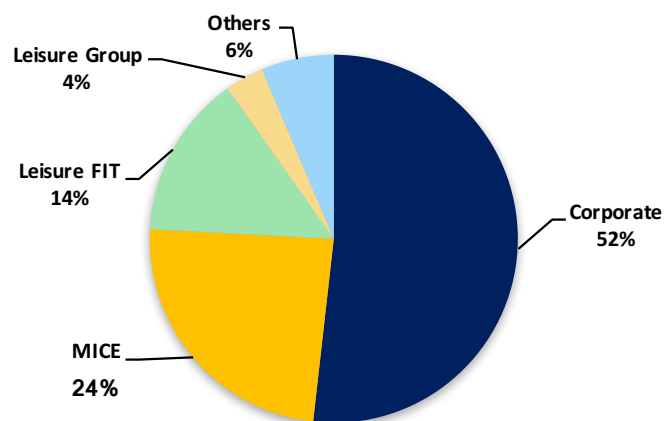
Source: Horwath HTL

Market Segmentation (2017)

The following chart illustrates the demand mix of the Wuhan Upper-tier Hotel market in 2017.

Corporate demand is the primary demand segment which contributed more than 50 percent to the Wuhan upper-tier hotel market. Then, the secondary demand segment is MICE demand which accounted for 24 percent of total market demand.

MICE: Meeting; Incentive travel; convention; exhibition related demand



Source: Horwath HTL

New Supply

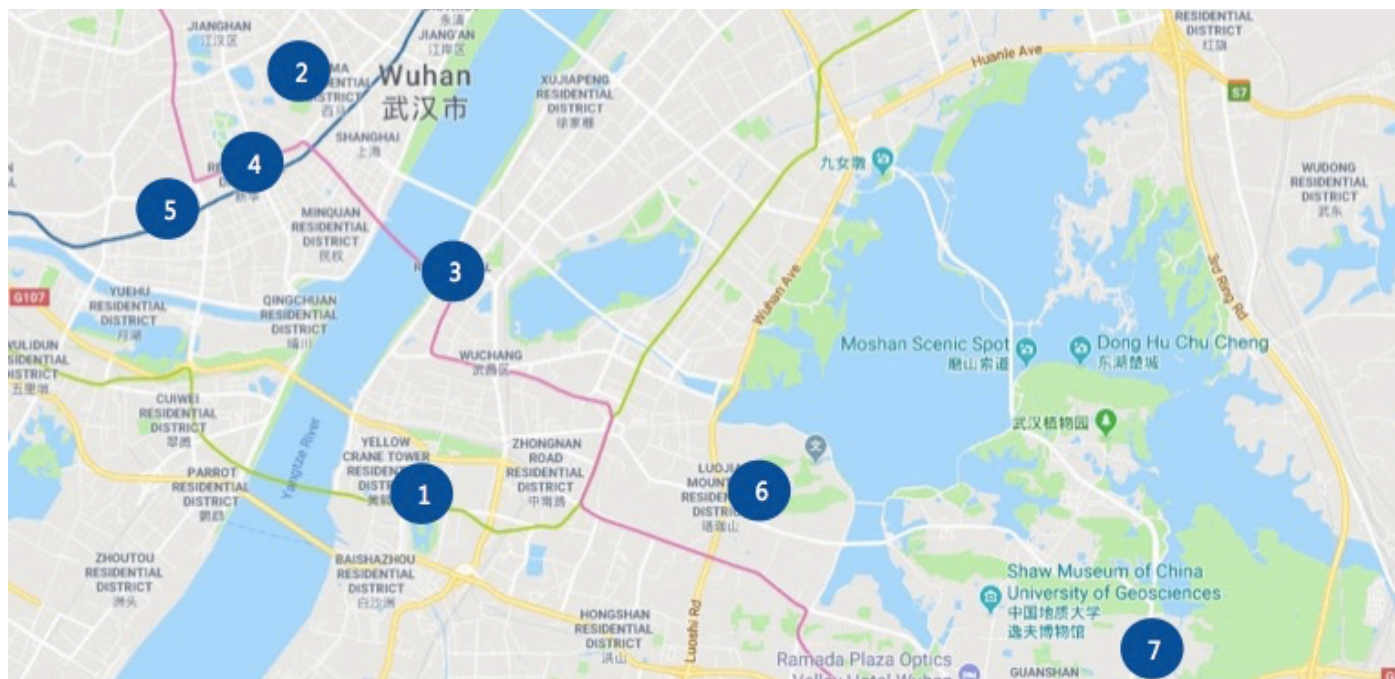
The following highlights confirmed and the most likely new supplies we have identified for the Wuhan market at the time of the report:

Based on the table below, there are currently 1,258 rooms in pre-opening or under construction. And all the new supplies are high-end positioned.

| Hotel Name | Location | Phase | Room Count | Opening Year |
|---------------------------|----------|--------------------|--------------|--------------|
| New World Hotel | Wuchang | Pre-Opening | 328 | 2019 |
| Grand Hyatt Hotel | Hankou | Pre-Opening | 400 | Q2/2019 |
| Greenland Ritz Carlton | Wuchang | Under Construction | 330 | 2020 |
| Jumeirah Hotel | Hankou | Under Construction | 200 | Q1/2020 |
| Marriott in ICC | Hankou | Planning | 320 | Q2/2020 |
| W hotel Wuhan | Wuchang | Planning | 300 | 2022 |
| Marriott in Optics Valley | Wuchang | Planning | 328 | 2023 |
| Generic | Wuhan | Planning | 600 | N/A |
| Total Room Count | | | 2,806 | |

Source: Horwath HTL

Locations of new supply



Source: Horwath HTL

Demand Outlook

Due to the economic development of Wuchang district and the development of several convention centers, we believe that corporate demand will increase steadily and the MICE demand will have a stable growth in Wuhan market.

However, we think that negative factors such as a large amount of new supplies in future and strongly priced competition, will restrict the development of the Wuhan hotel market.



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