



# ASIA PACIFIC – SELECT MARKETS 2020: Hotel Valuation Index

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# Understanding Hotel Valuation Index

Due diligence pertaining to demand and supply dynamics was carried out while analysing each market for its existing performance and forecasting future potential. For the analysis, we not only utilised our extensive in-house database, but also intellectual capital that our associates have developed over the years. Having covered these markets for more than two decades, we have keenly observed and analysed various cycles (economic and industry specific), which puts us in a position to understand fundamental changes better than most.

We have assumed a notional 200-key hotel and benchmarked its performance to marketwide occupancy and average rate levels (Historical and Forecasted). We then used actual operating Profit and Loss statements (marketwide average) to further comment on its performance, deriving the net operating profit. Post this, the Income Capitalization Approach was used to calculate the economic value of the hotel.



Hotel Valuation Index (HVI)

The Index: We have chosen the year 2010 as our new base year and a new basket of hotels for this HVI - Given their market specific performance parameters, the average base year value for a notional 200-room hotel across the selected markets in year 2010 was about USD170,000. This value was assigned an index of 1. The Per Available Room (PAR) value (historical and forecasted) for each market was then divided by the USD170,000 to derive the index number. For example, Singapore's value per room in 2019 was derived to be USD627,000 when divided by the average base year value (USD627,000/170,000) gives an index number of 3.7. This simply means that the value of Singapore hotels in 2019 was approximately 3.7 times that of the average base year value across the selected markets in 2010.

HVI assumes a date of 31<sup>st</sup> December for each calendar year. Capitalisation rate reflects trends in performance, competitive environment, and cost of debt and equity. The parameters adopted also assume reasonable level of debt and rational equity expectations (investor sentiment). The indicative values, therefore, would not bear comparison to actual transactions. However, this is the best approach to retain the integrity of HVI as a rolling index.

# Valuation Trends - Historical

City	USD			Local Currency
	INDEX		% Change	% Change
	2018	2019	2019	2019
Manila	0.9	1.0	15.1%	12.7%
Tokyo	5.0	5.6	12.7%	11.3%
Hanoi	1.1	1.2	10.4%	11.3%
Osaka	3.0	3.2	5.5%	4.3%
Singapore	3.5	3.7	4.2%	4.8%
Ho Chi Minh City	1.1	1.2	3.1%	3.8%
Bali	1.2	1.2	3.0%	2.2%
Maldives	6.3	6.3	-1.1%	-1.1%
Langkawi	2.4	2.4	-1.2%	1.2%
<b>Average</b>	<b>2.41</b>	<b>2.58</b>	<b>-2.4%</b>	
Brisbane	1.1	1.0	-3.3%	1.2%
Kuala Lumpur	0.7	0.7	-3.3%	-1.2%
Jakarta	0.6	0.6	-5.8%	-6.9%
Perth	1.2	1.1	-8.7%	-4.7%
Melbourne	1.6	1.4	-10.4%	-6.1%
Sydney	2.1	1.8	-14.6%	-10.7%

# Forecasts

City	Historical		Forecast			3 - Year Forecasted Compounded Growth (2020 - 2022)
	2018	2019	2020	2021	2022	
Bali	1.2	1.2	1.0	1.1	1.2	10.9%
Brisbane	1.1	1.0	0.8	0.8	0.9	7.0%
Hanoi	1.1	1.2	1.1	1.1	1.2	4.5%
Ho Chi Minh City	1.1	1.2	1.0	1.1	1.1	4.4%
Jakarta	0.6	0.6	0.4	0.5	0.5	12.9%
Kuala Lumpur	0.7	0.7	0.6	0.6	0.7	6.4%
Langkawi	2.4	2.4	2.0	2.1	2.2	6.5%
Maldives	6.3	6.3	5.0	6.0	6.1	10.1%
Manila	0.9	1.0	0.8	0.8	0.9	5.7%
Melbourne	1.6	1.4	1.1	1.1	1.2	7.5%
Osaka	3.0	3.2	2.8	2.9	3.2	6.3%
Perth	1.2	1.1	0.8	0.9	0.9	8.1%
Singapore	3.5	3.7	3.3	3.4	3.7	6.0%
Sydney	2.1	1.8	1.3	1.4	1.5	8.3%
Tokyo	5.0	5.6	5.0	5.2	5.6	6.2%
Average	2.4	2.6	2.2	2.3	2.5	6.0%



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**HVS**, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, celebrated its 41st anniversary this year. Established in 1980, the company have performed more than 60,000 assignments 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 50 offices and more than 300 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

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## About the Authors



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