

ASIA HOTEL VALUATION INDEX 2007

Overview

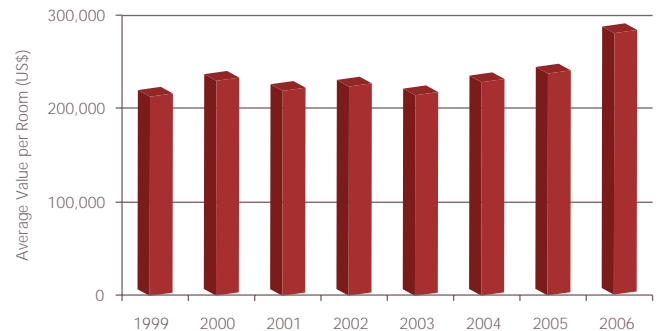
With the sustained growth of the hospitality and lodging industry, 2006 carried the torch of what 2005 left off with hotels across Asia posting healthier occupancies and robust growths in room rates. Fuelled by a confluence of burgeoning economies, buoyant equity markets and flourishing hotel industry, Asian stock exchanges have welcomed the listing of several hotel-centric real estate investment trusts ('REITs'), notably the Japan Hotel and Resort, Inc, Nippon Hotel Fund Investment and Singapore's first hospitality-related REIT, the CDL Hospitality Trust. This follows hotly on the heels on the launch of first Pan-Asian serviced residences REIT by The Ascott Group in 2005. In Hong Kong, Regal Hotel International Holdings is expected to package five of its hotels and list the territory's first REIT backed by hospitality assets in early 2007.

Integrated resorts and casinos were also buzzwords in 2006. The Singapore government awarded two licenses to Las Vegas Sands and Genting International for two sites in the city-state to develop integrated resorts with casinos. The former Portuguese colony of Macau witnessed the rejuvenation of its casino scene with the opening of the Wynn Resort in Macau and numerous projects under development including projects by Las Vegas Sands and MGM Studios. By the time all the casinos open in 2009, the market is expected to be inundated with a total of 30,000 rooms, up from a current room inventory of 13,000.

The value of a hotel property is the present worth of its future economic performance and other benefits. Knowledgeable hotel buyers and sellers, whilst concerned with cashflow in progress, will take into consideration future risk and return profiles. The market value of a hotel tends to fluctuate in line with market conditions, investor sentiment and performance outlook.

The Hotel Valuation Index (HVI) is a hotel valuation benchmark developed by HVS. It provides an indication of the average percentage change in the values of five-star hotels across 13 markets in Asia. The HVI also reports the estimated average value per room, allowing the ranking of each market relative to an average of the markets reviewed.

The HVI 2007 shows that, on average, values of five-star hotels across selected key markets in Asia experienced a third consecutive year of growth of 17% in 2006 as compared to a 4% increase in 2005. 2006 was also the year where a




double digit growth in hotel values was achieved in 11 of the 13 markets reviewed in the Asia Hotel Valuation Index. The general improved performance during 2006 can be attributed to the sustained economic growth in regional economies as well as the absence of any new, significant worldwide events affecting demand in the course of 2006. Perennial leaders, Tokyo, Hong Kong and Seoul experienced an average increase of 15% in values per room, thus cementing their pole positions amongst cities in Asia. Riding on the wave of a 10% increase in the previous year - the highest amongst the 13 markets in 2005 - Singapore led regional markets with a sterling 35% growth in hotel values. This is followed closely by the twin cities of Shanghai and Beijing, which posted robust growths of 27% and 24% respectively. The only market that registered a decline in value in 2006 was Bangkok, which was rocked by a period of political transition.

Performance in 2006

Fuelled by a sustained growth in the world and regional economies, the lodging industry in Asia flourished on the back of cheaper intra-Asia travel which contributed to the increased demand for accommodation. In anticipation to the sustained surge in air travel to the region, airports in key cities in Asia are undergoing expansion programs. Bangkok's Suvarnabhumi Airport opened in September 2006 after some delays. Singapore and Malaysia opened the region's first airport terminals dedicated for budget airlines within days of each other in 2006 while Terminal 3 of Singapore's Changi Airport is currently under construction and expected to be completed in 2008. Shanghai's Pudong Airport is undergoing a Phase Two expansion in time for the 2008 Beijing Olympics and the 2010 World Expo.

Increased lodging demand has brought cheer to hoteliers sought



to maximize revenues by increasing room rates significantly for a second consecutive year. Tokyo remains the most expensive city in Asia for hotel accommodation for yet another year. Hotel values increased by 15% over 2005 values to US\$831,000 in 2006. With limited five-star hotels opening in 2006 before the opening of the Ritz-Carlton in Tokyo Midtown development in the first quarter of 2007, hotels in Tokyo have enjoyed occupancies above 75% accompanied by the highest room rates in Asia.

Despite the increasing pollution problems that are plaguing the "Pearl of the Orient", Hong Kong continues to be the hotbed of hotel investment. Having recently added the Asian Aerospace 2007 onto its long list of events held in the special administrative region, 'High Tariff A' hotels in Hong Kong posted an annual occupancy in the high 80s percentile with corresponding increases in room rates. This has allowed hotel values in Hong Kong to increase by 14% in 2006.

Despite lingering tensions from its socialist counterparts after a nuclear testing incident in October, five-star hotels in Seoul have managed to maintain its third position in this year's HVI, posting a noteworthy 16% increase in hotel values.

After years of languishing in low rates compared to its counterparts such as Hong Kong, Shanghai and Tokyo, five-star hotels in Singapore benefited from healthy increases in occupancies and room rates, aided by growth in demand in both the corporate and leisure segments. This has allowed Singapore to be the star performer in 2006, registering a significant 35% increase in hotel values, from US\$285,000 in 2005 to US\$384,000 in 2006. Welcoming a second consecutive record year of visitor arrivals in 2006, the hospitality industry in Singapore was injected with a shot of vibrancy when the government awarded licenses for the development of two integrated resorts with casinos. This, coupled with the robust increases in RevPAR in the last two years, has improved investor sentiment in the market, which was evidenced by hotel investment sales in the region of US\$1 billion in 2006.

As Beijing readies itself for the XXIX Olympic Games in 2008 through its numerous infrastructural developments, hotels are also making sure they open in time for the event. Demand for accommodation has continued to increase in 2006, along with a healthy growth in room rates. However, there is a potential risk of oversupply in the capital city of Beijing in the medium

term, due to the influx of new hotel development in the city.

As the economic and financial centre of one of Asia's economic powerhouses, Shanghai has witnessed astronomical increases in both lodging demand and room rates in recent years and 2006 was no exception. Though the plethora of new hotels which opened in the city has resulted in a softening of occupancy levels and rate growth, hotel values have registered a significant 27% increase over 2005 values, the third highest amongst the 13 cities reviewed.

Bangkok is the only city in the HVI 2007 to record a decline in values, albeit a marginal one. It had been an eventful year of the city which witnessed the bloodless ouster of Prime Minister Thaksin after a military coup. The surge in new supply of five-star hotels also added to the more cautious sentiment.

Phuket - one of Asia's most established resort destinations - has finally turned the tide to record a 15% increase in hotel values. This increase from US\$168,000 per room in 2005 to US\$193,000 per room allowed it to overtake Taipei in the standings of the 2007 edition of the Asia Hotel Valuation Index. This is largely attributable to the extensive marketing efforts by the Tourism Authority of Thailand and individual hotels which have allowed Phuket to welcome a record number of visitors in 2006. The same may be described for Bali as well, which has weathered two bombings in 2003 and 2005. The destination saw a 13% increase in five-star hotel values to US\$138,000 in 2006.

Kuala Lumpur is reaping the fruits of the extensive marketing efforts by its tourism board, coupled with a buoyant economic environment. This has allowed hotels in the capital city to increase room rates to record levels. Improved investor sentiment has also fuelled several hotel transactions in 2006. These factors have contributed to hotel values increasing by 32% in 2006, second only to Singapore in terms of growth rates.

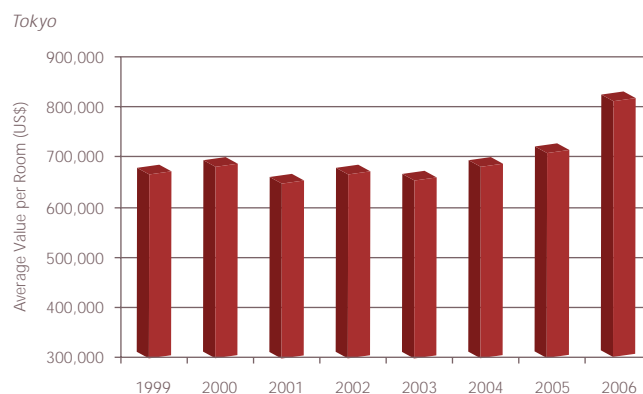
After years of relative stagnant hotel development in both Manila and Jakarta, the sustained political and economic stability of these two cities have allowed hotel investors to once again cast their eyes on hotel developments. Moderate hotel value appreciation in 2005 was sustained in 2006 with five-star hotels in Manila and Jakarta recording an appreciation in value by 25% and 24% respectively.

Conclusion

2006 will be remembered as a year of relative calm both globally and regionally. This has contributed to another buoyant year for hotels across Asia as augmented demand for accommodation has resulted in rising occupancies accompanied with encouraging rate growth. Several cities reviewed in the 2007 Hotel Valuation Index have posted unprecedented growth levels in hotel values as a result of improving investor sentiment and market outlook.

As hotels continue to populate gateway cities and destinations across Asia, secondary cities in maturing markets like China, Thailand and Vietnam are expected to pique the interest of hotel developers and operators as viable locations for new hotel developments.

Whilst the potential spread of the avian influenza may pose as an issue in the short to medium term, the fundamentals of the lodging industry in Asia remain strong, allowing it to flourish, barring any adverse events.



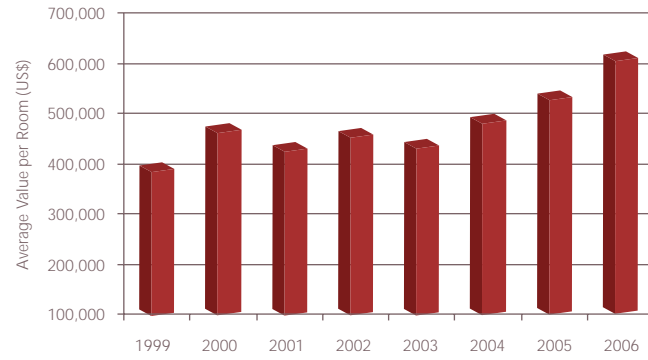
Average Value per Room for Five-Star Hotels in Asia, 1999-06 (US\$)

	1999	2000	2001	2002	2003	2004	2005	2006
Tokyo	683,000	697,000	665,000	683,000	671,000	698,000	725,000	831,000
Hong Kong	398,000	477,000	441,000	469,000	445,000	496,000	546,000	624,000
Seoul	310,000	326,000	308,000	330,000	317,000	321,000	333,000	387,000
Singapore	256,000	281,000	256,000	260,000	245,000	259,000	285,000	384,000
Shanghai	177,000	196,000	201,000	219,000	218,000	238,000	249,000	315,000
Average	223,000	240,000	229,000	235,000	225,000	239,000	249,000	292,000
Beijing	140,000	147,000	151,000	159,000	150,000	170,000	184,000	229,000
Bangkok	154,000	167,000	173,000	190,000	184,000	194,000	201,000	195,000
Phuket	202,000	220,000	214,000	204,000	193,000	184,000	168,000	193,000
Taipei	182,000	184,000	170,000	165,000	160,000	166,000	171,000	182,000
Bali	141,000	161,000	156,000	133,000	125,000	143,000	122,000	138,000
Kuala Lumpur	75,000	92,000	90,000	92,000	87,000	94,000	99,000	131,000
Manila	116,000	97,000	84,000	81,000	75,000	75,000	77,000	96,000
Jakarta	70,000	79,000	74,000	65,000	61,000	72,000	76,000	94,000

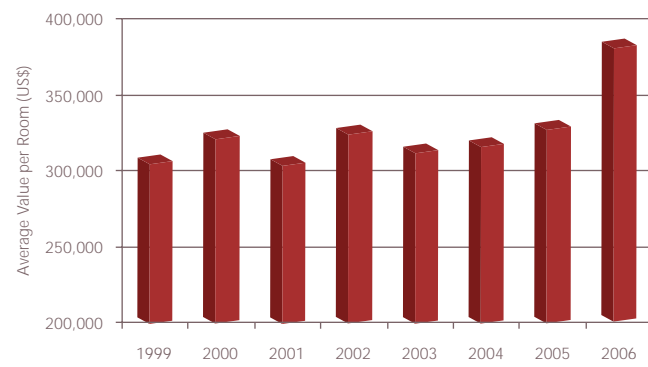
Source: HVS Research



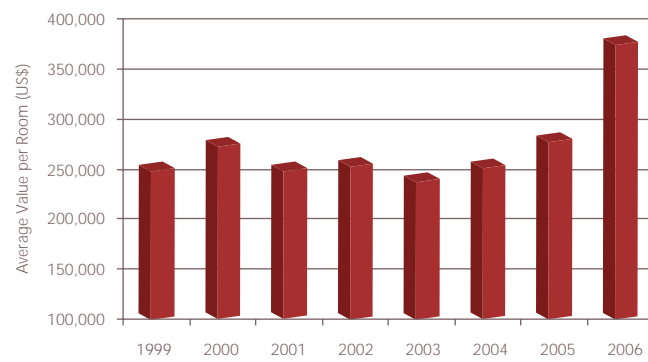
Hong Kong



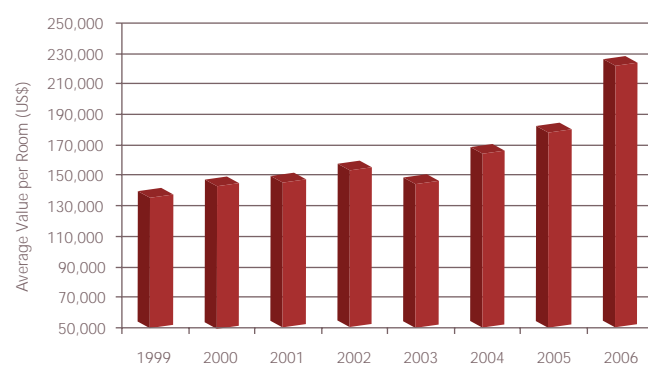
Seoul



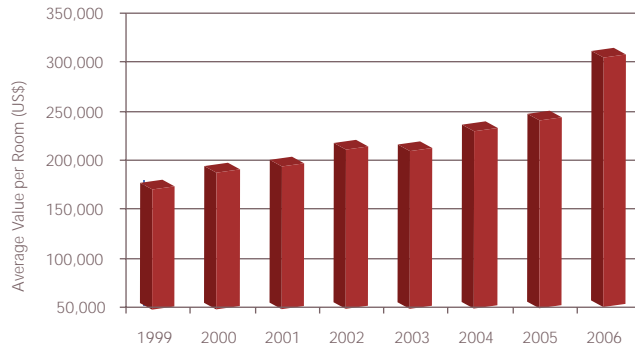
Singapore



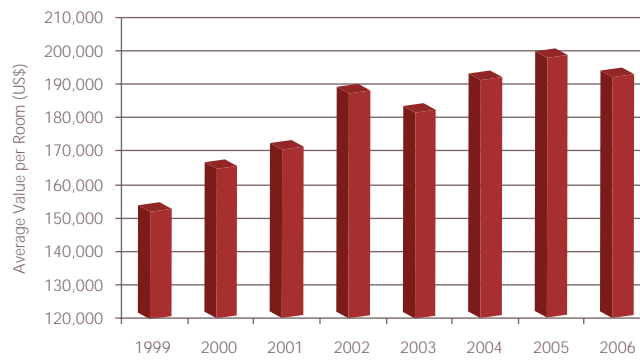
Beijing



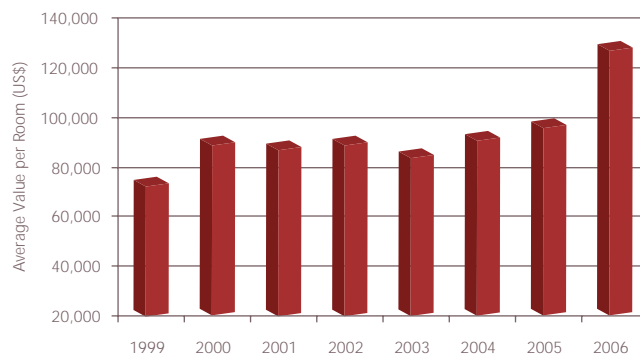
Shanghai



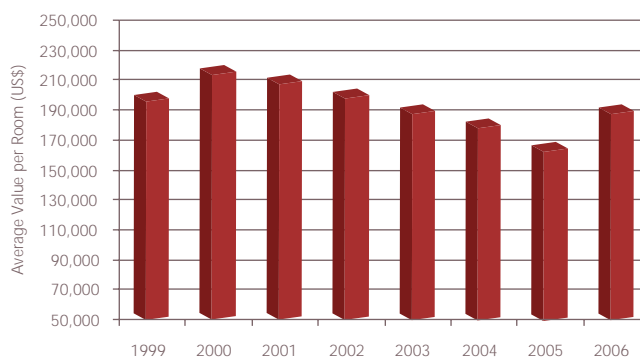
Bangkok



Kuala Lumpur

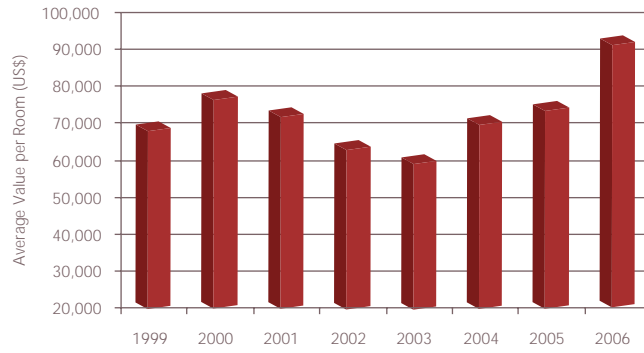


Phuket

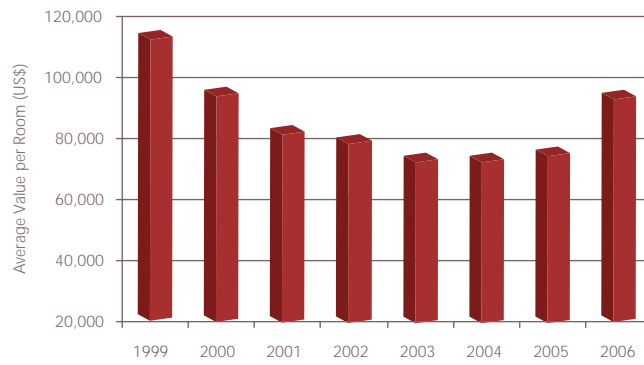




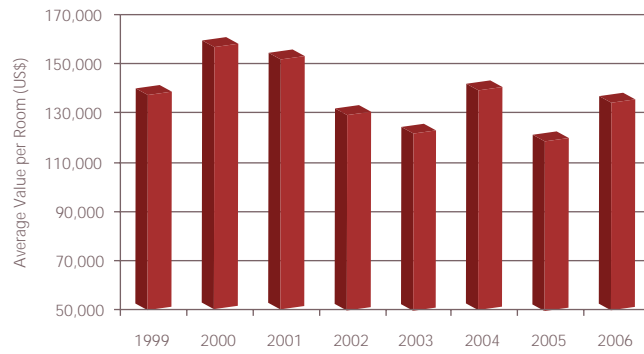
Jakarta



Manila



Bali



Taipei

