2019

Global Hotel Study

An unprecedented, worldwide view of the hospitality industry

Foreword

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In our commitment to helping further advance the hotel industry's growth through the sector's most comprehensive and accurate data and analytics, we are pleased to bring you our fourth annual Global Hotel Study. In 2019, the global hotel industry saw $550 billion in rooms revenues, which was a record and up 2.5% on the prior year. This rounded off a decade of almost continuous revenue growth, highlighting the value of the industry and explaining why hospitality assets have grown in attractiveness for investors.

Reflecting on 2019, it was certainly a year of ups and downs. While we've seen growth, for the majority of regions it's at a slower rate than in 2018. We saw numerous risks to hotel performance including Brexit, the U.S.-China Trade War, currency fluctuations in Venezuela and Argentina, record supply growth in Europe, supply ramp up for Expo 2020 Dubai, Hong Kong and Chilean protests, as well as a slowdown in outbound Chinese travel. Furthermore, numerous markets are contending with the rise of alternative accommodations, as well as political and economic instability. Despite all of this, hotel performance remained resilient, and global occupancy levels came in almost 5% ahead of where they were at the prior peak in 2007.

Recovery was evident in a number of markets across North Africa, Turkey and Brazil, which helped to boost global performance. Regions across the globe were helped by special events such as the Champions League Final in Madrid and Rugby World Cup in Japan. As we move ahead into 2020, we expect sustainability to rise on the agenda and growth to continue, albeit at a slower rate. Many hotels continue to be challenged by the political, economic and environmental climate of their regions. With the added risk of the coronavirus (COVID-19), we are expecting challenges for the hotel industry, particularly in the first quarter of the year. However, as there are moves towards a resolution of the trade war between the U.S. and China, as well as more certainty around Brexit, we are cautiously optimistic.

We hope that you enjoy the information provided in this study. This report raises and seeks to answer a wide range of questions from global, regional and market-level perspectives, and we're confident that this will help with you setting strategies for 2020 and beyond.

Regards,
Amanda Hite & Robin Rossmann

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Overview

STR's Global Hotel Study 2019 provides an in-depth analysis of the global hotel landscape, both at a continent and market level.

We've covered 20 markets around the world, delving into various key performance indicators (KPIs), along with detailed insights on the factors shaping that performance.

Each global region is broken into four separate categories: Hot Markets, Up & Coming Markets, Recovery Markets and Markets in Decline. Through this, we aim to highlight how ups and downs differ across the world. We also look to the future, with regional insights from STR's forecast experts, and have focused on several key markets to explore industry topics in greater depth. Forecast insights are also included in the individual analysis of several markets, highlighting key trends on the horizon.

Furthermore, we're pleased to present feature case studies from STR's experts around the world, bringing you local industry knowledge on important topics.

This study was created in January 2020 before the coronavirus came into full effect, and the outbreak's impact is therefore not considered in our forecast numbers.

Case Studies:

Assessing the Impact of Unions and Labor Costs in the U.S.
by Claudia Alvarado, Analytics Manager

Chile Protests Impact Santiago Hotel Performance
by Stefania Maroso, Industry Development Manager – CSA

U.K. Serviced Apartment Pilot
by Robert Bauer, Manager – Business Intelligence

Dubai's Hotels Experience Short Lead Time for Bookings
by Kostas Nikolaidis, Middle East, Africa & Greece Executive

Ten Years of Asia Pacific 'Brandification' has Created a New Landscape
by Jesper Palmqvist, Area Director – Asia Pacific

Methodology

Bringing together industry knowledge from STR experts around the world, we've selected the key global markets to focus on for this year's Global Hotel Study.

By region (North America/Caribbean, Central/South America, Europe, Middle East/Africa, Asia Pacific), these markets have been split into 4 categories.

Please note, all data in the report is local currency for markets and constant currency for aggregated regions, unless otherwise stated.

Hot Markets:

Markets with high actual occupancy levels and ADRs, performing consistently well, resilient in the face of market changes and seeing stable long-term performance.

Up-and-Coming Markets:

Markets with the highest year-over-year RevPAR growth (though not as a result of a low basis of comparison due to previous negative impacts). These are markets that have not historically been seen as the major tourism destinations like the hot markets, but are now seeing spikes in demand.

Recovery Markets:

Markets affected by supply growth, terror, economic factors, natural disasters, oil prices, etc., that are now starting to bounce back in terms of hotel performance.

Markets in Decline:

Markets with the most significant RevPAR declines, currently being impacted by the types of reasons listed for recovery markets, but have yet to see the light at the end of the tunnel.

North America & Caribbean

Regional Overview

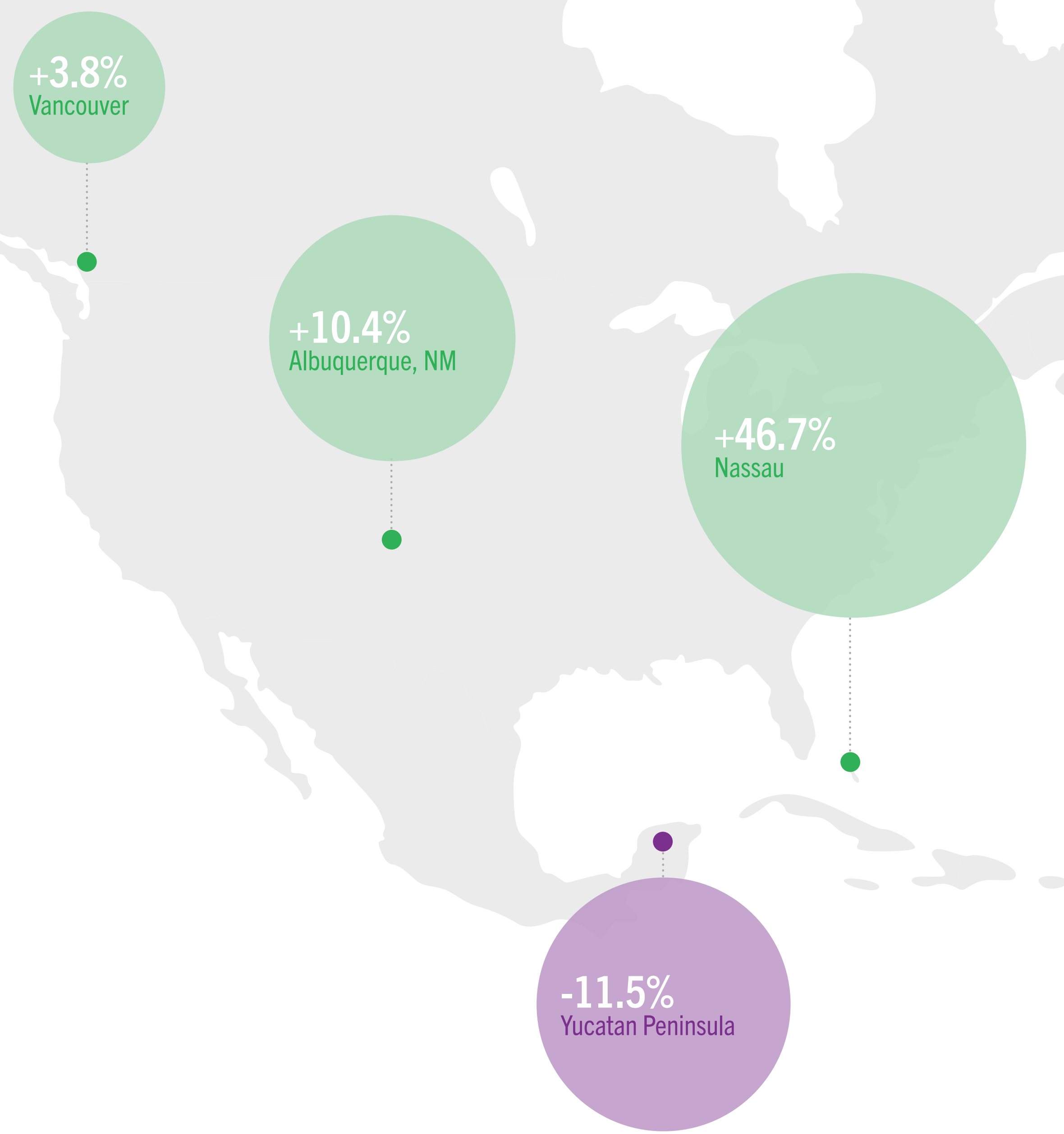
The United States recorded its tenth consecutive year of rooms revenue per available room (RevPAR) growth in 2019, achieving record-high figures in total rooms demand, average daily rate (ADR), and RevPAR. However, demand growth continued to slow down, and was finally outpaced by supply for the industry's first annual occupancy decline since 2009. Albeit this was a marginal decrease of just 0.02%. ADR growth has also decelerated in recent years, with the U.S. recording a 1.0% lift in 2019—well below the pace of inflation. This is a concern as increases in labor costs and other expenses were likely not matched by increases in revenues.

The Canadian hotel industry is experiencing similar market dynamics, with supply growth (+1.5%) far outpacing an essentially flat demand increase (+0.1%). However, the Canadian market was unable to offset that occupancy decline with sufficient ADR growth, and therefore RevPAR declined 0.2%—the first annual decrease since the recession.

In Mexico, 2.6% declines in both occupancy and ADR drove a RevPAR decrease for the second consecutive year in 2019. The Mexico Tourism Promotion Council's US$295 million annual budget was defunded at the end of 2018, which could have impacted the country's slight demand growth of 0.5%.

The Caribbean recorded its strongest-ever annual supply growth in 2019, with a 2.8% increase driven by new properties opening and renovated hotels re-opening following 2017's hurricane damage. Little demand growth meant a fourth consecutive occupancy decline (-2.7%), although strong ADR growth, particularly in H1 2019, offset the occupancy decline and drove a 2.8% RevPAR lift.

North America
Year-end RevPAR % chg.



Market Selections

Hot Market

Vancouver

Vancouver achieved the fifth-highest annual occupancy of all North American markets for the second consecutive year, reporting 79.5% occupancy in 2019. Furthermore, it continues to be the top Canadian market in occupancy and ADR terms, even with relatively flat demand growth experienced in 2019. Occupancy was essentially flat (+0.2%), which was boosted by 3.5% ADR growth for the market. This is in contrast to other historically strong markets that have experienced flat and declining occupancies, such as New York, NY which recorded a 2.4% decline in ADR.

Low supply growth has helped the market's continued occupancy growth; since 2011, the market has seen a net growth of only 182 hotel rooms. One hotel project is expected to add 110 rooms in early 2020, with another under construction and due to open in 2021. This ongoing low supply growth should ease the impact of slowing demand growth in both Vancouver and Canada as a whole.

Up-&-Coming Market

Albuquerque

Following strong RevPAR growth in 2017 and 2018, Albuquerque, NM posted a double-digit increase (+10.4%) in 2019, bringing the market to record occupancy and ADR levels. A lack of supply growth has allowed the market to capitalize on rising demand; in fact, since 2010, the market has actually seen a slight net decline in the number of rooms, allowing for 4.9% occupancy growth in 2019. This was coupled with the strongest ADR growth the market has seen since 2007, growing at a rate five times greater than total U.S. ADR growth. The market is projected to add four hotels representing 365 rooms in 2020, which would result in around a 1.0% supply increase.

Record performance has followed Visit Albuquerque's campaigns to grow tourism both locally and state-wide across New Mexico. The growth in Albuquerque's film industry has also helped to grow demand, through film and TV-related tourism from hit shows such as Breaking Bad. Additionally, Netflix expanded its presence in the city by purchasing a production facility in 2018 and committing to spend US$1 billion in the state over a ten-year period.

> "Record performance has followed Visit Albuquerque's campaigns to grow tourism both locally and state-wide across **New Mexico.**"

Recovery Market
Nassau

2017 was a challenging year for the hotel industry in Nassau, with the opening of the long-awaited Baha Mar adding over 2,000 hotel rooms. This was compounded by an above-average hurricane season that caused double-digit monthly demand declines in autumn. This combination of unfavorable supply and demand factors caused occupancy to suffer significantly in 2018, with the market recording flat demand growth and a 10.5% increase in supply. Nassau rebounded significantly in 2019 and reported a demand lift of 17.6%, while supply declined slightly and resulted in the highest market's occupancy level since 2006.

Looking ahead, the supply and demand dynamic in the market started to stabilize at the end of 2019 and demand growth was a more modest 3.8% in Q4. Two hotels are projected to open in Nassau in 2020, bringing an additional 175 rooms to the market.

While occupancy has suffered in recent years, ADR produced double-digit growth in every month since November 2017. This is unsurprising, given that new supply added to the market since 2017 has been exclusively in the Luxury class. This sustained growth equates to an above US$45.00 ADR increase in two consecutive years.

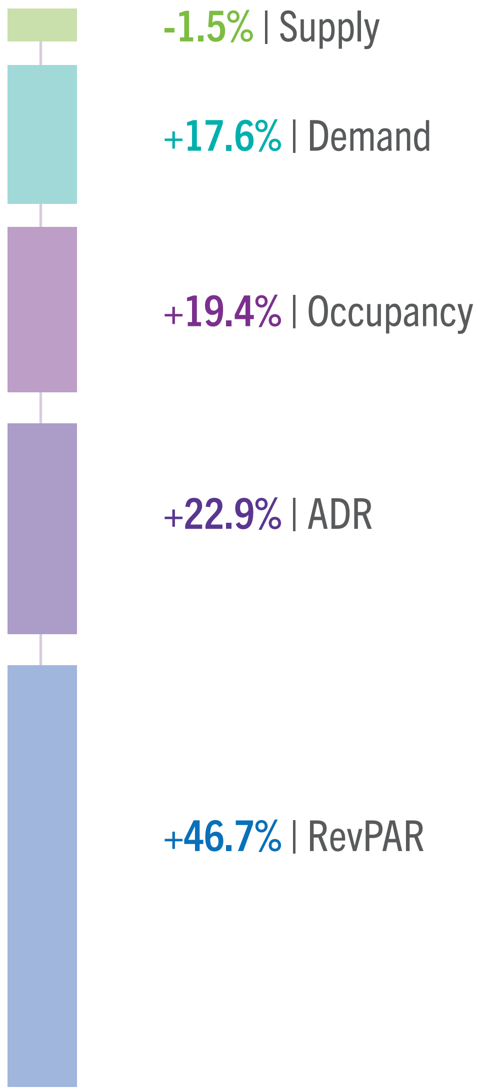
Note: Nassau data is insufficient from May 2014 through June 2016.

Market in Decline
Yucatan Peninsula

Myriad factors contributed to 2019's 11.5% RevPAR decline in the Yucatan Peninsula, a market that includes major tourist destinations like Cancun and Playa del Carmen. Alongside the 2018 Mexico Tourism Promotion Council budget cut that limited promotion, February's shooting near the Cancun tourist zone resulted in five deaths and possibly renewed a fear of violence that has been compounded by negative rhetoric from the current U.S. administration. Lastly, an above-average algal bloom resulted in the buildup of foul-smelling seaweed along the region's beaches in the spring and summer months.

The seaweed inundation corresponded with a decline in demand over the summer, and supply growth outpaced demand for the second year in a row. This supply growth is not expected to slow, with another 5,100 rooms due to enter the market in 2020, equivalent to 4.8% of the market's existing supply. However, the 1.8% occupancy decline was better than the 2.8% fall seen in the rest of the country. The market suffered more notably in ADR, with 17 consecutive months of decline culminating in an annual ADR drop of 9.9%. In the other Mexican markets, ADR actually grew by 2.2%.

Nassau hotel performance
2019, Year-over-year % Chg., Local Currency



Assessing the Impact of Unions and Labor Costs in the U.S.

Claudia Alvarado
Analytics Manager

Labor costs and their implications for bottom-line performance have been top of mind lately, especially as ADR growth in the U.S. has been unable to keep pace with inflation. Raises to minimum wage and heightened competition for acquiring talent increasingly impact labor cost growth, while the influence of labor unions also trickles down to the bottom line.

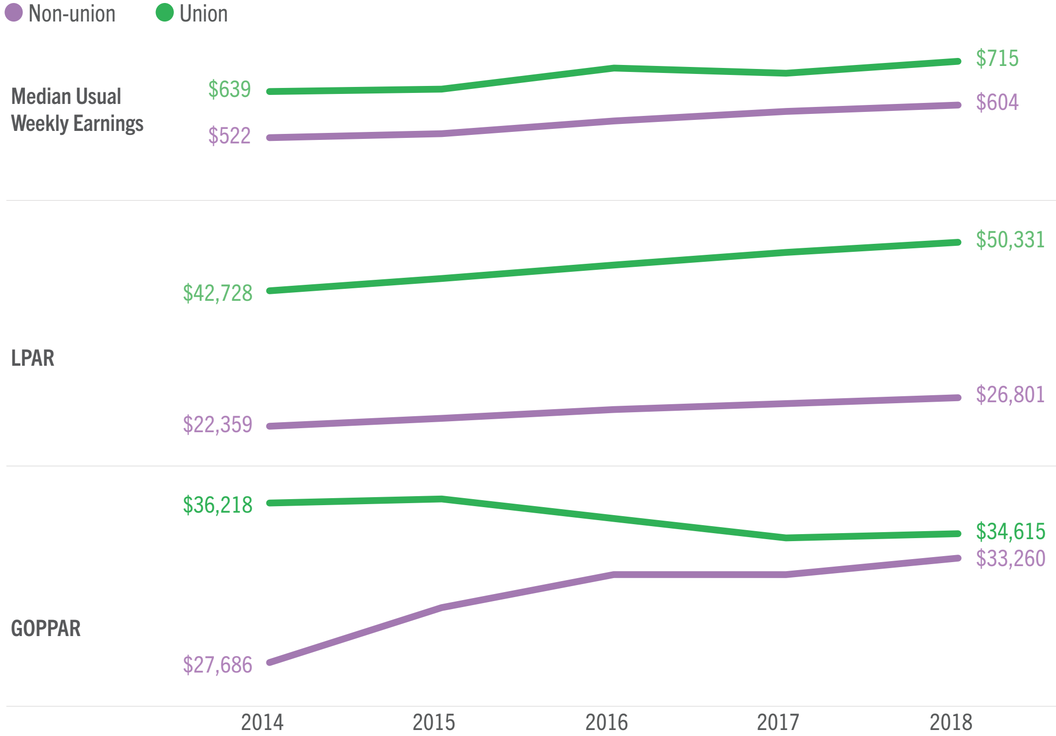
Data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics, shows that by the end of 2018, over 113,000 employees in the accommodation sector were members of a labor union, and more than 127,000 were represented by one. This equates to nearly 12% of the U.S. accommodation workforce being affiliated with labor unions. However, certain areas across the U.S. have higher union participation, such as New York where close to 75% of the hotel industry (more than 300 hotels) within the NYC boroughs is unionized.

As of year-end 2019, 29 states have changed their legislation to increase the minimum wage above US$7.25 per hour, as mandated by federal legislation. New York, for example, passed a law in 2016 to increase the hourly minimum wage to US$15.00 by 2018. Other states are taking more time for this implementation, and California - where the law to raise the minimum wage to US$15.00 was approved in 2016 - is aiming to achieve its goal by 2022.

An analysis of STR's profit and loss data, comparing the performance of union vs. non-union hotels, shows how the steady increase to wages is directly reflected by total labor costs per available room (LPAR). For union hotels, costs are almost double those of their non-union counterparts, yet their total labor cost PAR growth from 2014-18 is fairly similar at 17.8% and 19.9%, respectively.

As labor costs increase, non-union hotels see stronger GOPPAR performance

P&L annual data, 2014-2018, union & non-union hotels in California and New York



Source: STR & U.S. Bureau of Labor Statistics

Interestingly, the gap between their gross operating profit per available room (GOPPAR) has been narrowing over the years. Dramatic 2014-18 GOPPAR growth of 20.1% for non-union hotels has brought their actual numbers to US$1,355 below that of union hotels, and, if the trend continues, they are poised to outperform them in just a few years.

These dynamics could be the result of hiring contract labor, controlling employee benefits expenses, reducing scheduled hours, etc., which are some of the flexibilities that non-union hotels experience.

U.S. and Canada Forecast Insights

Blake Reiter
Director of Custom Forecasts

Based on historical performance and current market conditions, we expect these U.S. markets to achieve RevPAR growth in 2020:

- Miami/Hialeah, FL
- San Diego, CA
- San Francisco/San Mateo, CA
- Denver, CO
- Norfolk/Virginia Beach, VA
- Nashville, TN

These markets are expected to see further declines:

- New York, NY
- Los Angeles/Long Beach, CA
- Philadelphia, PA

Please note: STR forecasts referenced use the February 2020 Forecast Edition for the U.S. and November 2019 Forecast Edition for Canada.

With declining RevPAR in three months between June and December, it's becoming more apparent that 2019 marked an inflection point in the U.S. lodging cycle. Despite record full-year ADR and RevPAR levels for 2019, performance growth slowed markedly in comparison to earlier stages of the cycle. Since the turmoil of the 2008-09 economic crisis, the U.S. lodging industry has been in a record-setting expansion phase. However, as occupancy levels maximize, new supply continues to open, and the macroeconomic environment softens, RevPAR growth has effectively flattened in the hospitality industry. A year-over-year reduction in international inbound visitors was also evident, down 1.3% from January to September, according to Tourism Economics. One certainty about the U.S. lodging industry is that it's cyclical, and 2019 might simply have been the end of this cycle's growth period.

This doesn't necessarily mean that 2020-21 will run the same course as 2008-09. STR, in conjunction with Tourism Economics, forecasts that a 1.6% demand increase in 2020 will be offset by a greater lift in supply and result in an occupancy decline of 0.3%. With U.S. hoteliers challenged by limited pricing power, STR projects modest ADR growth (+0.3%), resulting in flat RevPAR (0.0%) for 2020. On an absolute basis, 65.9% occupancy, US$131.63 ADR, and US$86.73 RevPAR are expected for the year.

Our Economic Outlook, also in conjunction with Tourism Economics, forecasts 1.7% real GDP growth in 2020, which would represent the first sub-2.0% annualized growth level since 2016. A slowdown in consumer spending is also projected, with 2.3% growth representing a decrease from the 2.6% increases reported in 2017 and 2019 and the 3.0% growth of 2018.

From a chain scale perspective, Luxury is projected to achieve 0.9% RevPAR growth, the highest such projection for 2020. ADR growth of 1.2% is projected to primarily drive this, offset by a 0.3% decline in Luxury occupancy. It is worth noting that this occupancy decrease trend is expected across all other chain scales. The Upscale segment is forecasted to experience the largest occupancy decrease, with a 0.9% drop projected. Coupled with a 0.4% decline in ADR, this results in a 1.3% RevPAR fall for 2020, the most significant across all chain scales. The Economy segment is forecasted to experience the second most significant RevPAR decline at 0.8%.

Further north, Canada's occupancy has been generally stable in recent years. While year-to-year movements were evident between 2014 and 2019, annualized occupancy varied within a 2 percentage point range of 64.1% to 66.1%—the latter representing the 2018 peak. In 2019, however, February represented the only month of occupancy growth in the year, resulting in an annualized decline of 1.3%. Comparatively speaking, while Canadian occupancy performance was characterized by flat demand growth (+0.1%) that was outpaced by supply (+1.5%), the flat 2019 U.S. occupancy was caused by both supply and demand growing 2.0%. For 2020, Canada is forecasted to produce an occupancy decline of 0.6%, ADR growth of 1.3%, and RevPAR uplift of 0.6%.

Looking ahead for the U.S., STR and Tourism Economics forecast occupancy declines of 0.3% and 0.1% in 2020 and 2021, respectively, followed by ostensibly flat occupancy growth in 2022 and 2023. ADR, meanwhile, is expected to achieve sub-1.0% growth in both 2020 and 2021, before slightly accelerating to 1.1% and 1.8% in 2022 and 2023, respectively.

Central & South America

Regional Overview

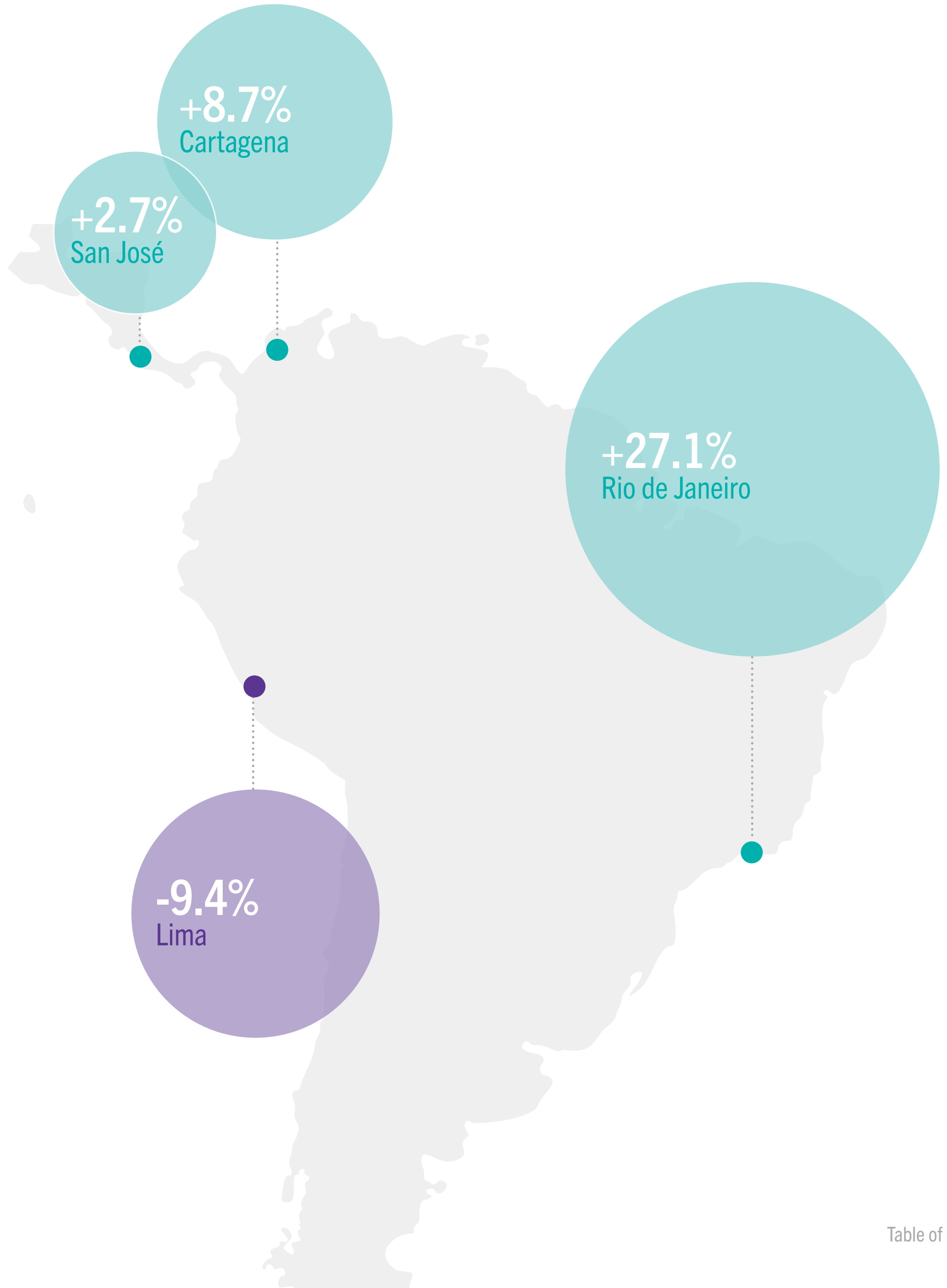
South America continued its slight occupancy increase trend in 2019, with a 1.6% lift driven by continuous growth in demand (+2.9%) that outpaced supply (+1.3%). This positive performance was pushed by key markets like Cartagena, Sao Paulo, Rio de Janeiro, Bogota and Montevideo.

Looking at ADR performance for South America, we can see that ADR is down 29.2%. Currency fluctuations felt most notably in Venezuela – and also Argentina – however, continue to distort performance levels when looking at local currency. When analyzing ADR variance in U.S. Dollar, the region produced a 6.3% decline against the prior year. The challenging political and economic situations of some countries in the region impacted the general stability of the region in the closing months of 2019. This included the change of government in Argentina, protests in Chile and Ecuador, and political instability in Peru. Despite this, the region's occupancy performance helped mitigate some of the RevPAR losses in U.S. Dollar, resulting in a 4.8% decline.

The opposite trend is evident in Central America, which reported strong performance levels in 2019. RevPAR increased 2.6% to US$68.74, and this was driven by a 5.3% uplift in ADR, which mitigated a 2.6% drop in occupancy. Costa Rica and Guatemala's notable RevPAR performance helped the region achieve growth, with respective increases of 5.2% and 3.4%.

Central & South America

Year-end RevPAR % Chg.



Market Selections

Hot Market
San José, Costa Rica

San José's economic and political stability have made it one of the region's most solid markets. The Costa Rican capital benefits from being home to the country's main airport, which makes it a good arrival point and base for exploring the rest of the country's offerings—including ecotourism and beaches.

In 2019, San José produced occupancy of 67.8% (down 2.7% on 2018 levels), yet strong ADR growth of 5.6% enabled a 2.7% RevPAR jump. That increase in rates took San José to its highest ADR since 2009 and crowned a fourth consecutive year of growth, with the market producing 18.1% growth on 2015 levels. As a result, when analyzing U.S. Dollar, the market's US$101.42 ADR in 2019 was among the highest in the region.

Costa Rica, as a whole, has seen significant tourism growth over the last ten years, with international visitor arrivals growing by over 50% since 2009, according to Oxford Economics. It is interesting to note that 32.4% of these visitors came from the U.S. in 2019, up 4.4% on the prior year. Hilton and Marriott are both adding properties to San José in the coming years, including DoubleTree by Hilton San José La Sabana (132 bedrooms) in Q1 2021 and Fairfield Inn by Marriott San José (130 bedrooms) in Q1 2022. Therefore we expect to see continued growth in international travel.

Up-&-Coming Market
Cartagena

Following the Colombian peace process, brought to a resolution with November 2016's agreement, security in the country has been markedly improved. Total international visitors are expected to have exceeded seven million in 2019, up 19.2% on 2016 arrivals, and this has resulted in increased investment and tourism opportunities for Cartagena. The city welcomes a good mix of corporate and leisure travelers due to its favorable position for accessing the region's culture, beaches and business facilities. Cartagena has seen strong RevPAR growth for the last two years, with 2018's 13.1% jump followed by a further 8.7% uplift in 2019. ADR growth helped drive RevPAR levels in 2019, increasing by 6.0% to COP373,488.42 (US$113.39), while occupancy of 65.1% (+2.5%) also played its role and was driven by 5.5% demand uplift.

November produced the year's strongest RevPAR growth, rising 22.4% as the city hosted a series of festivities celebrating Colombian Independence in 1811. From an inventory perspective, the market's pipeline currently comprises 11 projects and 1,387 rooms, including properties from global companies such as Hilton, Four Seasons, Marriott and Wyndham. In Q3 2020, the city will see the opening of the 90-key Wyndham Garden Hotel.

> "**Costa Rica** has seen significant tourism growth over the last ten years, with international visitor arrivals growing by over 50% since 2009, according to Oxford Economics."

Source: STR. 2020 © CoStar Realty Information, Inc.

> **Rio de Janeiro** reported a 27.1% jump in RevPAR in 2019, the highest increase in the metric for any year since 2016.

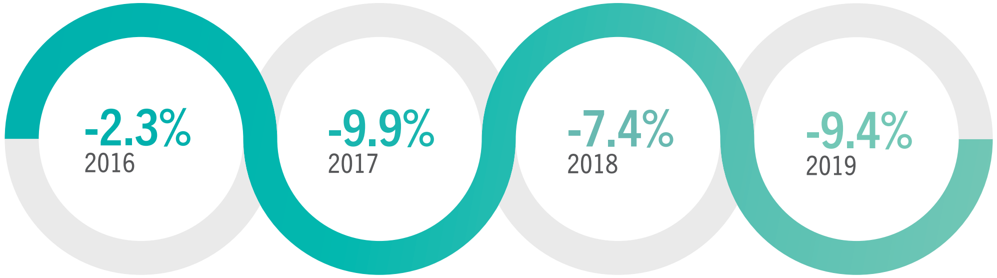
Recovery Market
Rio de Janeiro

Rio de Janeiro posted a 2019 RevPAR increase of 27.1% to BRL238.19, and this represents the highest result achieved in the market since 2016 (BRL290.72) when Rio hosted the Olympics. This growth largely came from occupancy, as 2019 levels increased to 60.2% (+16.4%). ADR also helped to drive performance as rates grew 9.2% to BRL395.38 (US$100.00), yet it is important to note that currency devaluation can be attributed to some of this growth.

A packed events calendar influenced Rio performance, notably the Copa America, which took place across June and July. During these two months, the market reported respective RevPAR increases of 59.5% and 38.9% and highlighted the impact of such a sizeable event. Hosting the biennial ICC World Chambers Congress in June also helped.

From an occupancy perspective, the market benefitted from falling supply and rising demand in 2018, a trend that continued into 2019 with supply falling 1.7% (vs. -4.1% in 2018). According to our AM:PM database, the city has not welcomed a new hotel opening since 2016. However, looking ahead, there are confirmed property openings in the coming years, including the much-anticipated Luxury Delano Rio De Janeiro (170 bedrooms) in Q3 2022 and Four Seasons Rio De Janeiro (110 bedrooms). These properties indicate investor confidence in the market and should continue to push ADR rates.

Lima records four years of RevPAR declines
2016-2019, RevPAR, Year-over-year % Chg., Local Currency



Market in Decline
Lima

Peru's political crisis reached a peak in 2019 and became the worst to hit the country in three decades. The impact on investment and business in its capital city has seen decreases in corporate events and travel, adding to the issue of ongoing delays in expanding Lima's at-capacity airport. Furthermore, Cusco is opening new international routes that will negate the need for a Lima stopover to reach the city.

In 2019, Lima reported a 9.4% drop in RevPAR levels and its fourth consecutive year of decline, driven by both occupancy (-5.9%) and ADR (-3.6%). While demand is growing in the market, it is being outpaced by supply growth, and this is driving occupancy decline. Furthermore, the additional supply is putting pressure on the market, resulting in ADR decreases. Demand rose by 1.7% in 2019, while supply increased 8.1%, following a 7.1% uplift in 2018. Nine months of the year produced declines, with the most significant seen in April (-32.1%)—following the city's role as Summit of the Americas host in April 2018, which boosted performance levels. On the other hand, the city saw a RevPAR boost in July (+5.1%) and August (+7.3%) as it hosted the 2019 Pan American Games from 26 July to 11 August.

freshplaza.com/article/9163130/lima-international-airport-expansion-to-be-completed-in-2024

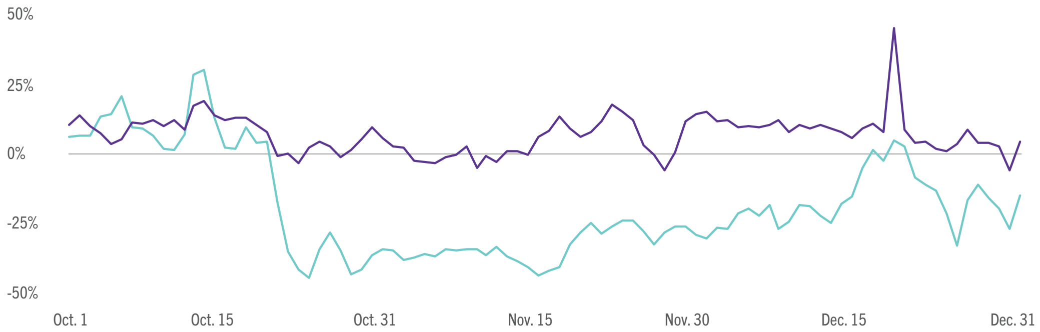
Chile Protests Impact Santiago Hotel Performance

Stefania Maroso

Industry Development Manager – CSA

Santiago Market Daily Performance | % Change, Q4, Local Currency

Occupancy % Chg.   ADR % Chg.



Civil protests began on the streets of Santiago on 14 October 2019, and hotel performance felt the effect almost instantly. Opposition to government policies, such as fare increases on the city's metro system and rising living costs in the country, quickly escalated, and protests spread to other parts of Chile—resulting in army deployment.

Less than two weeks later, on 25 October, one million residents took to the streets and called for the resignation of President Piñera. Subsequent security concerns resulted in the cancellation of numerous events to be hosted in Santiago, and the loss of APEC, COP, and the Copa Libertadores final detrimentally affected hoteliers.

As the accompanying graph demonstrates, the escalation of protests caused immediate declines, particularly in occupancy. RevPAR suffered as a result, and declined 17.2% in Q4 2019—with November the worst-affected month at 31.6%. While demand declines are the predominant cause behind this poor performance, supply increase in Santiago has also played its part. However, the political unrest caused the postponement of numerous 2019 openings to 2020. Furthermore, the market reported a handful of closures following protest damage to properties.

Despite the shrinking size of protests and steps towards a solution - including a constitutional referendum in April 2020 – further unrest is expected and likely to impact hotel performance.

cntraveler.com/story/how-the-protests-in-santiago-chile-are-impacting-travelers
bloomberg.com/news/articles/2019-11-04/-eat-the-rich-graffiti-spells-tough-times-for-chilean-tourism

South America Forecast Insights

Barbara Fraccascia

Forecast & Research Analyst

South America's tourism industry is growing, and international arrivals have increased 64.0% since 2008. Tourism Economics predicts further increases in 2020, with a 5.5% year-over-year uplift in visitors taking total numbers above 39 million.

Argentina, which accounts for 20% of total arrivals to South America, is set to welcome a record 7.9 million travelers in 2020—a 4.9% jump on the previous year. Hotel performance in 2019 was affected by the region's political protests, economic freefall, and sharp inflation in Argentina. New Prime Minister Alberto Fernandez, who assumed office in December 2019, will face tough challenges. Inflation of around 50% in 2019 is expected to decrease to 40% in 2020, according to Oxford Economics, while rising debt and further protests pose a threat to performance.

Buenos Aires is expected to achieve 40.8% RevPAR growth in 2020, driven by muted supply growth (+0.7%) and a rebound in room demand (+3.2%). Nominal ADR is forecasted to increase 37.3%, but, in real terms, an 8.3% lift in the metric is anticipated for the year. Occupancy is also set for a positive year and will rise 2.5% to 69.2%, according to our November 2019 forecast.

Brazil surprised economists during the final quarter of 2019 and, in pushing GDP revisions, ended the year with 1.2% growth in 2019 and an expected 2.0% increase in 2020. Inflation is predicted to remain below Brazilian Central Bank targets until 2021 and, as a result, continued low interest rates will ease the country's financial conditions.

International arrival growth will provide a boost to Brazil's tourism industry and is expected to gain pace in the coming year (+5.3% in 2020 vs. +0.4% in 2019). This upward trend looks likely to continue into 2020 and we are expecting a 1.4% RevPAR increase, helped by steady growth in occupancy (+0.3%) and rate (+1.1%).

Please note: STR forecasts referenced use the November 2019 Edition.

Europe

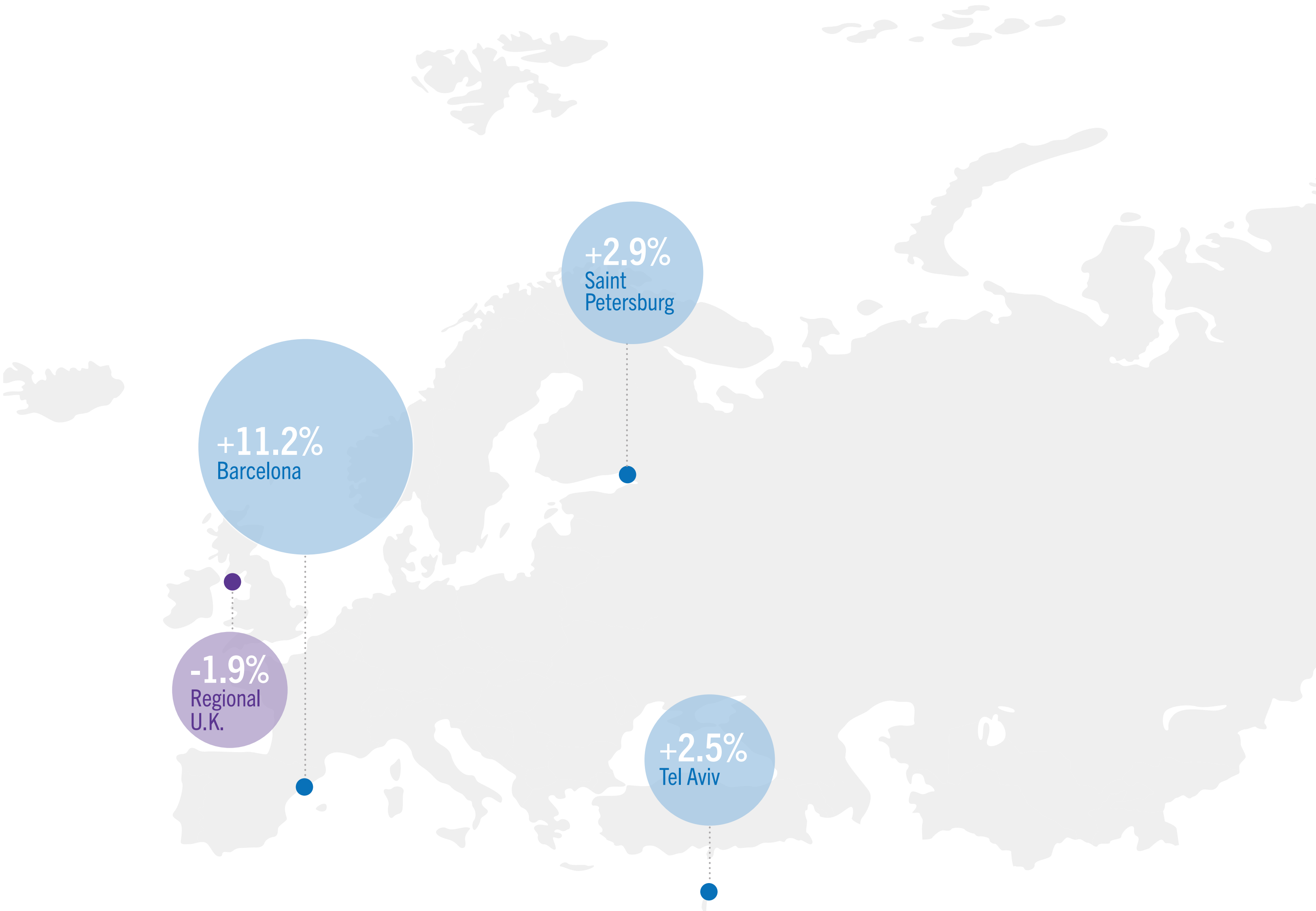
Regional Overview

European hospitality experienced a turning point in 2019, as supply growth ramped up across numerous markets and reached the highest level in STR's European database. However, demand growth (+1.8%) continued to outpace supply (+1.4%)—albeit at a slower pace than previous years. As a result, occupancy rose marginally (+0.4%), ADR increased more notably (+1.8%), and RevPAR increased 2.2%. It is worth noting, however, that 2019 RevPAR growth was slower than both 2017 (+5.8%) and 2018 (+4.7%).

Despite risks from Brexit, the rise of alternative accommodation, and beyond, Europe remained resilient and recorded 72.2% occupancy in 2019. At a market level, performance has been relatively mixed across the region. Recovery boosted RevPAR performance in a number of markets, notably in Istanbul (+24.5%), Brussels (+7.2%), and Barcelona (+11.2%). Madrid's robust RevPAR growth (+12.7%) was driven by events such as the UEFA Champions League Final and EULAR in June, and COP25 UN Climate Change Conference in December.

As previously mentioned, above-average supply growth in several markets drove RevPAR decline, including Dublin, Copenhagen, Tbilisi and Warsaw. While this is impacting performance in the short term, it indicates investor confidence across the region. Looking ahead, supply growth is set to continue and - with demand moving back to North Africa alongside political and economic uncertainty - we do expect slightly slower growth for Europe.

Europe
Year-end RevPAR % Chg.



Market Selections

Hot Market

Tel Aviv

Tel Aviv's hotel industry enjoyed another strong year in 2019, with a RevPAR increase of 2.5% to ILS705.31—the highest level in STR's Tel Aviv database. According to the Israel Ministry of Tourism, the country welcomed record visitors in 2019 to attract 4.55 million tourists and produced 11.0% year-over-year growth. The 'Two Sunny Cities. One Break.' campaign was successful in promoting tourism in both Jerusalem and Tel Aviv, with demand up 7.1% and 4.0%, respectively. Strong ADR levels were reported across all months, and Tel Aviv finished the year up 2.2% (ILS 935.40)—a RevPAR Premium of 14.3% versus Jerusalem. However, supply growth as well as high rates pushing travelers to stay in alternative accommodation types contributed to just 0.3% occupancy uplift to 75.4%, compared to stronger growth in Israel South Regional (+5.6%).

September was the strongest performing month of the year and enjoyed 55.8% RevPAR growth. This was thanks to the Jewish High Holidays taking place in October 2019, which allowed business to operate as usual in September. Supply grew 3.6% in 2019, and Tel Aviv is expected to see numerous hotel openings in the coming years, especially in the Luxury segment, with pipeline rooms set to open by 2023 representing 32.0% of current room supply.

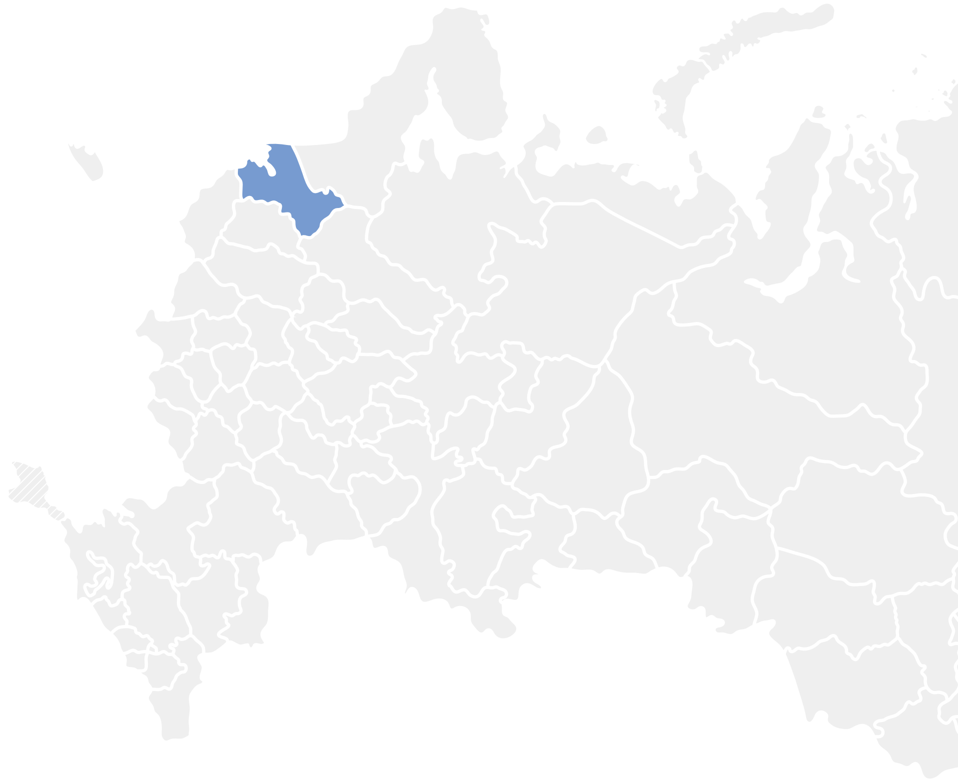
Up-&-Coming Market

Saint Petersburg

As the World Cup effect diminished, it was no surprise that Russia and Moscow experienced respective RevPAR declines of 10.7% and 19.3% in 2019. Saint Petersburg, conversely, enjoyed an occupancy-driven RevPAR increase to RUB4,310.78. While it might have been a host city, its World Cup success was more muted than Moscow. Visitors for the White Nights festival were seemingly deterred by the FIFA tournament, and World Cup visitors were more rate-sensitive than those in Moscow—hence the greater room for 2019 growth.

Deferred demand from the 2018 summer season was a likely driver of Saint Petersburg's 11.3% demand uplift in 2019, which helped occupancy reach its highest level since 2005 (+11.1% to 67.1%). Following the high ADR levels of June-August 2018, a 7.3% decrease was reported, and rate fell to RUB6,424.66.

A hub for large government-driven events, hosting the International Economic Forum from 6-8 June enabled the city's performance to rise on the back of the World Cup. An ADR increase of 10.1% and 39.2% RevPAR uplift followed in June. The market is unlikely to be affected by new hotel openings, with limited supply growth (+0.2%) and total rooms in the pipeline representing 7.5% of existing supply.



" Deferred demand from the 2018 summer season was a likely driver of **Saint Petersburg's** 11.3% demand uplift in 2019, which helped occupancy reach its highest level since 2005. "

Recovery Market
Barcelona

A mix of occupancy and ADR growth led to an 11.2% RevPAR uplift for Barcelona in 2019, as the market recorded its highest level in STR's Barcelona database and reached EUR114.67. Catalan independence referendum protests significantly affected performance in 2018, but signs of recovery were evident in 2019. 3.6% demand growth and limited supply growth (+0.4%) helped occupancy rise by 3.2% to 78.6%—the strongest occupancy growth of all Spanish markets.

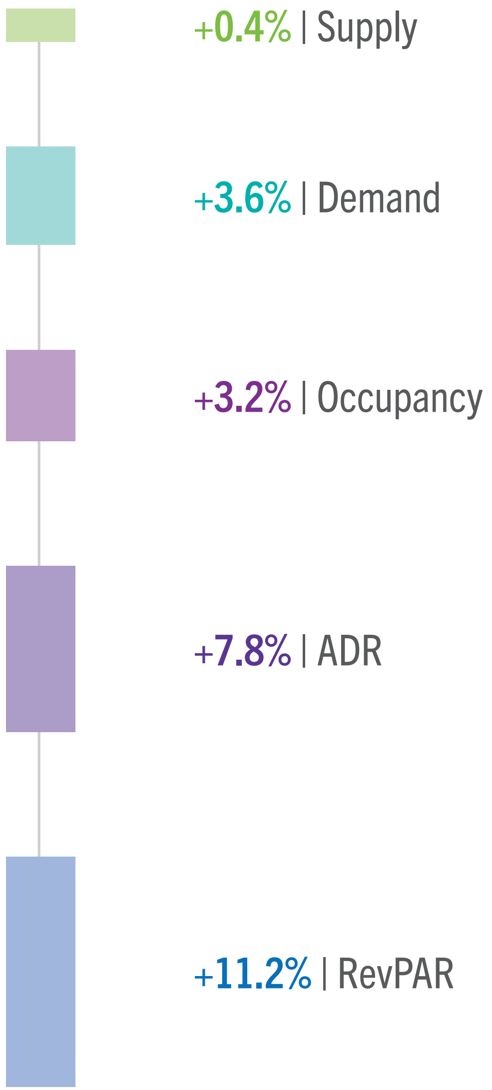
Oxford Economics data reports that arrivals from Asia Pacific and the Americas are slowing down, while arrivals from Europe are picking back up—a trend that is expected to continue in coming years. ADR, meanwhile, produced growth across the year and Barcelona recorded the country's highest level of EUR145.92 (+7.8%). Rates were given a boost by the hosting of numerous events, especially in Q3, such as the European Association for the Study of Diabetes and World Conference on Lung Cancer. June and September benefitted from the meetings, incentives, conferencing, and exhibitions (MICE) segment with respective double-digit RevPAR increases (+19.1% and +29.1%). Looking ahead, supply growth is set to ramp up in 2020. While pipeline projects represent 1.2% of total rooms in the market, 29.5% of those projects are expected to open in 2020.

Market in Decline
Regional U.K.

Following six years of growth, RevPAR fell 1.9% in 2019 to GBP54.00—a result of both occupancy (-0.6% to 75.4%) and ADR (-1.4% to GBP71.61) declines in the Regions. London, on the other hand, recorded growth in the three main KPIs with a RevPAR uplift of 3.7% driven by ADR growth.

Regional U.K. performance was mainly impacted by room supply growth (+2.5%) outpacing demand (+1.9%). Moreover, the U.K. has seen muted international arrival growth (+0.8%) and weak business demand due to Brexit uncertainty. Heathrow Airport reported the steepest RevPAR decline (-10.4%) due to a 13.4% supply increase, and notable openings include Hilton Garden Inn London Heathrow Terminal 2 (369 rooms) and Holiday Inn London Heathrow Bath Road (433 rooms). Belfast, Liverpool and Glasgow were also impacted by respective supply increases of 10.1%, 6.3% and 6.0%—which led to RevPAR declines. On the flip side, standout performers for RevPAR growth included Leeds (+3.9%) and Manchester (+1.9%), the former benefited from being a host city for the Cricket World Cup but also various concerts during the summer season, while the latter received a boost from the Conservative Party Conference held between 29 September and 2 October.

Barcelona hotel performance
2019, Year-over-year % Chg., Local Currency



U.K. Serviced Apartment Pilot

Robert Bauer
Business Intelligence Manager

The United Kingdom is one of the leading countries in the serviced apartment space, with a concentration of supply that makes it worthy of heightened attention. It has been an attractive location for international business travelers, long-stay guests, and domestic and international brands—in both the hotel and serviced apartment sectors. STR counts 25,089 serviced apartment units in the U.K., of which more than 50% (186 properties) submit performance data. The total supply is skewed toward London, with 11,599 units in the capital.

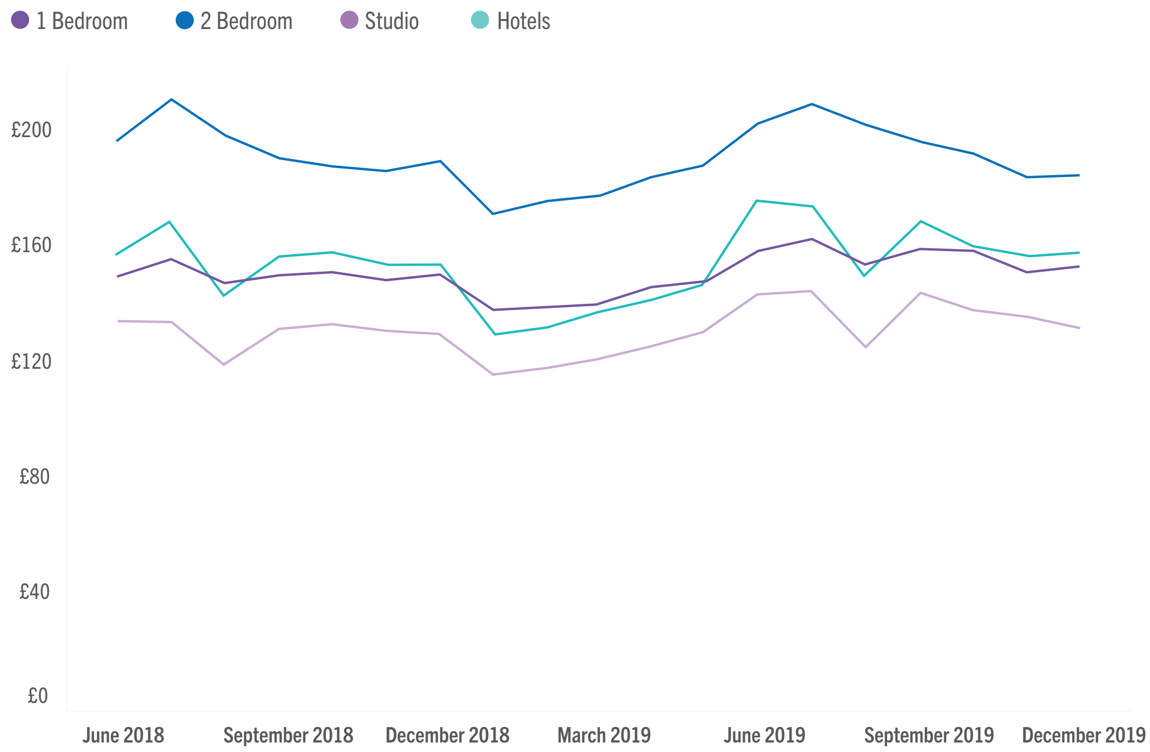
In 2019 serviced apartments outperformed their U.K. hotel counterparts in occupancy (80.8%; +3.3% premium) ADR (GBP130.18; GBP36.00 premium), and RevPAR (GBP105.13; GBP32.00 premium).

With serviced apartments traditionally operating in premium city locations, in higher classes, and with more personal facilities and space, the impact on revenues and costs becomes a significant factor to measure in order to market available supply on the best extended-stay periods with the highest rate opportunities.

Data captured by STR in a London pilot study, for instance, shows clear premiums by unit types. Higher occupancy and rate performances generally indicate short-term bookings that achieve higher price points and can fill booking windows more flexibly. Average length of stay (ALOS) and extended stay, meanwhile, correlate closely over an extended period of time. RevPAR compared to ALOS and extended stay generally show that higher RevPAR performances follow a stagnation in lengths of stay and reduced volumes of extended stay bookings (29 nights or longer).

Hotels and one-bedroom apartments report similar ADR levels

London Serviced Apartment Pilot Participants, June 2018 to December 2019, GBP



Increased interest has welcomed increased development, and serviced apartment supply growth (+6.5%) has outpaced that of hotels (+2.4%) on a percent basis. On an absolute basis, more hotels have opened in the market than serviced apartments.

At the end of 2019, there were 24,991 serviced apartment units across the country—a number that has grown consistently over the past years. Based on STR's pipeline data, 2019 produced a 3.0% increase to existing supply, with 8.0% growth projected for 2020. There are 7,200 serviced apartment units in London's active pipeline, of which 1,111 are projected to open by the end of 2020. If all were to open, this would represent 62.0% growth on existing supply.

Europe Forecast Insights

Barbara Fraccascia
Forecast & Research Analyst

The Eurozone gained momentum as 2019 came to a close, according to Oxford Economics, and this resulted in yearly GDP growth of 1.2%. Expectations for 2020 follow the global economic slowdown trend and a 1.0% GDP increase is projected for the calendar year.

International arrival growth for Europe is also expected to continue in 2020, albeit at a slower pace (+2.2% vs. +3.6% in 2019), with declines across key source markets. On a more positive note, tourism spending is expected to rise by 3.6% to over US$536 million in 2020, representing an increase (+0.6%) on 2019 levels. This will predominantly be driven by rapid growth from China and other Asian markets, and European countries like the U.K. and Germany as well as recovery from the Hong Kong protests.

However, European hospitality will face several challenges in 2020 and Brexit instantly comes to mind. Despite seeming to have reached its conclusion, uncertainty over the U.K.'s future and trade agreements persist. Our forecasts operate on the baseline of an 'orderly Brexit', with the U.K. exit from Europe overseen by the Conservative Party in January. In the event of a no-deal scenario, the impact would be notably more negative and affect countries like Ireland and Spain, which are reliant on U.K. travelers.

The U.K. forecast paints markedly different pictures for London and Regional U.K. (the U.K. excluding London). RevPAR decline is projected for the Regions in 2020, although the 0.3% drop is notably more subdued than the 1.9% decline reported in 2019, and will be driven by a fall in occupancy levels as supply growth outpaces an expected healthy demand increase. Heathrow Airport, Manchester, Edinburgh, and Glasgow among the notable markets set to experience this issue. Manchester Centre, for example, is forecasted to follow its 8.1% supply growth in 2019 with a 8.3% lift this year. While occupancy will cause concern for a number of markets, ADR is likely to provide greater opportunity for growth in 2020.

Our U.K. forecasted markets will be affected by other factors in 2020, including differences with 2019's event calendar. Leeds, for example, benefitted from summer concerts and Cricket World Cup hosting duties in 2019, but will not be able to call upon these event-related boosts in 2020. Glasgow and London, meanwhile, will host UEFA Euro 2020 fixtures and are set to benefit across June and July. Manchester will be affected by the Conservative Party Conference's return to Birmingham.

Brexit aside, the German economy played a central role in 2019 and narrowly avoided a technical recession during a roller-coaster year. According to Oxford Economics, muted GDP growth is expected for the full year and will reach just 0.6%, impacted by a 3.3% decrease in industrial production. While the automotive industry stalled, tourism enjoyed a 2.2% jump in international arrivals in 2019, despite a decrease in travelers from the U.K. —a key source market for Germany. However, a return of British visitors and faster growth from Asian countries are expected to drive arrivals above 40 million in 2020.

Growth is a common theme across our German hotel forecasts, with five of the seven markets expecting year-over-year RevPAR increases in 2020. While supply growth will impact occupancy across the board, there is an opportunity for higher rates across the majority of German markets. Berlin's yearly average ADR is expected to surpass the EUR100 level, a record for the city that will be driven by 2.9% growth in the metric, while Cologne's 1.2% drop makes it the only market expected to record a decrease. This can be attributed to the absence of biennial and triennial events that took place in 2019, such as the FARBE trade fair in March (+18.1% RevPAR for the month), Interzum in May (+30.5%) and Anuga in October (+45.8%).

With 12 European cities hosting UEFA Euro 2020 fixtures, a number of our forecasted markets are set for a performance boost. Amsterdam, Budapest, Dublin, Glasgow, Munich, and Rome will each host four matches across June and July. London, meanwhile, can count the semi-finals and final among its six matches. While we expect these fixtures to attract new demand, the majority of the impact will be felt in ADR and the aforementioned markets are expected to achieve a performance boost in 2020. Conversely, Madrid can expect declines in Occupancy (-2.0%) and ADR (-3.2%) in 2020 after the record performance reported during its hosting of the 2019 UEFA Champions League final.

Please note: STR forecasts referenced use the November 2019 Edition

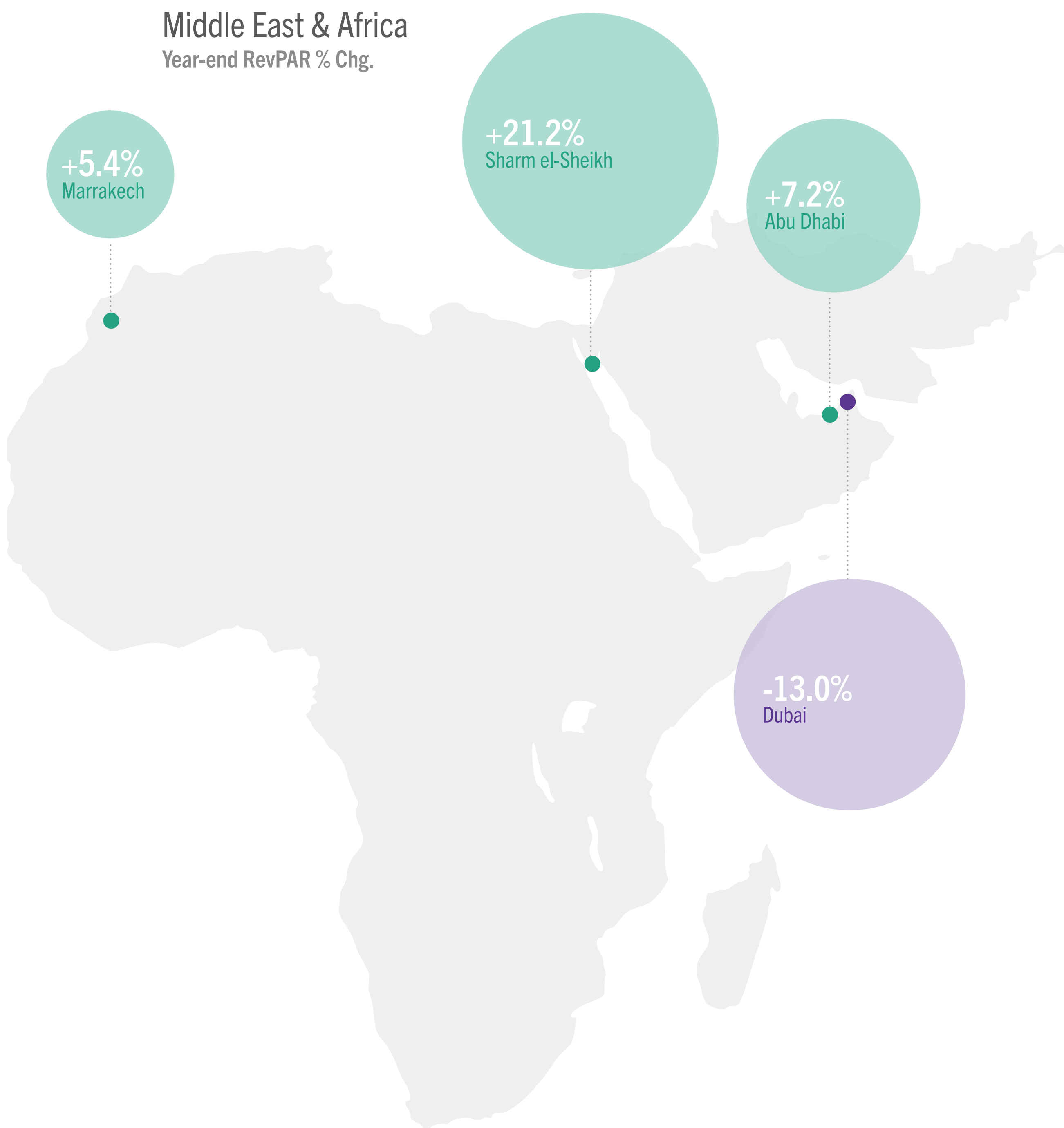
Middle East & Africa

Regional Overview

The Middle East & Africa (MEA) region is arguably one of the most intriguing, challenging, and diverse in terms of its tourism and hospitality industries.

Hotel performance in the Middle East has been on a downward trend for six consecutive years since the 2014 oil price drops. Supply growth continued at a high rate in 2019 (+5.8%), but demand has kept pace and grown slightly faster at 8.2%. In fact, the Middle East has seen the highest demand growth when compared to all other STR regions. Despite the resulting occupancy growth (+2.3%), ADR remains under pressure in an increasingly competitive hotel landscape, down 7.2%. Several markets reported RevPAR growth in the past year, and there are encouraging signs. Whether they will bring an end to the decline trend in 2020 remains to be seen.

Africa, on the other hand, has enjoyed a positive RevPAR curve for close to a decade, up 2.6% in 2019. Northern Africa continued to push the continent's RevPAR in 2019 (+5.6%), with Egypt and the Maghreb region extending their recent streak of solid recovery-driven performance. Southern Africa produced a marginal RevPAR uplift of 0.9% in 2019, driven by ADR growth (+1.3%). On the eastern front, the key markets of Addis Ababa and Nairobi faced the challenge of incoming supply. In the south, meanwhile, Cape Town hoteliers are slowly rebuilding lost momentum, one year on from the severe drought and 'Day Zero'.



Market Selections

Hot Market
Abu Dhabi

From both tourism and hotel perspectives, 2019 was an exceptional year for the United Arab Emirates' capital city, up 6.7%. The Abu Dhabi event calendar was littered with high-profile events that lifted hotel demand in the market. On top of the well-established Abu Dhabi Grand Prix in December, the city hosted the 2019 AFC Asian Cup in January, the visit of Pope Francis, followed by IDEX in February, UFC 242 and IREIS 2019 in September, and ADIPEC 2019 in November.

Stable new hotel supply combined with the significant boost in demand has created good yielding opportunities for Abu Dhabi hoteliers, as demonstrated by growth in occupancy (+2.3%) and ADR (+4.8%) for the market.

Despite notable success in 2019, further growth is forecasted for the market and demand is expected to surpass previous levels. Finally, anticipation is high for the completion of Yas Bay - a mixed-use project by Miral - as well as Snow Abu Dhabi in Reem Mall.

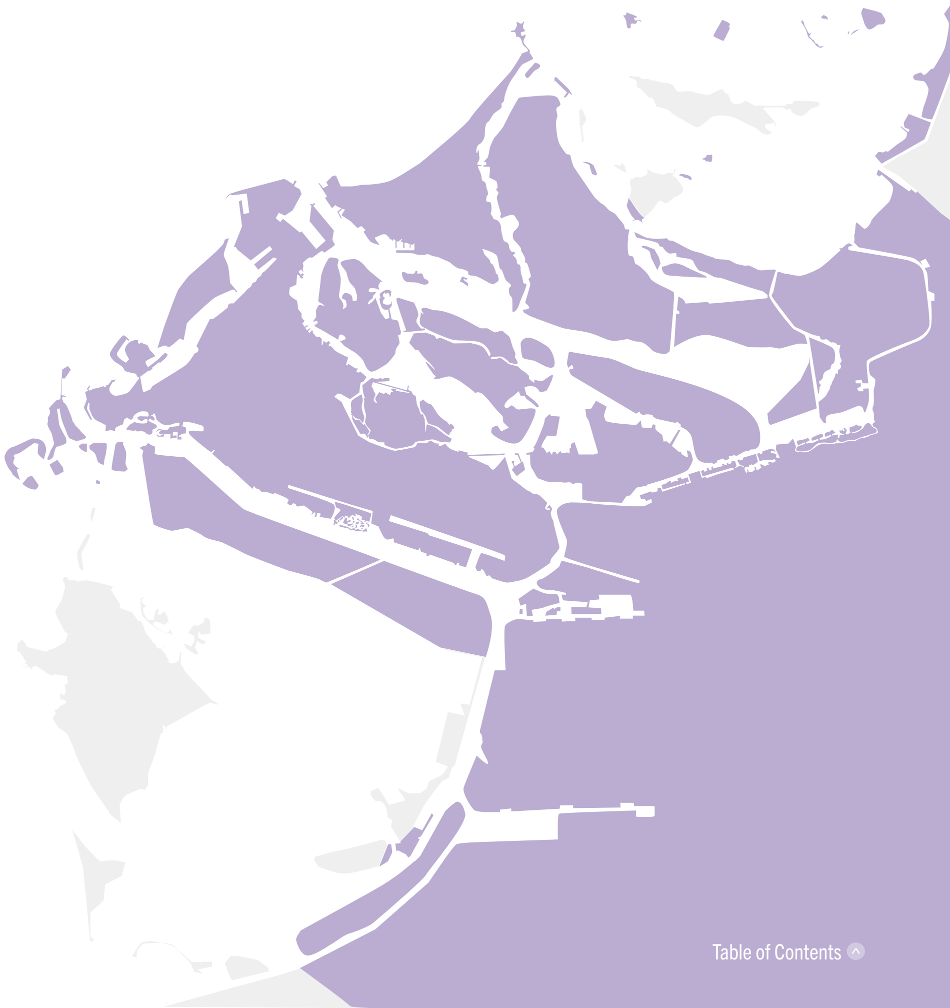
Up-&-Coming Market
Marrakech

It comes as no surprise that Marrakech experienced healthy tourism and hotel performance growth in 2019, following years of consistent positivity in the popular Moroccan market. Occupancy (+1.6%) and ADR (+3.8%) increases helped to drive a 5.4% RevPAR uplift. The country's Vision 2020 is designed to grow tourism and promote Marrakech as a global destination—which has certainly provided the market with a boost. The strategy is designed to promote new attractions, such as the Yves Saint Laurent Museum that opened in 2017, and established sights like the Medina.

The plan to open Morocco to the rest of the world is yielding results, and tourism arrivals have increased alongside new flight routes from countries like the United States. Hotels in Marrakech have certainly capitalized on that trend with consistent growth across all major hospitality KPIs for several years. Finally, with Marrakech named African Capital of Culture for 2020, the current growth path is set to continue, especially following the recently announced plans for a second airport's construction.

Source: STR. 2020 © CoStar Realty Information, Inc.

"The **Abu Dhabi** event calendar was littered with high-profile events that lifted hotel demand in the market."



Market in Decline
Dubai

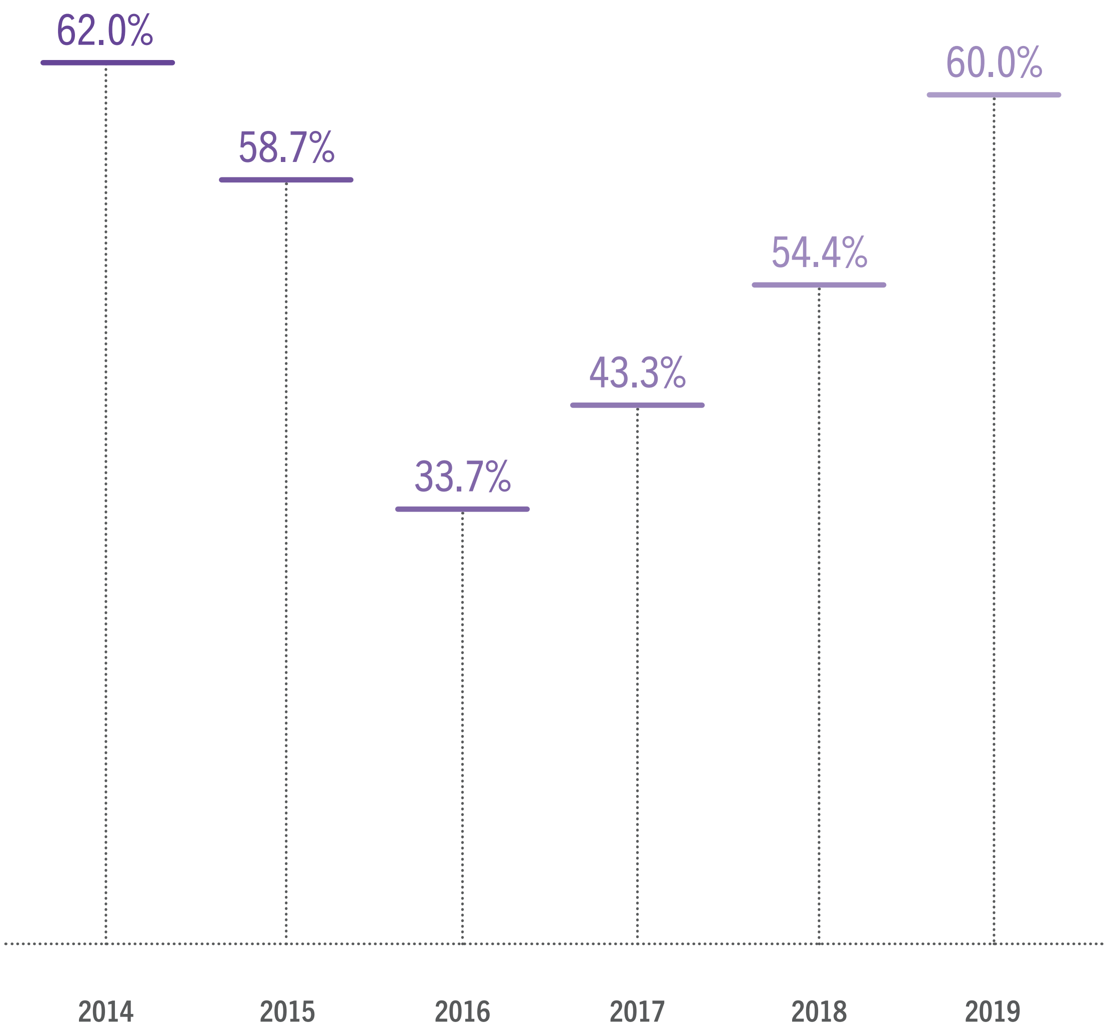
Dubai has reported hotel performance declines since the 2014 oil price drops, primarily driven by decreases in ADR. Falling rates have been caused by numerous factors that include increased competition from growing inventory, changes in key source markets, and the rise of Midscale hotel development. However, many of these factors can be viewed as fundamental in the transformation to an established global destination, and there's no denying that Dubai has been on a monumental tourism growth trajectory in the past few decades.

At the same time, significant hotel development (+25.5% rooms since 2016) has taken place to accommodate the additional demand and help transform Dubai into the world-renowned megacity it is today. With EXPO 2020 on the horizon, hotel openings will accelerate and STR forecasts bright performance during the event period.

Recovery Market
Sharm el-Sheikh

Egypt's popular resort destination suffered a sizable drop in tourism arrivals following October 2015's Metrojet plane crash, which resulted in the death of 224 people. The impact on Sharm el-Sheikh's image, as well as the hospitality industry, was devastating—especially given that the winter months represent peak season. Hotel occupancy for the combined 12 months following the event was reported as 33.6%, as a number of countries immediately issued flight restrictions to the destination. Russia aside, the majority have now been lifted and hotel performance data is indicative of the recovery efforts. Occupancy reached 60.0% in 2019, up 10.3%, coupled with 9.8% ADR uplift. Performance is expected to continue growing after the U.K. government's October announcement that flights to the destination can resume operation.

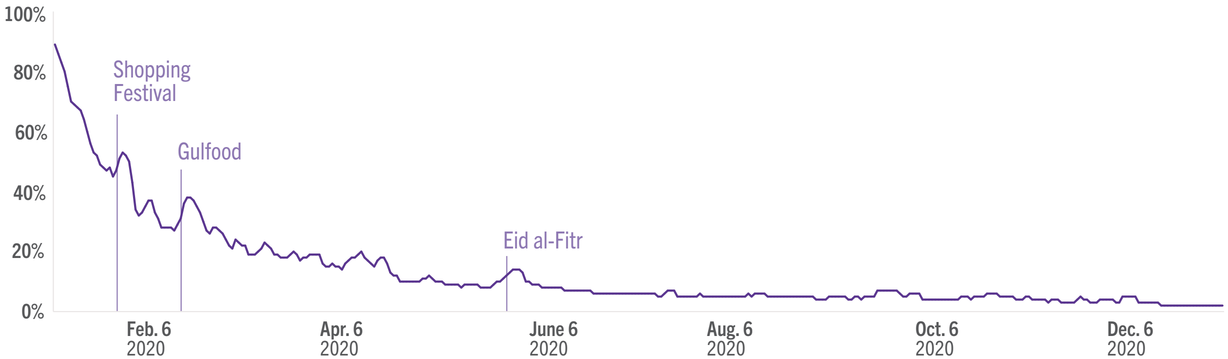
Sharm el-Sheikh occupancy levels recovering
2014-2019, Year-over-year % Chg.



Dubai's Hotels Experience Short Lead Time for Bookings

Kostas Nikolaidis
Middle East, Africa & Greece Executive

Business on the books, Dubai for next 365 days (as of 6 January 2020)



Dubai's rate of hotel development and inventory growth has been rapid in the past decade. STR's AM:PM platform reports the opening of 159 hotels with 48,399 rooms during that period, and this represents a 65.2% increase (rooms) on 2010's available inventory of 462 hotels and 74,203 rooms. With a further 60,136 rooms in the market's under contract pipeline, hoteliers are operating in a more competitive environment. Thankfully, more data solutions are now available and assist in assessing and maximizing performance—such as STR's Forward STAR program, which tracks business on the books. With integrated pickup reporting it is a crucial tool for accurate demand forecasting and understanding market performance, giving hotels a chance to further optimize their revenue strategy.

Last-minute booking patterns are not uncommon for hotel markets, but Dubai's trend is more pronounced than other major cities. Increased availability and ease of booking have facilitated this shift in consumer behavior, while the Millennial preference for more personalized and spontaneous travel arrangements has played its part. Despite the 74.9% occupancy reported in 2019, the plethora of Dubai hotel rooms and competitive prices almost guarantee last-minute availability. Unsurprisingly, 12.9% of Dubai hotel reservations are happening a week ahead of arrival and 8.0% just two weeks in advance—that's a fifth of all available rooms being booked in a two-week pre-arrival window.

Events and major holidays still play a key role in generating demand for the city and its 100,000 hotel rooms. As the accompanying graph shows, events like the Dubai Shopping Festival, Gulfood, and Eid al-Fitr certainly stimulate hotel demand. As for the biggest event in Dubai's calendar, EXPO 2020 will begin on 20 October. However, as it remains outside the typical booking window, it is too early to see a spike in business on the books.

Middle East Forecast Insights

Barbara Fraccascia
Forecast & Research Analyst

The UAE is expected to produce GDP growth at a faster pace in 2020 (+2.3% vs. +1.9% in 2019), and benefit from expansion in non-oil production sectors. Government strategy aims to decrease oil production from 26% to 21% by 2021 with tourism playing a key role in this diversification process. Large-scale projects, new visa regulations and EXPO 2020 are expected to boost arrivals for the region and maintain Dubai's status as a major global tourism destination.

While Dubai international arrivals are expected to grow 5.1% in 2020, a 0.5% RevPAR decrease and seventh consecutive year of decline are forecasted.

Supply growth is a significant factor in the expected decline, with a 10.2% increase projected in 2020 and representing the largest jump in the metric since 2008. EXPO 2020, however, will attract an anticipated 25 million visitors and represent a turning point in Dubai's performance. Monthly RevPAR declines are forecasted in the run-up to the event before ADR growth drives a 19.0% RevPAR increase across the October-April event period—when compared with the same period in the previous year.

Abu Dhabi, conversely, is expected to follow strong 2019 performance with slower RevPAR growth in 2020 (+2.8%). Hosting numerous events boosted performance in 2019, such as the biennial IDEX that, in tandem with the Papal visit to the UAE, drove a 29.7% RevPAR lift for the month of February.

Please note: STR forecasts referenced use the November 2019 Edition

Asia Pacific

Regional Overview

While 2018 represented a peak and almost all major countries reported growth, 2019 welcomed a raft of challenges that contributed to a softer year in Asia Pacific (APAC). The region finished the year with a 3.2% drop in RevPAR driven by declines in both occupancy (-1.3%) and ADR (-2.0%).

Recession fears turned into extended economic stagnation, increased growth speed in overall accommodation supply, and general pace slowdown in Chinese outbound travelers. While these factors put pressure on authorities, owners and operators, continued focus on growing intra-Asia travel has been used to counter this, and can also be seen in increased flight routes and infrastructure development in the region.

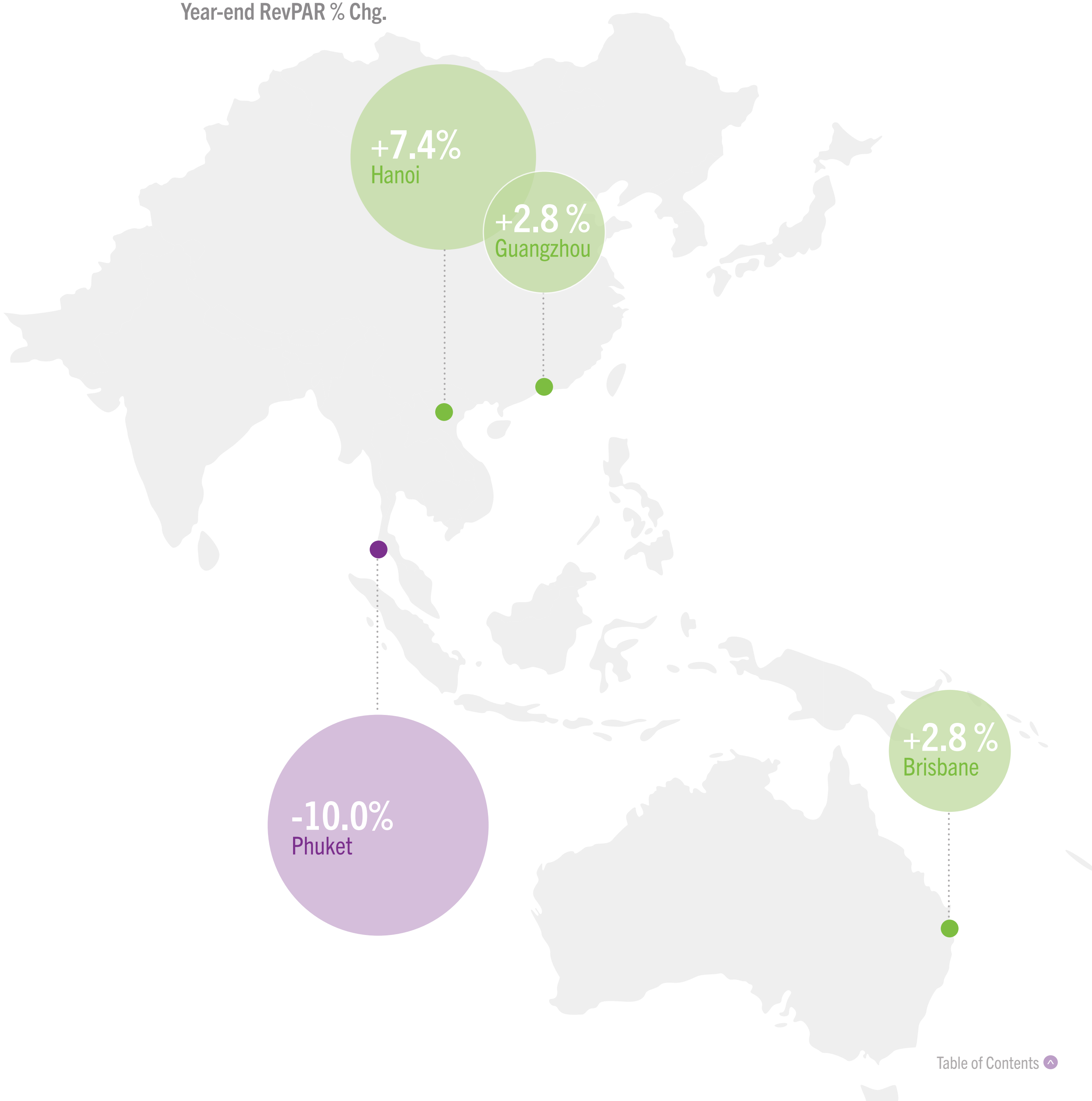
With the exception of counter-cyclical areas like the Philippines, South Korea, and India that were coming from previous declines, most countries saw more muted RevPAR numbers in local currency and were within 2-3% of being flat year-over-year.

At a national level, Singapore reigns as the region's occupancy leader with an annual level of 85.2% and only market with an average ADR of around US$200, aside from the high-ADR markets of French Polynesia and the Maldives. On the topic of U.S. Dollar, fluctuating exchange rates against the currency create variations – noticeable in Australia, South Korea and Thailand - and overall the region held up better in local currency.

There is a feeling of cautious optimism for the full year of 2020, particularly in the second half of the year, even with the pressure of new supply. However, potentially better-adjusted expectations and operational maturity could hold profitability at a reasonable level for the start of the new decade. The major caveat to this is, of course, how long the devastating effects of the novel coronavirus (COVID-19) will impact business across China and beyond. From a hospitality perspective, special attention should be paid to the Tokyo Olympics, continued investment boom in Vietnam, and time frames for Hong Kong to reach stop-loss.

Asia Pacific

Year-end RevPAR % Chg.



Source: STR. 2020 © CoStar Realty Information, Inc.

Market Selections

Hot Market

Hanoi

Vietnam attracted 18 million arrivals in 2019 (vs. ten million in 2016), as investment opportunities, visa deregulations, and increased flight routes fueled growth. China and South Korea remain the largest source markets, with 32.0% and 34.0% share, respectively, although the coronavirus could result in reduced travel from the former. Its rapid industrialization has made it one of Asia's fastest-growing economies, with a notably young demographic, affordable labor, and pro-business policies in place.

While supply has grown faster than demand in Vietnam as a whole, Hanoi only briefly experienced this issue in 2018 before a 3.2% demand lift in 2019—well above the 0.9% supply increase. This contributed to an overall 2019 occupancy of 81.3%, aided by a particularly strong Q4. Hanoi has, therefore, steadily grown ADR for three years, typified by all-time historic records being broken in each month of 2019—a year that produced an overall increase of 5.0%. Similar pace in 2020 could enable this growth to continue, with a moderate pipeline lift (+2.5%) expected.

Challenges exist - in the form of infrastructure development and reportedly high levels of air pollution – but Hanoi is preparing for further economic growth. Close to 5,000 new rooms are projected in the coming years, new metro lines are running, and the city will host the first Vietnam F1 Grand Prix in April 2020.

Up-&-Coming Market

Guangzhou

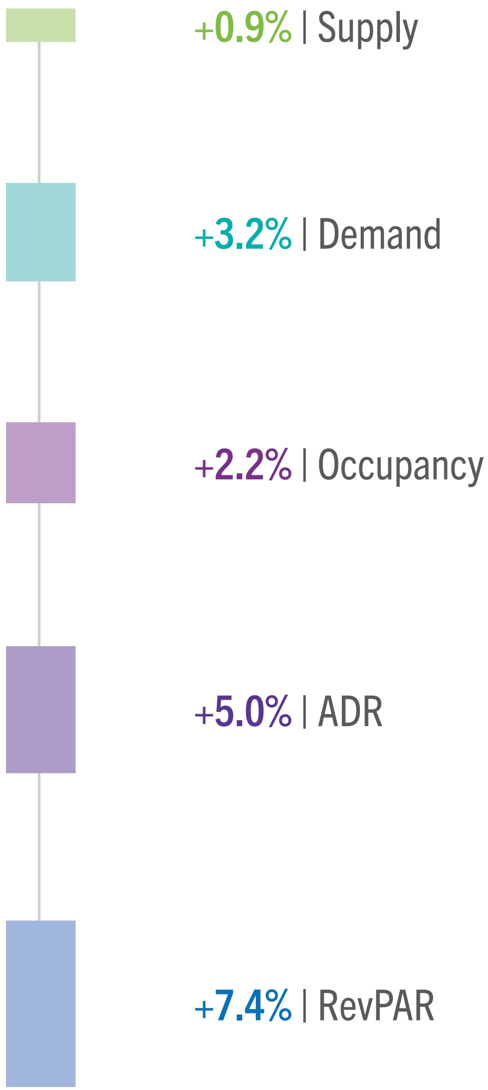
While most key markets in China experienced a RevPAR decline in 2019, occupancy (+1.6%) and ADR (+1.2%) growth contributed to a 2.8% lift in Guangzhou. Renowned as a commercial center since ancient times, Guangzhou is now a growing global transport hub, trade center, and focal point for science and technology innovation. The market is a prominent city in the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) plan and essentially-placed in the Belt and Road Initiative (BRI).

Its pillar industries of automotive, electronics, and petrochemicals have a solid foundation and maintained market-level stability during the economic slowdown.

The Import and Export fair – one of China's most prestigious and also known as Canton Fair – is held in Guangzhou every spring and autumn and notably impacts the hotel industry. Since hitting rock bottom in 2016, Canton Fair has brought year-over-year increases—driven by high ADR and occupancy levels (80-90%). Record-high ADR has followed in each autumn fair since that 2016 low point. Easing trade tensions with the U.S. should enable Guangzhou's growth trend to continue in 2020, post recovery from the coronavirus (COVID-19).

Hanoi hotel performance

2019, Year-over-year % Chg., Local Currency



Recovery Market

Brisbane

The RevPAR growth recorded in 2019 was just the second yearly increase since 2013, crowning a recent transformation of Brisbane's accommodation market. 5,903 rooms have opened since the start of 2014, and this represents a 39.0% inventory increase—demand has grown steadily over the same period, at a compound annual growth rate of 3.6%. Occupancy reached 72.0% in 2019, and, with no supply beyond the Queen's Wharf assets on the horizon, it should see progressive increases in the coming years.

Rate performance showed the first glimpses of recovery in 2019, following the competitive pressures of rapid supply expansion, highlighted by November and December increases above 6.0%. This was a reflection of new entrants settling their position and operator confidence.

Additionally, Tourism Events Queensland and Brisbane are investing in demand-driving activities across sport, art, and entertainment, while infrastructure investment can be seen in projects like Brisbane Airport's parallel runway. A bid to host the 2032 Summer Olympics is also being prepared.

Lastly, a major positive for Brisbane is that the months with the highest absolute occupancy percentage on a long-term average had seen the largest declines in recent years. Therefore, they are more likely to rebound in the medium term, given that they are among the most common high-occupancy markets in the country.

Market in Decline

Phuket

Phuket's performance picture was far from positive in 2019, as occupancy (-3.6%) and ADR (-6.6%) drove a 10.0% RevPAR decrease. The trend began in mid-2018 and, as occupancy stop-loss wasn't evident until late 2019, it caused the lowest yearly level (70.7%) since 2014. Mondays through Wednesdays produced the largest declines, particularly in ADR, and this highlights a shift in source markets as well as overall spend. Performance decreases worsened further down the chain scale, with Luxury hotels seeing a more moderate RevPAR decline (-6.4%).

Diversification in source markets - such as India and its new direct flights from key cities - and other factors enabled Phuket to sustain 2018 arrival levels—which was not a given earlier in the year. As numerous Southeastern markets have seen softened growth from the biggest source market, Mainland China, establishing additional flight routes from new markets will be important in 2020 and beyond, to grow annual visitor numbers toward the 10 million mark. New hotel inventory is also a factor, with 3,500 additional rooms projected to open in 2020—representing 9.0% growth in existing supply. Many of these rooms will fall into the Upscale class. In the long term, Phuket is likely to enjoy a bright future after this decline and resist increased competition in Southeast Asia.

"Diversification in source markets - such as India and its new direct flights from key cities - and other factors enabled **Phuket** to sustain 2018 arrival levels—which was not a given earlier in the year."

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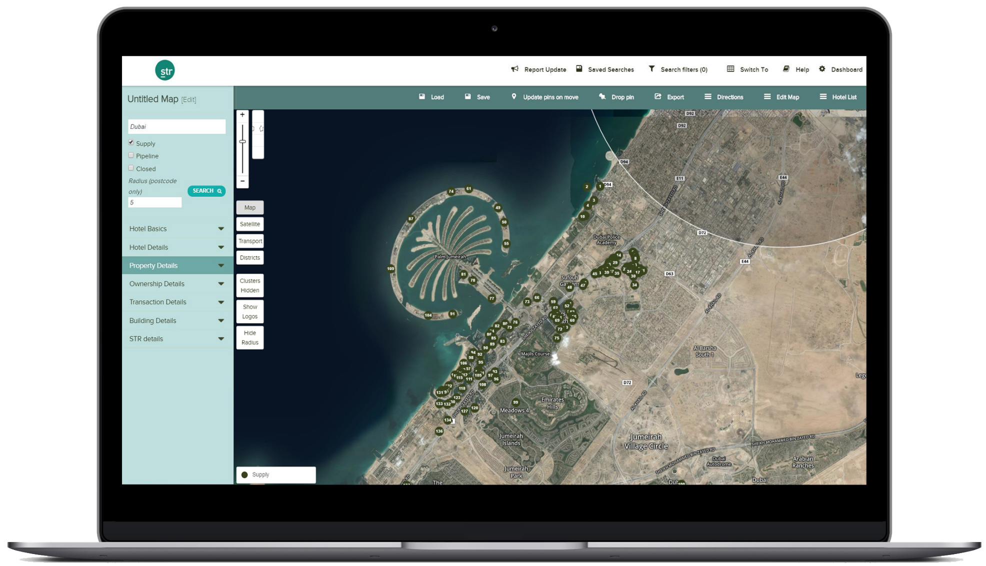


Ten Years of Asia Pacific 'Brandification' has Created a New Landscape

Jesper Palmqvist
Area Director – Asia Pacific

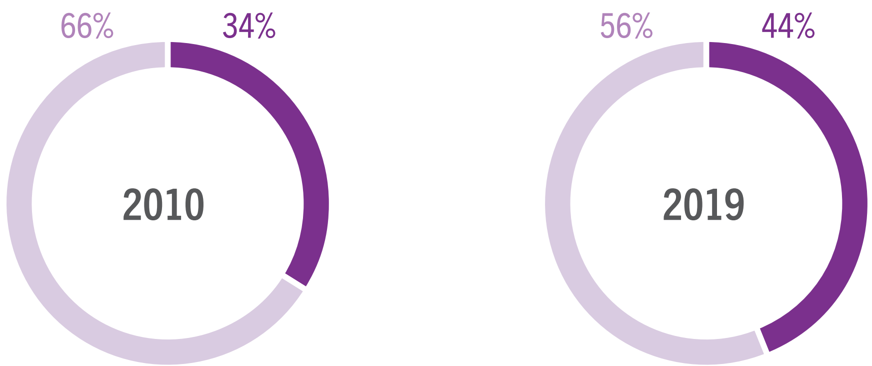
The Asia Pacific region has seen the fastest branded lodging growth of anywhere in the world over the past ten years, with a 10.0% point shift. The period that followed the global financial crisis produced a surge in both new and old brands being established, driven by an increased period of mergers and acquisitions as well as new markets being opened up by flight routes, infrastructure, and rise of middle-class travelers. In turn, this provided hotel groups the opportunity to grow footprint, primarily through the asset-light model.

The pace and evolution differ notably between countries over this period. Australia, already heavily branded, has reported almost no shift since 2010, as most activity has been in consolidation. Japan finds itself in a similar position if you exclude the Ryokan space, as domestic product was typically already branded. In the Economy space, for instance, this was through rail companies or older domestic brands.

Singapore produced an increase of 39.0% in branded hotels, yet this is a much smaller market. Thailand, meanwhile, experienced a 67.0% lift, and this comes as no surprise given the country-wide growth of domestic groups like Onyx and Centara and major global players. The largest brand growth, however, has come in emerging markets such as Sri Lanka, the Philippines, Indonesia, and Vietnam—while South Korea has also reported increases.

Asia Pacific, branded vs independent supply mix, 2019 vs. 2010

Branded Independent



Source: AM:PM Hotels

Even with the previous decade's brand explosion in China – as Jinjiang, Home Inn, and Huazhu launched – there was still scope for Chinese brand growth across the budget sector and, more recently, Midscale to Upper Midscale segments.

Compared to other industries and travel verticals, the accommodation industry remains fragmented, and further consolidation is likely to continue in the APAC region. We have recently seen growth in alternative models such as 'condotels' and increased serviced apartments that retain a hotel license.

The branded portion of the region's accommodation should move well above 50.0% in the next decade, with the majority of hotels under either a local, regional or global brand. In terms of room count, this shift has already occurred—due to the simple reason that APAC room count per hotel has often been larger than anywhere else.

Asia Pacific Forecast Insights

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An uncertain environment and weak domestic demand across numerous countries led to 2019 struggles in the Asia Pacific economy, with the region's performance influenced by the situation in China. The U.S. trade war applied pressure to the country, as did political tensions between the mainland and Hong Kong, and GDP growth slowed to 6.0% in 2019—a 20-year low for the Chinese economy. The recent outbreak of the novel coronavirus (COVID-19) and its effect on tourism will add an almost unprecedented pressure on hotels and tourism, both in China and markets around the world that rely on Chinese travelers.

Looking ahead, and once the coronavirus outbreak has subsided, we expect sentiment and confidence to improve in the second half of 2020. Recovering confidence via the recently-signed Phase One trade deal negotiations between U.S President Donald Trump and China's Vice Premier Liu He will play a part in this. The terms should see tariffs worth billions of U.S. Dollars either removed or delayed. However, China will reportedly be required to pay tariffs on approximately US$350 billion of Chinese imports and commit to spending an additional US$200 billion on 2017 levels for U.S. imports, while taking action against counterfeit products.

The tourism industry is also set to benefit and Asia Pacific international arrivals are estimated to grow by 4.0% in 2020, surpassing 360 million visitors for the year and rebounding from a slower 2019. Our hotel forecast anticipates RevPAR growth for 11 of 14 markets, predominantly driven by ADR increases.

Understandably, given that it accounts for 50% of total arrivals, China's performance affects that of the entire Asia Pacific region. Given the aforementioned challenges, coupled with the coronavirus outbreak across China, we do anticipate downside risks to performance across the country in 2020. We will take note of how this impacts performance during the year, and will address these challenges in our February 2020 Forecast Update. The newly opened Beijing Daxing International Airport, projected to be one of the busiest in the world, and host duties for the 2022 Winter Olympics offer high potential for China's capital. Conversely, Hong Kong's struggles are set to continue into 2020—following the 2019 August-onward declines that produced a 25.7% fall in RevPAR for the full year. However, Q3 2020 is projected to bring shoots of recovery for the market.

Japan might not be directly affected by higher tariffs, but the uncertain external environment brought challenges in 2019. GDP growth remains limited and, following the 2019 expansion to 1.0%, 2020 will bring muted growth (+0.3%). Tokyo will benefit from hosting the 2020 Summer Olympics, with July and August expected to produce ADR increases. Overall, we anticipate an occupancy decline of 2.5% and 3.8% ADR uplift to produce moderate RevPAR growth of 1.2% in the capital.

In Southeast Asia, Singapore's growth looks set to continue into 2020 and occupancy is expected to reach a record level of 85.0%, while ADR continues its slow trajectory towards pre-2015 numbers. Strong supply is projected for Bangkok (+3.1%) and Jakarta (+4.5%) in 2020, contributing to RevPAR increases of 2.2% and 4.3%, respectively. Mumbai, meanwhile, is expected to recover from the decreased occupancy levels reported during April's election period and August's monsoon flooding.

An improved outlook for the Pacific region can be linked to positivity in China's economy and outbound tourism. According to Tourism Economics, China represents the second-highest source market in terms of arrivals to Oceania and significantly influences the region's performance. However, Australia's tourism and agriculture industries are currently being affected by the continuation of bushfires—some of the worst the nation has ever seen. Sydney and Melbourne have been impacted by the spreading bushfires and we do expect risk to demand in both markets. While Sydney supply growth will be moderate (+2.4%), Melbourne is anticipated to reach a record pace of growth (+9.1%)—which will further impact hotel performance. Melbourne's additional inventory will have a significant impact on occupancy levels, while ADR's five-year struggle (performance variance has fluctuated between -0.6% and +0.5% over this period) will produce a stable rate of AUD204.83.

Please note: STR forecasts referenced use the November 2019 Edition

Glossary

Affiliation - A publicly recognized brand or chain with consistent brand standards across a group of properties. Generally, STR creates or designates an affiliation after the company portfolio has a minimum of eight properties.

Average Daily Rate (ADR) - A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.

ADR = Room Revenue/Rooms Sold

Average Length of Stay (ALOS) - The average number of nights that a guest books a unit for during a specified period by unit type.

ALOS = Sold Rooms/Arrivals
The output is the average length of stay (actual days).

Basis Point (BPS) - One hundredth of one percentage point (used chiefly in expressing differences of interest rates)

Benchmarking - A strategic and analytical process in which key performance indicators (KPI) are compared with a competitive sample for the purpose of improving performance results.

Boutique (Hotel Type) - Hotel that appeals to guests because of its a typical amenity and room configurations. Boutiques are normally independent (with fewer than 200 rooms), have a high average rate and offer high levels of service. Boutique hotels often provide authentic cultural, historic experiences and interesting guest services.

Census - The total number of hotels and rooms in STR's Census Database in a particular segment (i.e., country, market or submarket).

Chain Scale - Chain Scale segments are grouped primarily according to actual average room rates. An independent hotel, regardless of average room rate, is included as a separate Chain Scale category.

The Chain Scale segments are:

- Luxury
- Upper Upscale
- Upscale
- Upper Midscale
- Midscale
- Economy
- Independent

Class - A categorization of chain-affiliated and independent hotels. The class for a chain-affiliated hotel is the same as its Chain Scale. An independent hotel is assigned a class based on its ADR, relative to that of the chain hotels in their geographic proximity.

The class segments are:

- Luxury
- Upper Upscale
- Upscale
- Upper Midscale
- Midscale
- Economy

Collapsed Class - Two combined classes that form a single segment.

The collapsed classes are:

- Luxury and Upper Upscale
- Upscale and Upper Midscale
- Midscale and Economy

Collapsed Scale - Combined chain scales that form a single segment.

The collapsed scale segments are:

- Upscale Chains - includes Luxury, Upper Upscale and Upscale chains
- Midscale Chains - includes Upper Midscale and Midscale chains
- Economy Chains - includes Economy chains
- Independent - includes Independent properties

Compound Annual growth rate (CAGR) - A business and investing specific term for the geometric progression ratio that provides a constant rate of return over the time period.

Compression -The high-demand periods in which occupancy exceeds 90% or 95% (usually over 90%).

Constant Currency - An exchange rate that eliminates the effects of exchange rate fluctuations (STR uses exchange rates from January 31 of the current year).

Country - The country or nation where a physical property is located.

Date-to-Date Comparison - Comparison of daily performance by actual calendar date (1st of January this year vs. 1st of January last year).

Day-to-Day Comparison - Comparison of daily performance by day of week (Monday this year vs. Monday last year).

Day-of-Week RevPAR - The Day-of-Week RevPAR on a Pulse Report details your property's average day-of-week RevPAR (e.g. Monday) versus the average for your primary comp set. Please note that the aggregate competitive set data excludes your property, so the results may be different than shown in your STAR report if your STAR report includes your property in comp set data.

Demand - The number of rooms sold in a specified time period (excludes complimentary rooms). Refer to Data Reporting Guidelines for more specific application.

See Rooms Sold (Room Demand)

Exchange Rate - The value of one currency for the purpose of one conversion to another. For STR reporting purposes, this is the factor used to convert U.S. dollar revenue to local currency and vice versa. STR obtains exchange rate data from Oanda.com. Monthly data uses the rate on the last day of the respective month. Daily data uses the corresponding daily rate. When calculating STR reporting data, any aggregated number (YTD, Running 3-month or Running 12-month) uses the exchange rate of each relative month.

See Constant Currency

Extended Stay - Within the Serviced Apartment Benchmarking Pilot, STR defines "long stay" demand as a stay of 29 or more consecutive nights. Report the total number of unit nights sold in the month that are part of a stay comprising 29 or more nights.

Extended Stay % = Extended Stay/Total Sold Apartments

Food & Beverage (F&B) Revenue - Revenue derived from the sale of food, beverage, and non-consumable goods, and services sold by a property's food and beverage department.

Gross Operating Profit (GOP) - A measure of hotel profits after subtracting all operating expenses. It is calculated by deducting Gross Operating Expenses from Gross Operating Profit.

Gross Operating Profit Per Available Room (GOPPAR) - GOPPAR is a performance metric used by the hotel industry to measure a hotel's financial performance as a whole. It is calculated by dividing the Gross Operating Profit by the available room nights.

Group Rooms - Typically defined as 10 or more rooms per night, sold pursuant to a signed agreement. Refer to Data Reporting Guidelines for more specific application. This type of data is included in the Segmentation portion of STR's reports.

Index - Measures a hotel's performance relative to an aggregated grouping of hotels (i.e., competitive set, market or submarket). We utilize indexes to measure performance in three key areas: Occupancy, ADR and RevPAR.

An index of 100 means a hotel is capturing a fair share compared to the aggregated group of hotels. An index greater than 100 represents more than a fair share of the aggregated group's performance. Conversely, an index below 100 reflects less than a fair share of the aggregated group's performance.

Labor Costs (broken out by department) – Includes salaries and wages of departmental personnel and management including overtime, severance, incentive, holiday, sickness, vacation, and bonus pay. Also included are employee benefits, payroll taxes, and allocations for workers' compensation insurance.

Labor Costs Per Available Room (LPAR) - as above, divided by total available rooms.

Market - In the U.S., a market is a geographic area typically made up of a Metropolitan Statistical Area (e.g., Atlanta, GA), a group of Metropolitan Statistical Areas (i.e., South Central PA) or a group of postal codes (i.e., Texas North). Outside the U.S., a market is defined as a city, region or country with at least 30 participating hotels. A market can be further divided into submarkets.

See Submarket

Market Class - A combination of market and class for data reporting purposes.

See Market, Class

Market Collapsed Class - Properties located in a specific market and STR collapsed class segment (i.e., Nashville, TN Luxury/Upper Upscale classes).

Market Collapsed Scale - Properties located in a specific market and STR collapsed scale segment (i.e., Nashville, TN Upscale includes Luxury, Upper Upscale, Upscale chain scales).

Market Scale - Hotel located in a specified market and STR Chain Scale segment (i.e., Waikiki, HI Luxury Chains).

Market Tract - See Submarket

Market Tract Scale - See Submarket Scale

Max - The highest performance possible for the period, assuming a property operated at the highest point of the bandwidth during the period.

Min - The lowest performance possible for the period, assuming a property operated at the lowest point of the bandwidth during the period.

Mean Higher High Water - A tidal datum; the average of the higher of the two high water heights of each tidal day, averaged over the U.S. National Tidal Datum Epoch

Meetings, incentives, conferences and exhibitions (MICE) - A type of tourism in which large groups, usually planned well in advance, are brought together.

Number of Rooms - Total number of rentable rooms for overnight accommodations.

Occupancy (Occ) - Percentage of available rooms sold during a specified time period. Occupancy is calculated by dividing the number of rooms sold by rooms available.

Occupancy = Rooms Sold/Rooms Available

Online Travel Agency (OTA) - An agency engaged in selling and arranging accommodations, tours, transportation and trips for travelers on an online platform.

Parent Company (Company Types) - Company that owns one or more brands. Examples include Accor, Choice Hotels International, InterContinental Hotels Group, Marriott International and Wyndham Hotels & Resorts

Percent Change (% Chg.) - The amount of change - positive, negative, or flat - expressed as a percentage comparing a period versus the same period last year.

Calculated as ((This Year — Last Year)/Last Year)*100

Pipeline - Data that details existing global hotel supply and projected growth and includes construction data gathered from the major chains and management companies, as well as data provided by convention and visitors bureaus (CVB), periodicals, consultant reviews and developers.

Pipeline Phases - Note: The availability of financing, issuance of building permits, owner commitment and many other factors can alter anticipated completion dates, number of rooms to be constructed or project viability. The number of projects and number of rooms in the construction pipeline are subject to change. Projects in early development stages are less likely to be completed than projects in later stages.

- Existing Supply: All properties opened and operating, including those opened in the last 12 months.
- Recently Opened (Pipeline): Opened within the last 12 months.
- In Construction: Vertical construction on the physical building has begun. This does not include construction on any subgrade structures including, but not limited to, parking garages, underground supports/footers or any other type of sub-grade construction.
- Final Planning: Confirmed, Under Contract projects where construction will begin within the next 12 months.
- Planning: Confirmed, Under Contract projects where construction will begin in 13 or more months.

Unconfirmed: Potential projects that remain Unconfirmed at this time. STR is unable to verify the existence of these projects through a corporate chain feed or other verifiable source.

Property (Hotel) - STR defines a property (hotel) on the basis of three exclusionary criteria: 10 or more rooms, open to the public (excludes properties requiring membership, affiliation or club status) and generates nightly revenue

Note: A property with fewer than 10 rooms may participate. Floating hotels (boats) are allowed only if permanently moored and stationary and allowing guests to depart at any time.

Revenue Per Available Room (RevPAR) - Total room revenue divided by the total number of available rooms.

See Room Revenue, Rooms Available
RevPAR = Room Revenue/Rooms Available

Room Additions - Rooms added to inventory through expansion, repurposing or reopening after renovation.

Revenue (Room Revenue) - Total room revenue generated from guestroom rentals or sales.

Rooms Available (Room Supply) - The number of rooms in a hotel or set of hotels multiplied by the number of days in a specified time period. Refer to Data Reporting Guidelines for more specific application.

See Supply

Example: 100 rooms in subject hotel x 31 days in the month = Room Supply of 3,100 for the month.

Rooms Sold - Number of rooms sold in a specified time period (excludes complimentary rooms).

Sample - The number of properties and rooms that provide performance data to STR.

Segmentation - Rooms sold and revenue data broken down by customer type (transient, group, contract). Refer to Data Reporting Guidelines for more specific application.

Serviced Apartment - STR's definition of a serviced apartment describes listings as a furnished apartment available for short- or long-term stays, but most typically have longer length of stays. Serviced apartments have comparable features within the hotel and real estate sector. Unit types hereby are categorized as Studio, 1, 2, 3+ bedrooms. In addition to standard performance KPI by unit type (occupancy, ADR & RevPAR), STR reports on Average Length of Stay and Extended Stay.

Submarket/Tract - Geographic area that is a subset of a market (i.e., Waikiki, HI in the Oahu Island, HI market).

See Market

Submarket/Tract Class - Properties located in a specific submarket and STR class segment (i.e., Waikiki, HI Upper Upscale Class).

Submarket Collapsed Class - Properties located in a specific submarket and STR collapsed class segment (i.e., Waikiki, HI Upscale/Upper Midscale classes).

Submarket/Tract Collapsed Scale - Properties located in a specified submarket and STR collapsed scale segment (i.e., Waikiki, HI Midscale includes Upper Midscale & Midscale chain scales).

Submarket Scale - Properties located in a specific submarket and STR chain segment (i.e., Times Square Area Luxury Chains).

See Market Tract Scale

Suite Room - Room type offering more space and furniture than a typical hotel room, including a designated living area or multiple rooms.

Supply (Rooms Available) - Number of rooms in a hotel or set of hotels multiplied by the number of days in a specified time period. Refer to Data Reporting Guidelines for more specific application.

Example: 100 rooms in subject hotel x 31 days in the month = Room Supply of 3,100 for the month.

See Rooms Available

This Month vs. Last Month - Amount of change - positive, negative or flat - this period versus the last reporting month.

Calculated as ((TM-LM)/LM)*100

This Year vs. Last Year - Amount of change - positive, negative or flat - this period versus the same period last year. Calculated as ((TY-LY)/LY)*100. When calculating revenue-related variances, we have used local currency for markets, and constant currency for regions.

Total Revenue - Revenue from all hotel operations - including rooms, F&B, other revenue departments (i.e., spa, golf, parking) and miscellaneous revenue (i.e., rentals, leases, resort fees and cancellation fees).

Total Revenue Per Available Room (TrevPAR)- A measure of total operating Revenue Per Available Room (RevPAR), calculated by sum of room, food and beverage (F&B) and all other operating revenue divided by total available rooms.

Transient Rooms - Includes rooms sold to individuals or groups occupying less than 10 rooms per night. This type of data is included in the Segmentation portion of STR's reports. Refer to Data Reporting Guidelines for more specific applications.

Under Contract Pipeline - All projects with a current phase of In Construction, Final Planning or Planning.

WD (Weekday) - Average of Sunday through Thursday

WE (Weekend) - Average of Friday and Saturday

Year to Date (YTD) - Period starting at the beginning of the current year and ending on the current date

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This study came together through the hard work and dedication of many STR team members across all five regions.

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