GLOBAL BUSINESS TRAVEL

Hotel Monitor 2019

Powered by Global Business Consulting

Global Business Consulting

WHO WE ARE

American Express Global Business Travel (GBT) is the world's leading business partner for travel. The Global Business Consulting (GBC) team at GBT works with companies and organizations to help them create travel programs tailored to achieve specific goals. Our extensive capabilities and results-oriented approach allow us to build and implement strategies that can help streamline processes, deliver savings, improve compliance and reduce risk.

We base our approach around six strategic consulting solutions that help clients implement a best-in-class travel management program:

Sourcing – air, accommodation, ground transport:

Targeted analytics to evaluate your travel program with KPI (key performance indicator) reviews of your supplier contract management, travel spend, traveler behaviors, compliance and more.

Change management:

Advising on strategy, predictive analysis of impacts linked to expected changes, communication, program design and training plans. Piloting implementation of change programs, including organization, technology and processes.

Program and process optimization, policy design and review:

Assessment and benchmarking of deployed end-to-end travel processes, including mission order, booking, validation process and accounting interface. Project management and integration support when implementing new technology solutions, such as single sign-on and HR feeds.

Travel and expense (T&E) management:

Analyzing and benchmarking clients' T&E processes. Managing T&E projects related to online booking tools, expense environments, card payment solutions, integration between client systems and American Express GBT systems. Optimizing the T&E environment based on agreed KPIs, supporting clients with maintenance of T&E tools.

BI (business intelligence) and benchmarking:

Providing differentiated insight and actionable recommendations. Analyzing client travel data and performance using GBC's proprietary analytics, American Express GBT's rich supply of benchmarking data, and powerful BI and visualization tools.

Outsourcing:

Travel management outsourcing, including operational management of all travel services, analyzing traveler behavior and driving policy compliance and best booking practices. Savings management outsourcing, including piloting savings plans through optimization levers and deploying new efficiency opportunities and initiatives.

For more information, visit: amexglobalbusinesstravel.com/solutions-services/global-business-consulting/

WELCOME TO THE HOTEL MONITOR 2019

This report is produced by the Global Business Consulting team at American Express Global Business Travel. It is the first of a series designed by our consultants and analysts to help you optimize your travel policy and program. With the accommodation request for proposal (RFP) season almost upon us, we begin to identify the particular focus areas you need to be aware of, while providing high-level data points to help drive your discussions. Our consulting teams are available should you require a personalized or in-depth analysis. Future editions of The Monitor will explore other areas of travel spend in the air and ground transport segments.

While the International Monetary Fund (IMF) expects steady growth to continue globally in 2019, underpinned by several factors from expansionary fiscal policy in the US to partial recovery in commodity prices, The Hotel Monitor 2019 shows conditions vary markedly across regions, countries and cities. At a city level, our subject-matter experts drill down into local conditions impacting pricing in the immediate areas.

The Hotel Monitor 2019 is published alongside a **price forecast** for 150 key cities around the world, and a **white paper** advising on smarter hotel buying strategies. We have collated these resources to help you make informed decisions and better leverage your accommodation spend.

There isn't space here to give local analysis on all the destinations where our clients do business, so for strategic advice configured for your program, please get in touch with our Global Business Consulting team.

Joakim Johansson
Vice President,
Global Business Consulting

Key 2019 City Hotel Rate Predictions

Note: All forecasts are in local currencies

Trends & Analytics

HOTEL PROGRAM INSIGHTS FROM INDUSTRY RESEARCH

American Express GBT regularly conducts research with travel buyers and travelers and recently produced the ***Traveler 360º*** report, which polled 2,000 travelers across seven countries: UK, US, France, Germany, Australia, Singapore and India. It provides valuable insights into travelers' behavior and their perceptions of company travel policies and programs. It identifies key areas of opportunity for hotel program improvement.

Familiarity breeds compliance: across the polled countries, travelers who were very familiar with their policies were twice as likely to be consistently compliant than those who were only somewhat familiar with their policy. But that policy needs to be clear. In most countries, roughly half of travelers said their companies' policies are not clear.

Travelers gave what they believed to be 'good reasons' for going rogue: high percentages of travelers cited staying near clients or meetings (84-94%) and staying in more convenient locations (85-96%) as reasons for booking out-of-policy hotels. Our research found location is the prime factor when travelers search and book hotels. Quality is another driver: 71%-96% of mavericks reckon going off policy to find a better hotel is acceptable. To tackle these 'reasons', content is crucial.

Choice, but the right choice: further research – GBT's ***Modern Business Traveler*** study, developed in conjunction with the Association of Corporate Travel Executives (ACTE) – finds travel managers wanting a wider choice of content: 38% said a program suffers when travelers don't have enough access to content. But they are also wary of the 'retail booking experience': 56% believed hotel groups marketing directly to travelers could weaken compliance. Make sure your travel management company (TMC) offers the best content for your program objectives and travelers.

Safety: 86%-94% of surveyed travelers across the seven countries said staying in a safer location is a 'good' reason to book out of policy – if travelers feel they need to make rogue bookings to stay safe, your policy needs to be evaluated – as does your communications strategy...

...Is there a disconnect between you and your travelers? The *Traveler 360º* survey also found that less than half of respondents believed employers always had their safety in mind when traveling for business. Assuming most employers are conscientious about duty of care obligations, these figures reveal a need for better traveler engagement, communications and education.

Loyalty schemes: travelers also cited earning rewards points as a good reason to book outside policy (65%-92%). While hotel loyalty schemes are a powerful draw, they can benefit your travel program, if managed well. Look at incentivizing travelers to book preferred partner brands that provide benefits that improve their experience.

Saving money: another excuse for off-piste bookings is the traveler's belief that finding a bargain will save the company money (85%-92%). Again, education and awareness will drive compliance: with corporate negotiated rates plus a TMC with exclusive hotel partners, booking in policy nearly always offers the best value – and can include added amenities that make the traveler's stay a better experience.

For in-depth expert advice on smarter program strategies, download your white paper here

Reading the signs...

Our Global Business Consulting team analyzes what booking trends mean for you

Less luxury? Our data shows a large proportion of APAC and Middle East hotel bookings in the luxury segment, particularly by financial and professional services. Are travel policy decision-makers unconvinced that midscale properties in these regions are adequate for business purposes? If so, there is an opportunity here to make savings because the availability of quality midscale content suited to business travel needs is increasing.

Independent thinking: The choice of independent hotels available within the TMC booking environment is increasing, and travel buyers should consider their potential value. But also note that 'independent' properties can signify varied price points in different locations, so deeper local analysis is needed for effective cost management.

Energy savvy: We see greater usage of independent properties by the oil and gas sector. Energy companies have had to operate agile travel policies that can quickly adapt to volatile trading conditions. Drastic oil price falls bring demands for severe cost-saving targets – but always coupled with stringent duty of care requirements. This sector could provide examples of best practice for travel managers in other sectors.

Oil city nuances: The average cost of a hotel room in Aberdeen, Doha and Lagos is still 70% less than it was in January 2012, but Aberdeen is the only city where this was obviously the result of the oil price collapse in 2014. Steadier ADR (average daily rate) decline in Lagos and Doha may reflect other factors, including oversupply in Qatar – plus its ongoing embargo crisis – and an easing of US export restrictions on liquefied natural gas (LNG) affecting market share for Nigeria and Qatar. Houston has stayed robust, benefiting from the shale revolution that caused the oil price collapse in the first place. Generally, global energy market changes mean buyers should be prepared to see oil and gas city rates eventually start to rise.

KEY CITIES

Europe

Following a 10-year high in 2017, Europe is expected to see GDP growth slip back to 2.0% in 2019. Aside from Ireland, growth is likely to be strongest in Eastern Europe.[1]

Increased trade combined with lower unemployment should contribute to an increase in travelers (corporate and leisure) and stronger demand for lodging. Not surprisingly, demand growth continues to outpace the creation of new supply in most markets. However, construction pipelines have been strong in London and in major German cities (Frankfurt, Berlin and Munich).[2]

Limited supply growth in most European markets combined with steady demand growth helped boost occupancy and room rates in 2017, and there is little indication this will change for most of Europe in the next few years.

The UK's GDP grew by just 0.1% in the first quarter of 2018 compared to the previous three months, representing the weakest expansion in more than five years. The GDP growth projection for 2019 has fallen to 1.5%.[3] Elsewhere, the uncertainty surrounding the UK's exit from the European Union – scheduled for March 2019 – remains a concern for the business community.

London 0%

Brexit may well have some impact on business travel into London, more so than other cities in the UK. Inbound tourism from other regions, particularly Asia and the US, will keep ADR steady, but London will potentially see less international and EU travel in 2019. Domestic travel and annual events and conferences should keep London hotels relatively busy.

Stockholm 2%

Hotels in Stockholm continue to be extremely busy mid-week, with many hotels operating a minimum-night-stay booking policy. There is minimal new inventory planned in downtown Stockholm in 2019, so we do not expect change anytime soon.

Paris 6%

Paris enjoys a healthy blend of business and leisure travel, which continues to drive strong ADR.[4] Paris has remained, alongside London, as one of the two most desirable cities for private investment for more than a decade. It is worth noting the French government has set an ambitious target to reach 100 million tourists in France by 2020. To help meet its goal, it is investing to accelerate visa processing and reduce waiting times at airport passport controls.

Frankfurt 2%

A key and influential city for the finance sector. Uncertainty over Brexit and the impact on the London finance district could lead to an increase in demand for hotel rooms in 2019 and beyond. Frankfurt hosts many large business conferences and events, which continue to drive demand for hotels, while Germany's largest airport is located very close to the city center. However, longer-term price stability could be hoped for as Frankfurt has one of Europe's largest hotel pipelines.[2]

Madrid 3%

Madrid, the financial, economic and political center of Spain, is traditionally recognized for its strong corporate business, including companies based in the financial district to the north of the city. The Economist Intelligence Unit (EIU) forecasts real GDP growth of 2.7% in 2018 and a reasonable average growth of 2.1% thereafter.[5]

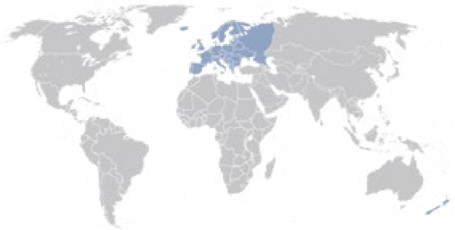
Amsterdam 3%

Amsterdam enjoys high occupancy levels. Recent measures to restrict the building of new hotels will likely push ADR up.[6] The Dutch city continues to benefit from increased tourism from the Asia-Pacific region and US. Access to the city has improved via the direct connection between Paris CDG-Amsterdam Schiphol and the announcement of a faster connection via Eurostar.

Munich 2%

Munich is home to many global brands, including several from the automotive industry. It benefits from a strong leisure sector and events such as the annual Oktoberfest, which attracts meetings business. Demand continues to grow while the opportunity to build new hotels continues to be a challenge across Munich, meaning future ADR should continue to rise.

> **Increased trade combined with lower unemployment should contribute to an increase in travelers and stronger demand for lodging**



Dublin 7%

Dublin ADR continues to increase. Brexit may lead to an increase of business travel and tourism from the EU. An increase in hotel rooms is forecast to be minimal at best, meaning ADR will continue to increase over the medium and longer term.

Rome 2%

The Italian capital enjoys strong demand from Europe and the US, with additional demand from APAC and the Middle East. GDP growth for the near future appears to be relatively stable at 0.9-1.1%. Following strong RevPAR recovery in 2015, Rome's performance remained relatively flat in 2016 and 2017, with little change in occupancy and average rates.[7]

Brussels 3%

The city is well connected to Paris and other big cities in the EU. The EU Parliament, the European Court and many large corporates drive the local economy. Demand often outstrips supply. Limits on building new hotels mean ADR should continue to rise.

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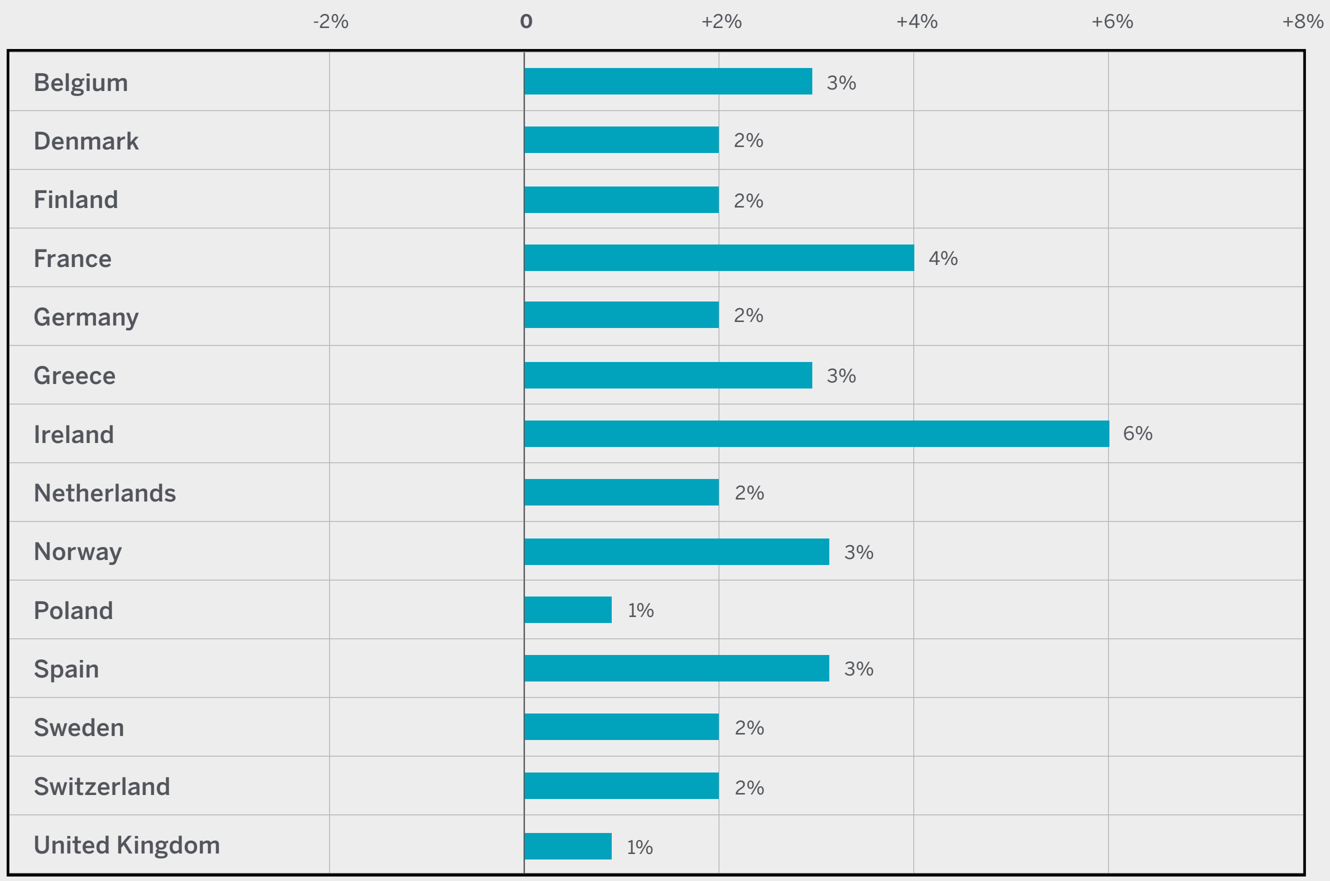
Europe 2019 national hotel rate forecasts



Source: Global Business Travel Forecast 2019 from American Express Global Business Travel (GBT).
Note: All forecasts are in local currencies

KEY CITIES

North America

The United States continues to perform strongly, with GDP set to grow 2.9% in 2018 and 2.8% in 2019.[8] However, concerns remain that some US policies have led to a reduced number of foreign inbound travelers, while changes to NAFTA and trade tariffs could have further impact. International arrivals to the US were down 4% in the first three quarters of 2017, while worldwide international arrivals in 2017 increased by 7%.[9]

Room construction fell by 2.2% when comparing April 2018 to April 2017, with the number of hotel rooms under construction in the US declining in six of the seven preceding months.[10]

According to TravelClick's *North American Hospitality Review*, hoteliers reported positive results during Q2 2018, with bookings up 1.4% and ADR up 2.5% on Q2 2017. This was partly driven by group and transient business travel, which showed the strongest RevPAR gains (6.5% and 5.5% respectively) across all segments.[11]

Tourism is booming in Canada. Recently announced initiatives to increase Chinese travel to Canada in 2018 and beyond means Vancouver and Toronto will be the country's most visited destinations by Chinese tourists. This will have an impact on rates.

New York 3%

Despite a strong supply pipeline into 2019, occupancy is expected to remain in the mid-80% range. Large-scale developments in the Manhattan submarket continue to fuel demand. The resurgence of Downtown with the redevelopment of the World Trade Center complex has seen a number of new hotel properties open in FiDi, TriBeCa and SoHo over the past year.[12] As more corporates move into the redeveloped WTC area, demand is increasing, which will drive rates upwards – however, buyers may be able to find cost-savings elsewhere in the city. Developers are exploring new areas for hotel development opportunities, and as new inventory comes online, discounted rates should be available.

Chicago 6%

Chicago occupancy levels have reached record levels, with average rates during the peak months higher than ever before. This shows no sign of changing throughout 2018 and 2019, with further demand led by increased convention business at McCormick Place. Occupancy levels, ADR and RevPAR are all increasing year-on-year. Downtown Chicago hotels will continue to benefit from major corporation HQ moves into the area, including McDonald's, Dyson and Walgreens.

Boston 5%

The Boston hotel marketplace continues to thrive: more than $7 billion in new construction in the past few years across the city and mass transit projects have contributed to its continued strength and expansion. This, combined with Boston's healthy mix of corporates and strong convention market buoyed by two world-class event venues, should ensure the area's economy is strong and will bring even more demand for hotel rooms.

San Francisco 4%

Strong rate growth is expected to continue in San Francisco. Occupancy levels remain high at more than 80%, combined with consistently strong leisure travel. As Silicon Valley continues to grow, so does demand for hotels in San Francisco. Demand is also predicted to increase due to the enlarged Moscone Center, which is scheduled to open in January 2019. The supply pipeline is made up of a variety of hotels at different price points, ranging from pod hotels and three-star properties to five-star boutique hotels.

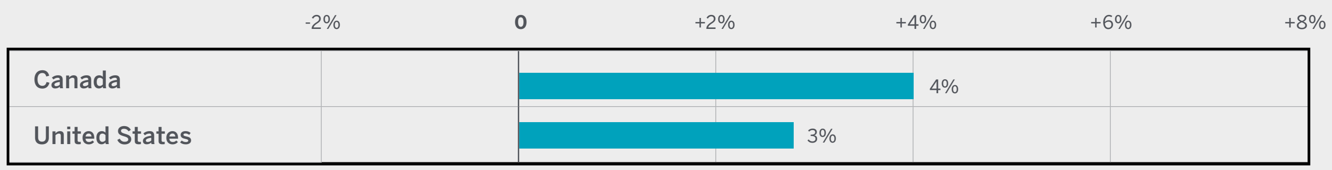
Washington, D.C. 2%

The overall outlook for DC hoteliers is good: the federal government continues to be a significant demand generator for hotel rooms, and it drives the local economy. Transient business travel and conferences and events will help ADR growth for operators and ensure average rates will continue to increase during peak periods. The overall average rate will be constrained owing to the per diem rates available to government employees.

Atlanta 4%

Average rates are expected to continue rising, meaning positive RevPAR growth for Atlanta hotels over the next several years. Georgia offers tax-break incentives, which in turn leads to growth in the corporate sector, especially in media and technology in the Atlanta area. A significant amount of infrastructure development is underway in Atlanta, with new expansions and builds promising to attract more tourists, commercial travelers, and group demand. A good example is the high-profile, $6 billion expansion of Hartsfield-Jackson Atlanta International Airport. This, and the relatively low hotel build pipeline, will mean a strong 2018 and 2019 for the city's hotel operators.

North America 2019 national hotel rate forecasts



Source: Global Business Travel Forecast 2019 from American Express Global Business Travel (GBT).
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Houston 1%

Houston continues to recover from Hurricane Harvey. The medical and energy sectors have shown signs of growth. Issues around supply following the natural disaster are easing. Many venues and hotels are either reopening or planning to reopen soon.

Los Angeles 3%

Downtown LA has registered seven consecutive years of RevPAR increases. This will continue through 2018 and beyond. Historically, the Downtown LA market has been driven by corporate and meetings demand. But leisure demand is also expanding. With entertainment complex L.A. LIVE as the main catalyst along with new restaurants and nightlife venues, more travelers are opting to stay Downtown while exploring other parts of the greater Los Angeles area.

Seattle 5%

Seattle is among the fastest-growing cities in the US, and commercial developments in the area have fueled unprecedented hotel demand growth along with a strong pipeline of new properties. Seattle is a diverse high-tech economy rooted in manufacturing, biotechnology, telecoms and IT, health care and tourism. Metro Seattle, especially Downtown Seattle and Bellevue, is experiencing a period of exponential growth anchored by tech giants such as Amazon, Microsoft, Google and Expedia. These and other key employers in the area, including the Bill & Melinda Gates Foundation and the University of Washington, strongly influence the local and regional economies and lead to Seattle experiencing high increases in ADR.

Vancouver 3%

Overall rate increases have been the norm during 2018 and this will continue into 2019. One factor has been the number of hotel closures versus new hotel openings, meaning a slight reduction in bed stock. Convention business has increased by 92%, with six low-season conventions contributing towards the overall increase in business travel.

Toronto 7%

Toronto is the fifth-largest city in North America and the largest in Canada. Tourism in Toronto is booming, leading to an ever-increasing hotel demand. The city is the culinary and arts capital, with renowned art galleries, museums, restaurants, sports venues and theatre district. Toronto has a growing financial center. This combined with the tourist business means a large ratio of properties within the upscale to luxury tiers.

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KEY CITIES

Latin America

Overall, Latin American economies continue to improve. The region should see GDP increase to 2.5% in 2019 compared to 1.4% in 2018. Argentina, Paraguay and Uruguay are forecast to be down due to several factors, including a recent drought.

The economic outlook is tightly linked to both China, whose economy is slowing, and the US, where uncertainty about trade and fiscal policies could negatively impact the number of travelers to Latin America.

Brazil's emergence from a recession has meant the hotel sector is poised to see revenue growth, particularly in Sao Paulo. Political instability is always a concern and unemployment is still very high. In April 2018, Brazil recorded its eighth consecutive month of occupancy growth and seventh straight month of ADR increases. April saw Brazil's occupancy levels at the highest for that month since 2014.[13]

The Mexican economy is highly dependent on US demand for imports (mainly manufactured goods) and economic activity has decreased since 2010 mainly as a result of falling international demand for Mexican goods. The IMF predicts annual growth of 2.3% in 2018, and of 3.0% in 2019.[14]

Peru is forecast to be the best performing economy in Latin America, but there remains some concern about political instability. The steady rise in copper prices has made Chile's economy one of the strongest and most robust in Latin America – Chile currently produces more than a third of the world's copper.

Buenos Aires 21%

Remember that inflation is expected to remain high in 2018 and 2019 — it was 25% in 2017 — and this is a local currency forecast, so a different picture when buying in dollars or euros. The Argentinian capital has a population of more than 3 million and is the second-most visited city of Latin America (behind Mexico City). A wide mix of industries in Buenos Aires includes food processing, motor vehicles, consumer durables, textiles and chemicals.

Sao Paulo 6%

Sao Paulo is the business hub for Brazil. Many of the world's largest banks have their Latin American headquarters in the city.[15] Some economists and strategists take the view that the Brazilian economy is growing, if only slightly. Carnival season is a huge tourist boost and there was a 7% increase in hotel occupancy at that time in 2017. There are currently 26 new hotels in the pipeline, which will add a further 4,700 rooms to the region.

Santiago -1%

With a population of more than 5 million, Santiago is the capital of Chile and one of the largest cities in Latin America. It is the cultural, political and financial center of Chile, and home to the regional headquarters of many multinational corporations. Growth in Chile is projected to accelerate to around 3.6% in the coming years, supported by an improving external outlook and favorable financial conditions. Real wages will grow as salaried employment recovers, lifting private consumption and reducing income disparities.[16]

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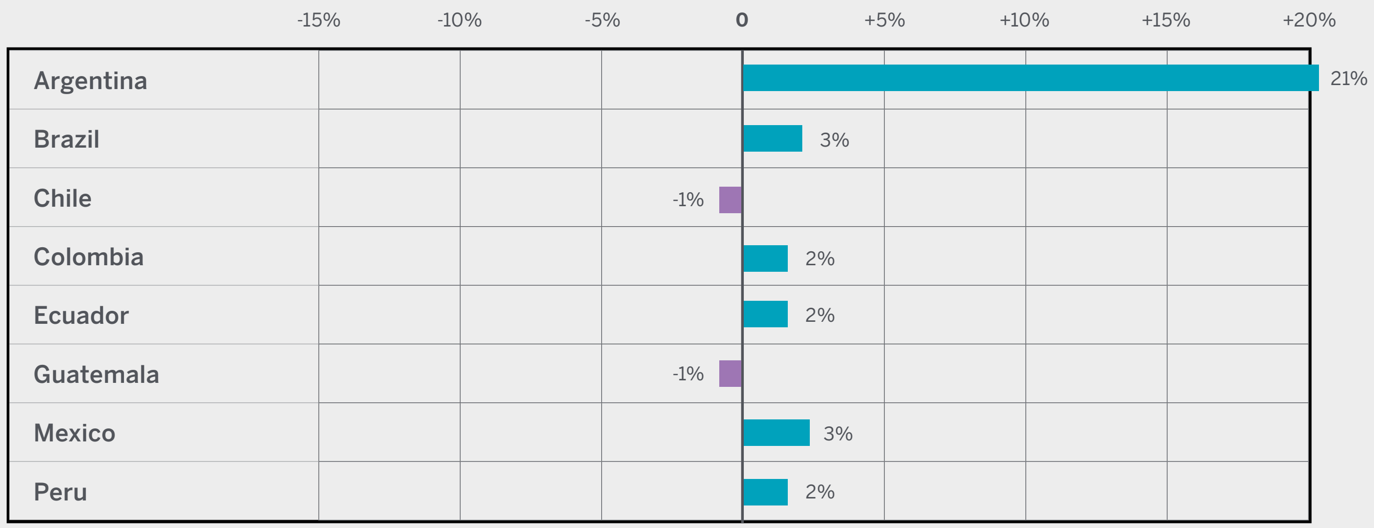
Latin America 2019 national hotel rate forecasts



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Bogotá 0%

In addition to being the capital, Bogotá is Colombia's largest economic center – an HQ for Colombian companies and home for most foreign companies doing business in the country. It is also the location of Colombia's main stock market. Bogotá has enjoyed its highest Q1 occupancy levels since 2012, but ADR decreased by 3.2% during this period. The IMF predicts 2.7% growth, but with the recent elections and the possibility of increases in the price of oil, combined with the ongoing threat of terrorism, prices are forecast to remain the same.

Mexico City 3%

Output growth is projected for both 2018 and 2019. This is due to improved business conditions linked to improvements in safety, governmental stability and official relations with the US. Mexico's hotel demand is expected to rise ahead of positive GDP growth estimates of 2.3% by the IMF. This will be fueled by increased government spending, domestic investment and the emergence of new industries, such as research and development, technology and life sciences. Security remains a challenge across Mexico.[17]

Rio de Janeiro -1%

Rio is Brazil's financial center. With an estimated GDP of $305 billion, it is the fourth wealthiest city in Latin America. As occupancy continues to increase (up 20.7 points in 2017) this will mean ADR will improve. Hotel brands were given a major uplift thanks to the Olympics in 2016, when in addition to the improvements to existing hotels, more than 10,000 new rooms were built to meet demand. Businesses and their travelers continue to benefit from this, both operationally and financially, as occupancy levels will not reach Olympic levels in the near future.

Monterrey 5%

Monterrey is the capital and largest city in the northeastern state of Nuevo Leon. It is the business center of northern Mexico and home to many large international corporations. For Mexico's accommodation sector to continue to thrive long-term, however, public safety and security are of the utmost importance, as are much-needed infrastructure improvements in water, sanitation, electricity and transportation.

"Economic outlook is tightly linked to both China, whose economy is slowing, and the US, where uncertainty about trade and fiscal policies could have impact

KEY CITIES

Asia Pacific

Demand continues to rise across the Asia-Pacific (APAC) region, in particular India and China. This is creating a changing travel dynamic across the region, and room availability can be a challenge in popular locations such as Singapore, Hong Kong, Sydney, Tokyo and Bangkok.

However, new hotel builds are keeping pace with increased demand, meaning rates remain favorable to buyers in most locations. Overall, room rates should continue to increase moderately through 2018, although this will vary city by city.

APAC economies are expected to grow by around 5.6% in 2018 and 2019, accounting for nearly two-thirds of global growth. Buyers should be aware that potential market corrections and a shift toward protectionist policies create an element of risk. In addition, concern regarding geopolitical tensions is ongoing.[18]

India was projected to account for 3.7% of global online travel sales in 2017, making it the third-largest market by value in the APAC region.[19] Increasing visitor numbers and foreign exchange rates are among many factors that will likely result in an increase in average room rates across most of India.[20]

For the first time in a decade, occupancy levels in India have reached higher than 65%, and average room rates have grown by 8% since 2008. Demand is outstripping supply, with budget brands now moving into this traditionally premium-brand space.

Technology and mobile payment solutions in China are shaking up the hospitality sector. Examples of this include Marriott's tie-up with Alibaba's travel service platform and Alipay, which is aimed at elevating the overall online and offline travel experience for Chinese consumers.

According to a report by Lodging Econometrics in June, China's hotel construction pipeline was up 2% year-on-year, with nearly 2,500 projects and more than 500,000 guest rooms.[21]

Ho Chi Minh 2%

Ho Chi Minh is the financial center of Vietnam, and business travel into the area is growing rapidly. To meet the growing demand, more than 3,500 rooms are planned across 16 new hotels during 2017–2019. It is worth noting that Vietnam is one of Southeast Asia's fastest-growing economies in the region.

Melbourne 4%

Two of the four largest banks in Australia are headquartered in Melbourne. Demand continues to exceed supply, with occupancy levels on par with Sydney at 88%. Flight data specialist OAG ranks the Melbourne-Sydney route as one of the busiest in the world.

Sydney 4%

Occupancy levels remain high despite a 5.1% increase in supply year-on-year. Demand remains bullish, so expect further increases in 2019. The Australian economy remains strong, conferences and events are growing and access to rooms is often an issue due to the strong cruise sector, with Sydney often the final port for many operators.

Bangalore 4%

While supply grows by 8%, demand grows by twice that amount, meaning occupancy will keep increasing at a rapid pace. It is anticipated that the next 3-4 years will be a strong period for hotel growth. Budget brands are moving into the premium space to meet growing corporate demand.[24]

Shanghai 0%

Rates are not forecasted to rise in 2019, owing to Shanghai having a vast pipeline of hotel rooms due to come online. This new inventory will put pressure on existing corporate rates.

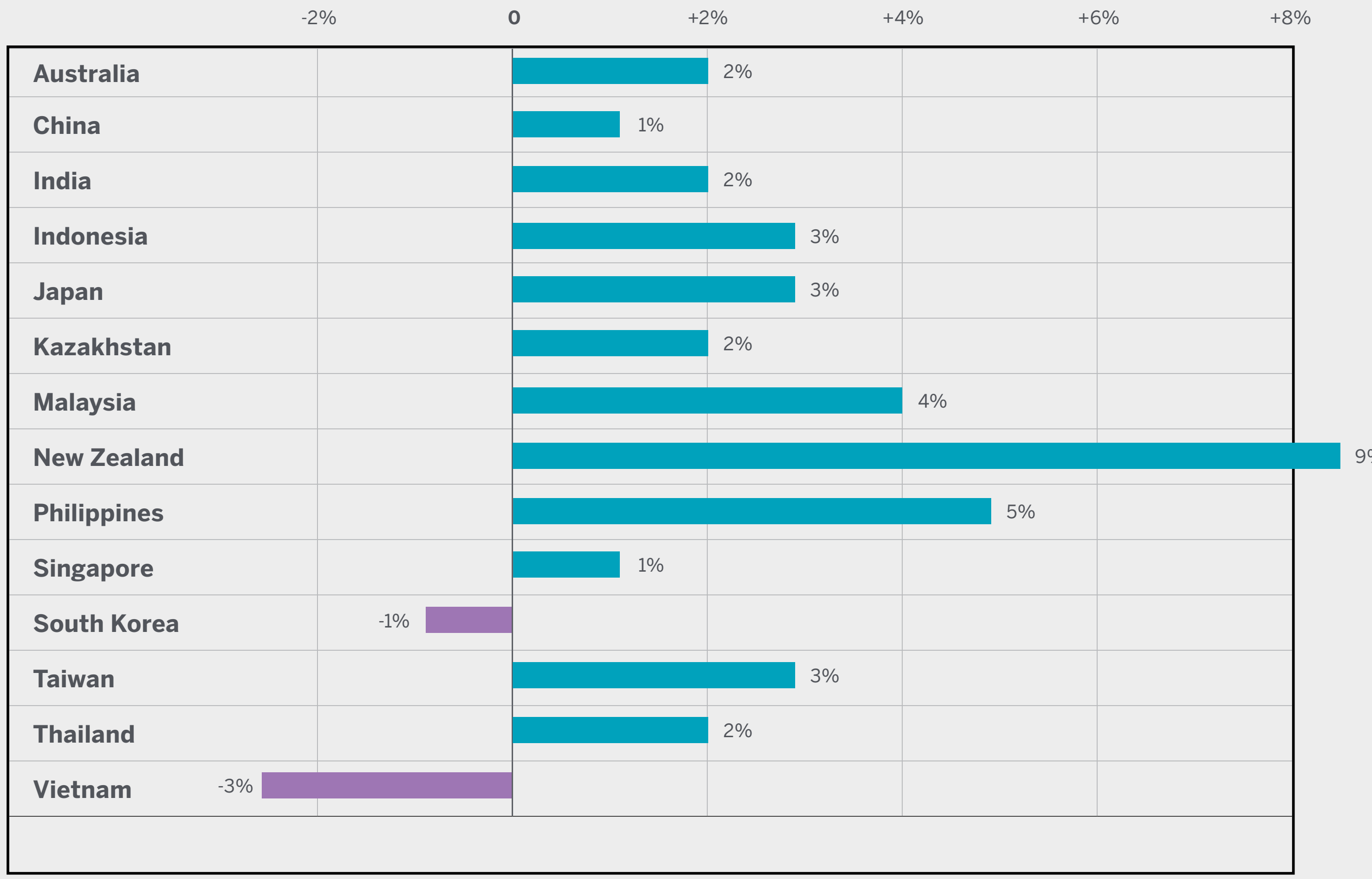
Tokyo 3%

With Japan hosting the 2019 Rugby World Cup and Tokyo the 2020 Olympic Games, the Japanese capital is expecting an influx of visitors. Hoteliers saw 2.6% RevPAR growth with supply up 4% through to the end of 2017. Occupancy levels continue to be strong. It is worth noting that pressure on inventory and corporate rates created by the Tokyo Olympics should be factored into future travel budgets.

Bangkok 2%

The recently announced Digital Government Plan 2017-2021 aims to achieve an integrated, citizen-centric digital government within five years. Tourism forms a key part of this government strategy.[22] Forecast for the period 2018 to 2020 is for annual growth of 8-10% in international arrivals and 5-7% in domestic tourism, while over the same period, occupancy rates should average 66-70%.[23]

Asia Pacific 2019 national hotel rate forecasts



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Beijing 1%

Beijing is undergoing major infra-structure development, with strong focus on public and green transport. Business travel and meetings and events continue to grow, and the new airport due to open in 2019 will further support travel into the region. Strict development constraints in the city center limit new supply.

Singapore 1%

Visitor numbers are expected to grow by 4% in 2018 and similarly in 2019. A supply shortage means average occupancy levels are more than 84%. Disruptors such as Airbnb and serviced apartment providers are gaining an increased foothold. The local economy performed better than expected in Q1 2018, helped by strong manufacturing and construction sectors.

Hong Kong 1%

A continued increase in overnight visitors from mainland China (more than 78% of all travelers) and other Asian markets has driven occupancy levels to around 90%. Demand will be met by the 30-plus hotels scheduled for completion in 2018, plus a further 13 in 2019. This should ensure demand and rates are kept in check.

Kuala Lumpur 3%

Mid-2017 saw the introduction of the tourism tax (RM10). Prices quoted typically exclude the tourism tax, so this needs to be taken into account when preparing your RFP. Government initiatives are underway to promote business, medical, education and sport-related tourism. Several luxury brands are opening new properties in 2018 and 2019.

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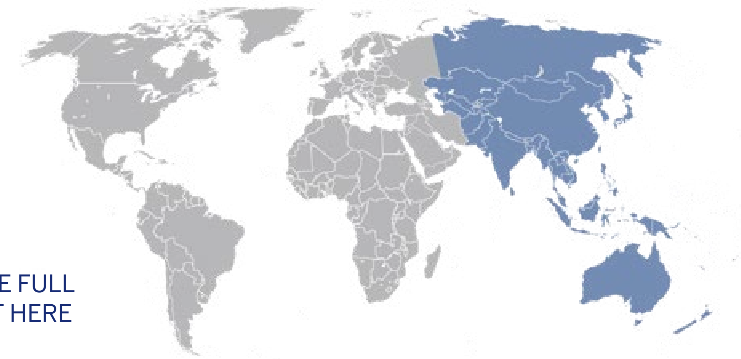


KEY CITIES

Middle East & Africa

Ongoing geopolitical instability remains throughout much of the Middle East and Africa. Economic growth in certain parts of the region is, however, cause for some optimism.

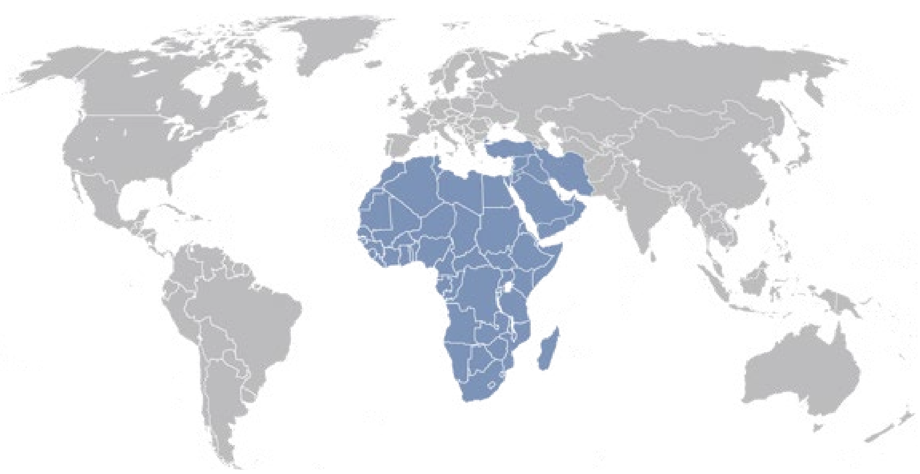
The combination of these dynamics is helping drive demand for upscale properties, which travelers typically perceive as offering higher levels of security. Accordingly, rates for these properties are more likely to increase compared with midscale properties that are more focused on domestic and inter-regional travelers.

Hotel supply in the United Arab Emirates (UAE) has increased 24.9% since 2014, while ADR and RevPAR growth have decreased consistently over this time period. Currently, there is pipeline potential for a 45% increase in rooms in the UAE, but the final number will likely be lower as projects in the earlier phases might be reduced.

Following a period of economic slowdown, stronger global growth and higher commodity prices are helping to push up growth projections in sub-Saharan Africa from 2.7% percent in 2017 to 3.5% percent in 2018, with further strengthening expected in 2019.[25] This is based on rising business and consumer confidence as well as reduced geopolitical tensions, a modest rise in oil prices and more diversified economic activities. According to the International Air Transport Association (IATA), the top 10 fastest-growing aviation economies over the next 20 years will all be in Africa.[26]

Across Africa, midscale hotel brands are showing the highest returns for investors, which appears to be due to a stable local and regional demand base. It is predicted the region will continue to see high levels of investor activity in midscale properties.

Generally, despite economic and business growth in the region, it is unclear whether demand can match future supply increases; if not, expect prices to drop.



Riyadh -4%

Business travel to Saudi Arabia is likely to grow over the next couple of years. But demand should be more than matched by increases in supply with new hotels scheduled to open in Riyadh during this time.

Abu Dhabi -6%

Tourism fees in the UAE capital have been reduced from 6% to 3.5%, while municipality fees have also been reduced from 4% to 2%. Abu Dhabi is aggressively expanding its tourism sector and further improving infrastructure to attract more visitors. The total number of hotel guests was boosted by international markets, such as China, India and the US. Abu Dhabi currently has more than 4,000 rooms covering 12 hotel projects under construction. It is expected that given Abu Dhabi's oversupply, this will start to cause hotel rates to decrease.[27]

Dubai -2%

Dubai received 15.8 million visitors in 2017. This figure is forecast to increase to 20 million by 2020. Dubai has also reduced its municipality fees from 10% to 7%. This is designed to reduce the cost of doing business in the emirate and promote Dubai as a business and tourist destination.[28] Like Abu Dhabi, it is expected that Dubai's current oversupply means ADR will fall. Hotel inventory will increase from 107,431 rooms in 2017 to 132,000 by end of 2019, according to Dubai's Department of Tourism & Commerce Marketing.

DOWNLOAD THE FULL CITY FORECAST HERE

Tel Aviv -1%

Home to most of Israel's large corporations, such as banking, insurance and finance, Greater Tel Aviv has retained a reputation as a thriving, innovative, high-tech industrial center of substantial global significance. The city has one of the highest start-up densities in the world, often referred to as Silicon Wadi (Hebrew for Valley) with many of the world's largest technology companies having R&D centers in Tel Aviv.[29] The shekel-dollar exchange rate is causing concern for the region's hoteliers, due to the fact that half of the region's revenue is in dollars while operating expenses are in shekels, making managing revenues a challenge.[30]

Doha -13%

The capital of Qatar is currently facing an oversupply of hotels and relatively slow demand, leading to a decrease in rates. Qatar's ongoing diplomatic embargo crisis with neighboring states continues to impact business. However, the hospitality sector in Qatar is expected to see annual growth of 10% over the next three years, in part due to the lifting of visa requirements for citizens of 80 countries. More than 20,000 rooms in hotels and aparthotels are at varying stages of construction. Hospitality revenues are expected to peak at $1.6 billion in the next three years.

Johannesburg 5%

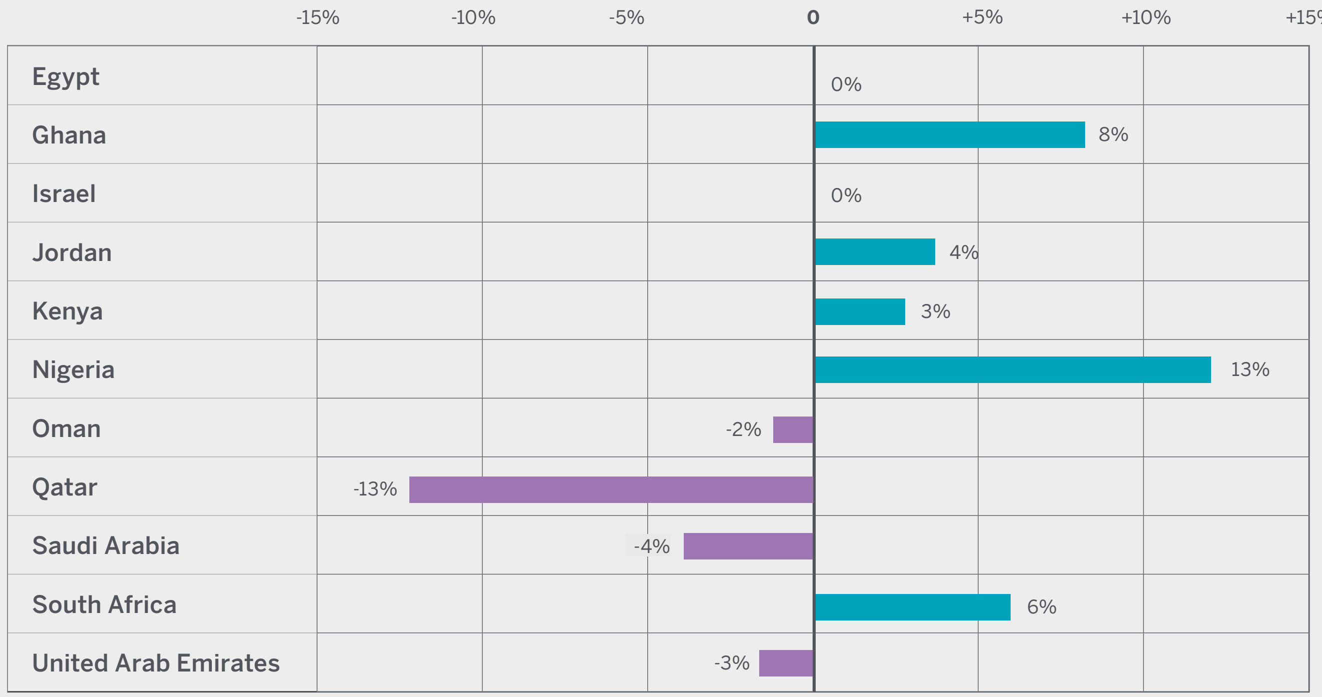
Hotel rates are forecast to increase through 2019, indicating an improvement in the local economy. However, Johannesburg has only 10% of the planned pipeline of hotels across South Africa. A little more than 430 rooms are planned in four hotels, which could lead to pressure on rates.[31]

Lagos 13%

Bear in mind that this local currency forecast would look markedly different in USD, GBP or euro terms, due to current high domestic inflation rates predicted to continue in 2019. A limited supply of hotels that meet international corporate security requirements puts some pressure on business travel hotels.

Despite economic and business growth in the region, it's unclear whether demand can match future supply increases – if not, expect prices to drop

Middle East & Africa 2019 national hotel rate forecasts



Source: Global Business Travel Forecast 2019 from American Express Global Business Travel (GBT).
Note: All forecasts are in local currencies

Key Takeaways for Travel Buyers

Optimizing your hotel program: top tips and best practices

Looking at how others have adapted to changing business conditions and identifying best practices is time well spent

1. Make sure you have reliable, accurate, up-to-date spend and usage data.
2. Regularly review your travel and expenses policy – is it still fully relevant, fit for purpose and aligned with company objectives? Be prepared to amend it when and where needed, and talk to your TMC about benchmarking your policy performance.
3. Is your current pricing model for hotels the right one? Blending options such as fixed and dynamic rates to suit spend and usage is good practice.
4. Which suppliers are closely aligned to your business objectives? For example, if a supplier is reducing its cancellation periods, look at what impact this would have for your travelers and your costs.
5. It's not always about the chains – independent hotels can offer viable alternatives and value for money in many locations and should always be considered.
6. What other accommodation types should you consider? Serviced apartments could suit travelers who are working away for long periods of time. As well as tax benefits (dependent on location), there are other cost and traveler benefits.
7. Stick or twist? Think about when is the best time to negotiate. September to December is very busy as suppliers respond to often hundreds of RFPs (request for proposals). Consider negotiating early in the new year instead, when there may be new opportunities to access good rates.
8. Learn from other companies and industries. Looking at how others have adapted to changing business conditions and identifying best practices is time well spent. Don't simply copy and paste – copy, adapt and paste.

The Methodology

Forecasting requires a lot of good data. We delved into our vast data lake to understand the dynamics at a city level in local currency terms, using proprietary sources, including aggregated hotel transaction data over the past seven years.

In addition to seeing what was happening in target cities based on our data, we factored in other variables that impact the hotel industry as a whole. We augmented the data set with other macroeconomic variables from the IMF and broader industry metrics from hotel data specialist STR.

Good forecasting requires us not just to project the 'trend' of the data forward. That ignores a lot of 'residual' variation as well as seasonal highs and lows, compromising the accuracy of the forecast. The approach we use models the 'residual' variation using broader industry and macroeconomic variables. We included only those variables with the biggest impact to avoid 'overfitting' of the model.

Using third-party expert forecasts of those external variables, we were able to increase the accuracy of our ADR (average daily rate) forecast by adding our model of 'residual' variation.

GLOBAL BUSINESS TRAVEL

American Express Global Business Travel (GBT) equips companies of all sizes with the insights, tools and services they need to keep their travelers informed, focused and productive while on the road. With approximately 12,000 employees and operations in nearly 140 countries worldwide, American Express GBT empowers customers to take control of their travel programs, optimizing the return on their travel and meetings investments, while, more importantly, providing extraordinary traveler care.

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End Notes:

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