



TAIWAN MARKET OUTLOOK HOTEL MARKET POISED FOR GROWTH

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Summary

Signs of rejuvenation have sparked in Taiwan's hotel market with the emergence of new hotels like the W Taipei and Le Meridien. With a relatively low incoming supply of upscale hotels and high occupancy rates in both Taichung and Kaohsiung's markets, this gives a positive signal for upscale hotel developers to develop in anticipation for the increase in tourism demands in Taiwan. Limited high-end hotel supply in Taiwan coupled with a positive tourist arrivals outlook provide opportunities for Taiwan's hotel market to bloom.

MAP OF TAIWAN



Source: Lonely Planet

Formosa Overview

Taiwan, historically known as Ilha Formosa, "Beautiful Island" in Portuguese, lies in the heart of the Western Pacific. It lies across the Taiwan Strait from mainland China, the south of Japan, the north of the Philippines, Singapore and Indonesia. The strategic geographic location of Taiwan makes it one of the crucial transit hubs in Asia.

Being the Western Pacific's regional hub that serves as an important industrial and export partner for the mature economies of the United States and the European Union, Taiwan is part of

the Four Asian Tigers, with Hong Kong, Singapore and South Korea in the 1990s. Taiwan maintained exceptionally high economic growth between the early 1960s and 1990s. Taiwan has successfully transformed from being a cheap labour-intensive manufacturing economy to become a world leader in advanced technology.

Taiwan's economic growth relies heavily on the exports of technology-driven business. Hence, Taiwan's export-oriented economy was heavily affected due to the late-2000 global financial crisis. In 2009, Taiwan was one of the worst-hit economies in the Asia Pacific region with a registered negative 1.8% GDP growth due to the decrease in exports and consumer spending. However, the Taiwanese economy bounced back in 2010 and 2011, registering a 10.7% and 4.0% GDP growth, respectively.

According to Taiwan Statistical Bureau, mainland China contributes for 28% of Taiwan's exports in 2010. This percentage is expected to increase due to the passing of the Economic Cooperation Framework Agreement (ECFA) between mainland China and Taiwan, effective as of 1 January 2011. The agreement aims to bring greater cross-strait trade liberalisation and is progressing towards expanding trade relations with the Association of Southeast Asian Nations (ASEAN) and other major trading partners. Furthermore, the signing of the ECFA will further benefit the growth of Taiwan's exports as more export items will enjoy zero tariffs. As of early 2012, 90% of items on the ECFA's agreed list have enjoyed zero tariffs. These items include organic chemical products, silk, copper products and non-motorized bicycle components.

The poor economic environments in the European Union and North America regions, two of the major trading partner regions of Taiwan, could continue to result in negative effects on Taiwan's export performance. Further improved relations with mainland China are expected to loosen the cross-strait trade and investment

restrictions and encourage greater capital investment in mainland China and Taiwan. In addition, the enacted ECFA, passed on 28 June 2011, allows individual mainland Chinese residents from Beijing, Shanghai and Xiamen to travel independently in Taiwan. On April 2012, six more cities were added to the list: Chengdu, Chongqing, Guangzhou, Tianjin, Hangzhou and Nanjing. As of August 2012, residents of 13 cities in China can tour Taiwan without restrictions. Furthermore, Taiwan is now offering medical tourism visas for mainland Chinese residents. The relaxed visa requirements for mainland Chinese to visit Taiwan will give Taiwan's tourism industry a boost in the near future.

Demand

Given its strategic location and regional economic importance, Taiwan has long benefitted from healthy and growing tourism demand levels. The following section will discuss some of the aspects of the wide range of visitor origins and interests.

Visitor Arrivals

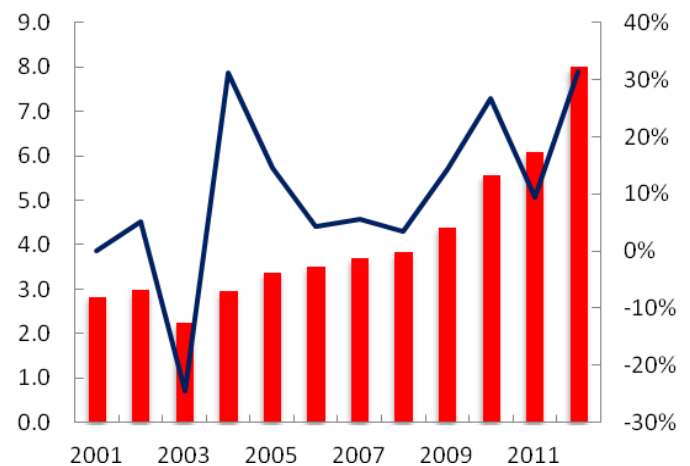
From 2001 to 2011, Taiwan has witnessed a compound annual growth rate (CAGR) of 8.0% in total visitor arrivals. This healthy increase is sustained by the robust growth of mainland Chinese visitor arrivals with a CAGR of 16.6% from 2001 to 2011. In 2011, Taiwan welcomed a record-breaking number of visitors to the island, reaching approximately 6.1 million visitor arrivals, 9.3% higher than the previous peak of approximately 5.5 million in 2010. As of July 2012, a total of 4.2 million visitors have arrived in Taiwan in 2012, a 25.5% percent increase from the same period last year. The number of visitors arriving in Taiwan for the whole of 2012 is expected to top that of 2011.

Mainland China

Since the signing of the ECFA, mainland Chinese tourist arrivals to Taiwan have surged, registering a CAGR of 63% between 2008 and 2010.

Mainland Chinese visitors make up approximately 29% of the total visitors in 2011. In the first half of 2012, according to World Tourism Organisation (UNWTO)'s projection, inbound travellers to Taiwan increased by 25.2%. This is mostly attributed by the increase of Chinese mainland travellers into Taiwan.

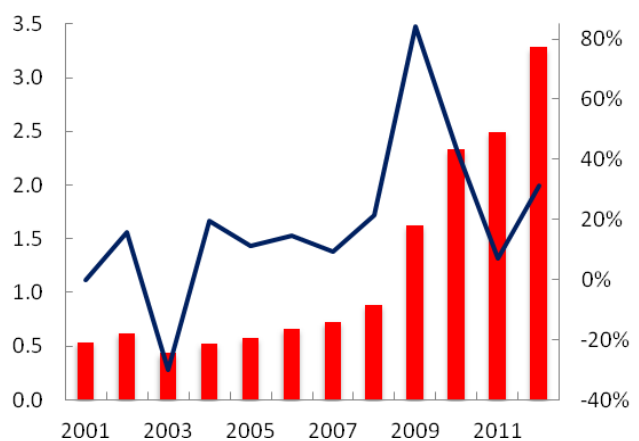
FIGURE 1: TOTAL VISITOR ARRIVALS 2001-2012F (MILLION VISITORS AND ANNUAL GROWTH RATE)



Source: HVS Forecast (2012F)
Tourism Bureau Ministry of Transportation and Communications, Taiwan (2001-2011)

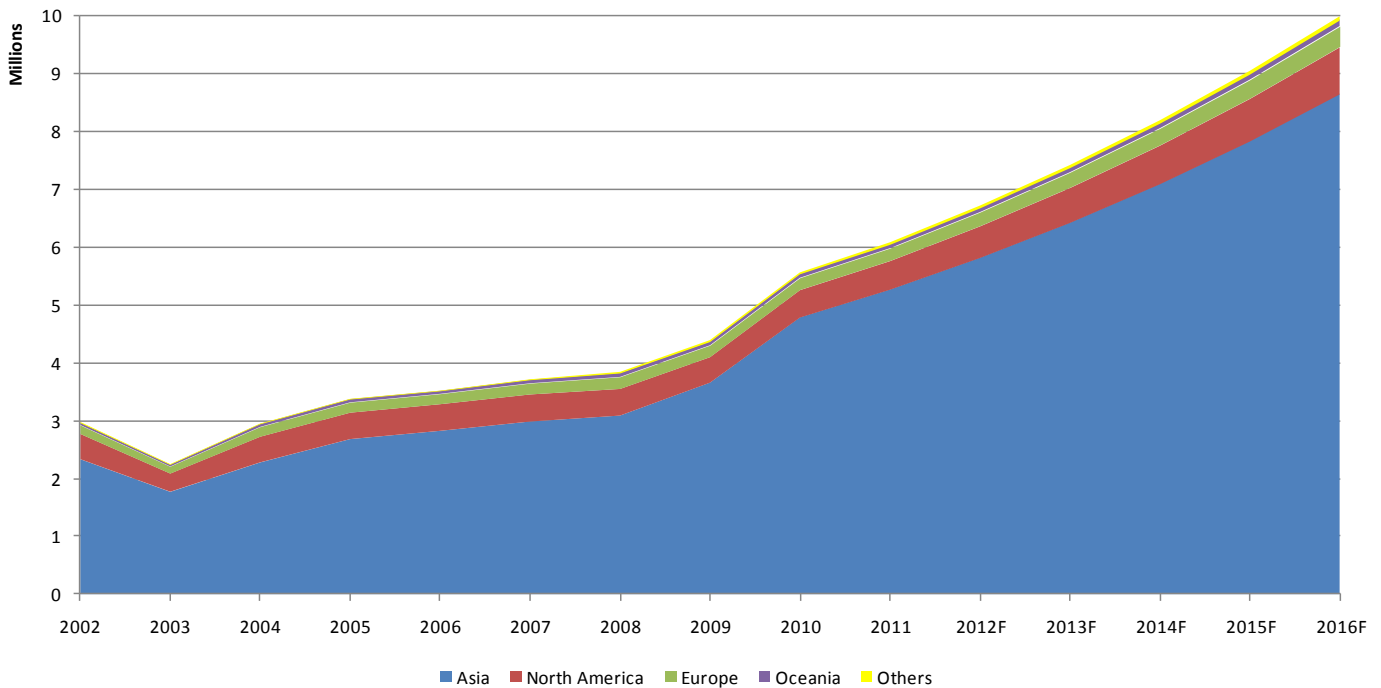
As shown in Figure 1, visitor arrivals to Taiwan between 2002 and 2011 registered a significant growth of around 3.1 million individuals, a CAGR of 8.3%. Ever since Taiwan allowed independent travel by mainland Chinese tourists, visitation statistics from mainland China registered double digit growth (14.3% and 26.7% CAGR in 2009 and 2010, respectively).

FIGURE 2: DOMESTIC CHINESE VISITOR ARRIVALS 2001-2012F (MILLION VISITORS AND ANNUAL GROWTH RATE)



Source: HVS Forecast (2012F)
Tourism Bureau Ministry of Transportation and Communications, Taiwan (2001-2011)

FIGURE 3: VISITOR ARRIVALS ORIGIN 2002-2016F



Source: Tourism Bureau Ministry of Transportation and Communications, Taiwan (2002-2011); HVS Forecast (2012F-2016F)

North American and Europe

Mature travel markets from North America recorded limited growth since 2002 (1.4% CAGR). In addition, the annual growth of visitor arrivals from Europe is subdued at 4.0%. The 2008 financial crisis affected the developed markets of the West heavily and this is illustrated in the visitation statistics. Since 2009, statistics show that arrivals from these markets are on limited growth.

Asia

Asian visitor arrivals continued to increase at a healthy pace, with Malaysia and Singapore registering a CAGR of 18.6% and 11.7%, respectively. Due to increases in GDP growth and personal disposable income in Southeast Asia and mainland China, it is expected that the Asian travellers to Taiwan will increase in the near future. In addition, Korean visitors registered an annual growth of 12.6% since 2002 as Korea and Taiwan maintains relationship on high-technology manufacturing. For example, Korean and Taiwan established the first collaboration on

Flat Panel Display Committee to share technical information and discussing standardisation plans on 3D display terminology.

Outlook

The strongest increase in visitor arrivals is still from mainland China. Since Taiwan has lifted the travel restrictions for mainland Chinese visitors, arrival statistics from mainland China has registered a CAGR of 55.3% from 2007 to 2011. Approximately 1.5 million more visitor arrivals were received in 2011 over 2007. This number is expected to grow as further relaxation on the travel restrictions on mainland Chinese tourists is administered. According to the Taiwan Tourism Bureau (TTB), total visitors to Taiwan are expected to reach 10 million by 2016.

Key Demand Generators

Commercial Demand Generator

With its strong background in industries including semi-conductor, light-emitting diode (LED), and information-technology markets, Taiwan is an ideal commercial and MICE

destination. Much of the commercial activities are dominated in the northern part of Taiwan. Kaohsiung, one of the major international ports in the world, has attracted numerous foreign direct investments in setting up manufacturer plants to process locally purchased raw materials for exports. Taichung, although dominated by small businesses, is one of the leading producers of bicycles, zips and ball-bearing and related parts in the world. During the prime of the Taiwanese Miracle era, Taichung was known as the “Shoe Nest” for its hundreds of small firms involved in the shoe industry. Taipei has become one of the global cities in the production of high technology and its components. The Taipei market has been dominated by the service industries, especially those related to commerce, transportation and banking. In addition, in the north of Taiwan, Hsinchu serves as an important economic hub. The Hsinchu Science and Technology Industrial Park (HSP) contribute to Hsinchu being the highest disposable income level city in Taiwan. In addition, HSP has one of the world’s highest concentrations of semiconductor manufacturers in the world.

MICE

Figure 4 depicts a list of existing exhibition centres and trade centres in Taiwan. In Taipei, Taipei World Trade Centre (TWTC) and Taipei World Trade Centre Nangang Exhibition Hall (TaipeiEx) are two of the major MICE facilities in Taipei that caters to both domestic and the international events. TWTC, a four-in-one complex (including The Exhibition Hall, International Convention Centre, International

Trade Building and Grand Hyatt), is designed to accommodate the needs of any business community. TaipeiEx is situated in Nangang –east of TWTC. The expansion of TaipeiEx began in June 2012 on a second exhibition hall. The new nine-story building, situated on a 3.4 hectare lot, is expected to be completed by 2015.

Outside of Taipei, these MICE facilities mainly cater to the domestic and regional markets. In Taichung, the main MICE venue is the World Trade Centre Taichung (WTCT); in Tainan, the Taiwan International Exhibition Centre caters to the Tainan regional market; and in Kaohsiung, the 23,100 square metres Kaisyuan World Exhibition Centre opened in 2008. However, due to the high demand for exhibition space in Kaohsiung, host of popular 3C events (Computer, Communication and Consumer Electronics), a new Kaohsiung Exhibition and Convention Centre (KECC) is set to complete in 2013. KECC is expected to yield approximately 1,500 exhibition booth space, a 2,000-person meeting space, two 800-person meeting hall and 10 other small conference rooms.

Leisure

Taiwan is successful in attracting travellers of all types: from a culturalist looking to explore Taiwan’s Chinese and aborigines tribes’ history to gourmet lover seeking for the perfect night-market snacks to computer wizards looking for the latest high-tech 3C products. In addition, Taiwan’s natural beauty does not tarnish its “Ilha Formosa” reputation. From the beautiful Sun Moon Lake to the grandiose Taroko Gorge and Kenting beach in Pingtung to the majestic Alishan

FIGURE 4: CURRENT EXHIBITION CENTRES IN TAIWAN

Exhibition Centres	City	Size (Sqm)	Year Operational
Taipei World Trade Centre	Taipei	200,000+	1986
TaipeiEx	Taipei	47,000	2008
World Trade Centre Taichung	Taichung	4,851	1990
Taiwan International Exhibition Centre	Tainan	4,360	2011
Kaisyuan World Exhibition Centre	Kaohsiung	23,100	2008
Kaohsiung Exhibition and Convention Centre	Kaohsiung	13,500+	2013 (Expected)

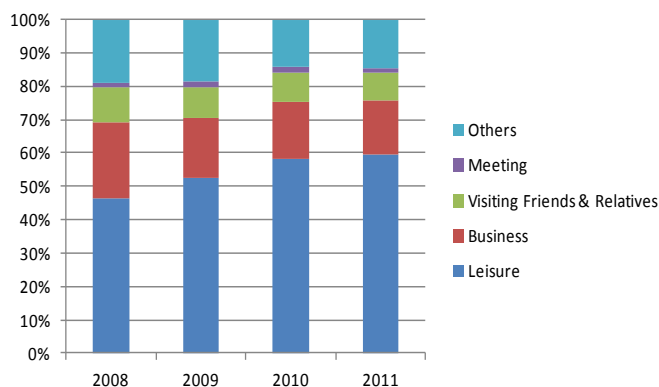
Source: HVS Research

Natural Scenic Area, Taiwan has one of the most diverse geography catering to every preference.

Taipei’s vibrant night-life is also one of the must-try experiences in Taiwan. From the vibrant club life to the vivacious night markets like the Shihlin Night Market, Taipei is one of the most vibrant and popular cities in the world. Lastly, Taiwanese people are known for their affable nature. Taiwanese’s well-known “*renqing wei*” (which roughly translates to “personal affection”), voted by its visitors as one of the main highlight of Taiwan, certainly makes guests’ stay in the country an unrivalled travel experience.

Purpose of Visit

FIGURE 5: PURPOSE OF VISIT (PERCENTAGE) 2008-2011



Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan

Since 2008, there has been a gradual increment in the number of Leisure and Business travellers. Leisure remains the major purpose of visitation in Taiwan. Since most of the international arrivals in Taiwan are for tourism purposes (59.7% in 2011), the TTB has planned out numerous tourism initiatives to create better experiences for tourists in Taiwan in 2012. These initiatives include Project Vanguard for Excellence in Tourism (2009-2014), “Medium-Term Plan for Construction of Major Tourists Sites (2012-2015), and the implementation of the “Tourism Promotion Focus” (2012-2013) that established the firm direction of national scenic area developments. Furthermore, this percentage is expected to increase as more Mainland Chinese

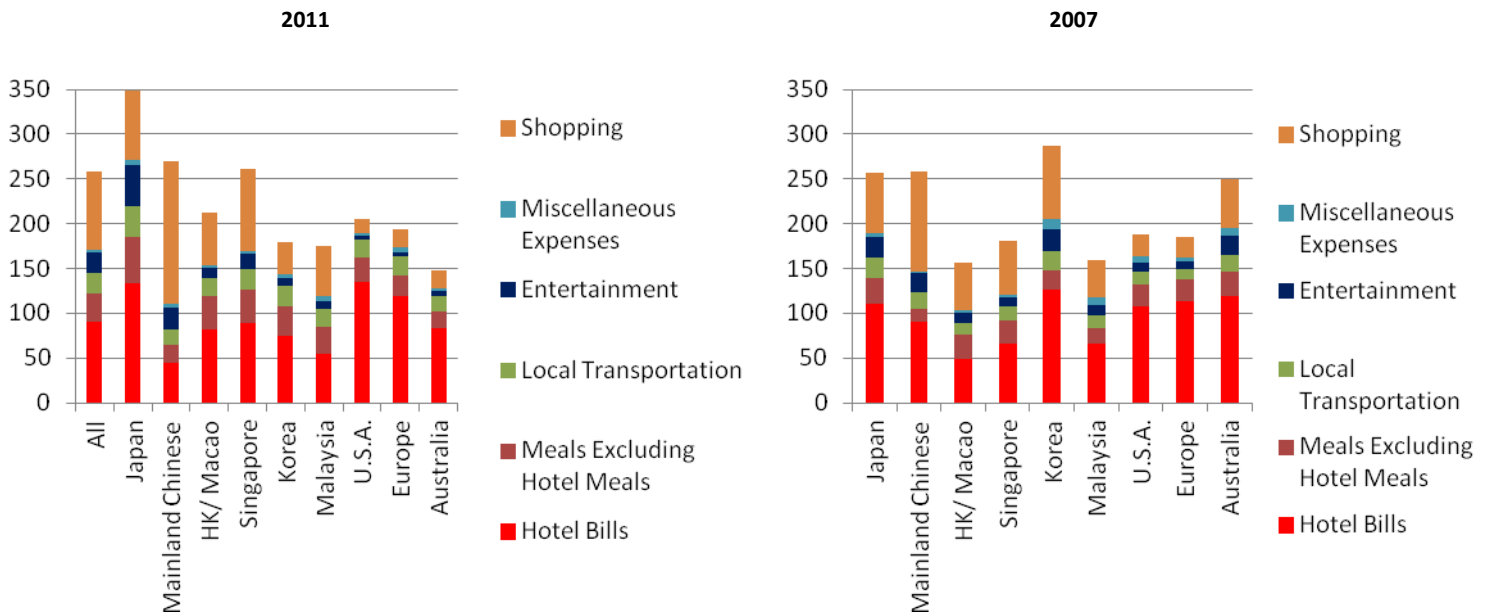
travellers are allowed to travel in Taiwan independently.

Since Taiwan is closely tied to established economies, the number of business travellers to Taiwan is reflected by the global economy. Mature economies like the United States and Japan have long - established business relationship with Taiwan. Japan (30.3%) and the United States (13.0%) together make up 43.3% of the total business travellers in 2011. However, both economies were severely affected by the 2008 economic slowdown and this is reflected in the decline of business travellers visiting Taiwan during the period of 2008 to 2011 from 22.9% to 16.2%. While the proportion of the Business segment has declined, the absolute number of business travellers to Taiwan has increased, registering a CAGR of 2.8% from 2008 to 2011.

Spending Pattern

Not only did Taiwan witness an increase in the number of visitor arrivals since 2007, but it also witnessed an increase in the visitors’ average spending per day. In 2011, the average spending of tourists increased by 16% from US\$216 to US\$257 per day. The average length of stay in Taiwan hovers around 7 days. The following tables illustrate the average spending per day, average days spent in Taiwan, and the total tourism expenditure from 2002 to 2011.

FIGURE 6: AVERAGE VISITOR DAILY EXPENDITURE 2007 AND 2011 (US\$)



Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan

According to TTB and the Ministry of Transportation and Communication, visitor expenditure more than doubled, from US\$4.6Billion in 2002 to US\$10.9Billion in 2011. From 2007 to 2011, visitors' expenditure experienced healthy double-digits growth rates (13.9%, 14.8%, 27.9%, and 25.1%, respectively). This is largely attributed to the increasing number of visitor arrivals, improving global economy and the increasing average spending per visitors per day.

According to Figures 6 and 7, Japanese visitors spend the most on meals, local transportation, entertainment, and miscellaneous expense, while mainland Chinese spend the most (by a large margin) on shopping (US\$160). This amount is 76.4% higher than what Singaporeans spend on shopping (US\$91) in Taiwan. This illustrates the high spending power of the mainland Chinese visitors. The average mainland Chinese visitor expenditure, on average, is US\$270 in Taiwan (the second-highest after Japanese visitors' expenditure of US\$348). Average spending of mainland Chinese visitors on their hotel bills are the lowest in the group (US\$45). The reason is that most mainland Chinese visitors can only stay in hotels arranged by the travel agency due to

FIGURE 7: TOP 3 EXPENDITURE GROUPS BY NATIONS (2011)

Category	1st Place	2nd Place	3rd Place
Hotel Bills	U.S.A.	Japan	Europe
Meals Excluding Hotel Meals	Japan	Singapore	HK/Macao
Local Transportation	Japan	Singapore	Korea
Entertainment	Japan	Mainland Chinese	Singapore
Misc. Expenses	Malaysia	Japan	Europe
Shopping	Mainland Chinese	Singapore	Japan

Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan

travelling restrictions. Since mainland Chinese visitors arrive in groups, the hotel selection is often four-stars or below, thus explaining the low expenditure on hotel bills. However, as free and easy travel by residents of some provinces has been allotted recently, mainland Chinese visitors will be able to have a choice over their lodging options.

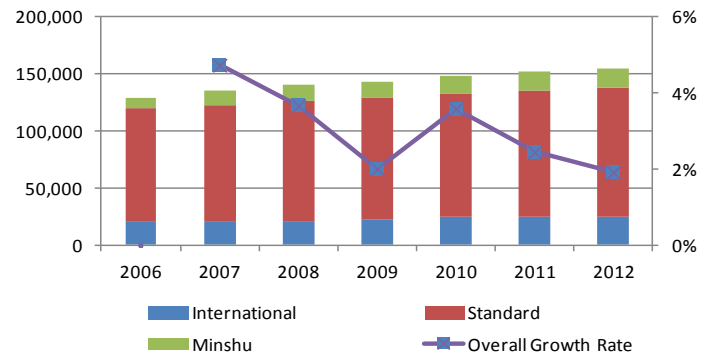
Supply

According to the TTB, Taiwan offered 154,687 rooms to travelers as of June 2012, an increase of 34% over 2005.

Existing Supply

TTB categorized tourists' accommodations into three different categories: international tourist hotels, standard tourist hotels, and Home-Stay accommodations. International tourist hotels typically have more than 200 rooms and the standard food and beverage accommodations and meeting facilities for gatherings or weddings. Lastly, international tourist hotels are typically four- or five-star accommodations and are the Taiwanese equivalent of "Upscale/Luxury Hotels". Standard tourist hotels, on the other hand, are usually two- or three- stars accommodations with limited meeting and food and beverage facilities. Home-Stay accommodations (*Minsu*) operate like Bed and Breakfasts in the United States. These small-scaled independent hotels are different from the typical hotels in that most do not use online booking systems or uniformed crew. *Minsu* are often operated by owners and thus the customers may have a more personal experience. Furthermore, most of the *Minsu* are situated in locations where guests are able to enjoy the nearby scenic tourists attractions. It is no wonder that Hualien, home to Taroko and Yushan National Park as well as East coast and East Rift

FIGURE 8: TOTAL TAIWAN ROOM SUPPLY 2006-2012



Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan

Valley National Scenic Areas, (yielding 808 registered *Minsu*) has the most *Minsu* establishments - taking advantage of Hualien scenic attractions.

As indicated in Figure 8, room supply increased at a steady constant annual growth rate of 3.1% from 2006 to June 2012. Standard tourist hotels form the bulk of lodgings, accounting for 73% of the total accommodation supply in June 2012. The overall supply growth rate spiked in 2010 at 3.6%. Overall, *Minsu* registered the highest growth rate (CAGR of 6.4%) since 2007. This may be attributed to the fact that *Minsu* has fewer requirements to comply with before operating.

FIGURE 9: PROPOSED UPSCALE SUPPLY

Proposed Opening Date	Proposed Hotel	City	No. of Rooms (Est.)
2013	Amba Xinyi District	Taipei	NA
2013	Silks Place Taipei	Taipei	300
2013	Mandarin Oriental Taipei	Taipei	303
2014	Hotel Indigo Taipei Xinyi	Taipei	173
2014	Proposed Marriott, Dazhi District	Taipei	NA
NA	Upscale Hotel, Taipei Main Station	Taipei	NA
NA	Lodging Development, Shihlin	Taipei	NA
NA	Four Seasons Taipei	Taipei	NA
NA	Eslite Taipei	Taipei	NA
NA	Ta Shee Golf Resort	Taoyuan	NA
2012	Millennium Vee Hotel Taichung	Taichung	237
2014	Crowne Plaza	Tainan	NA
2015	Planned 6-Stars Sailboat Hotel	Kaohsiung	NA

Source: HVS Research

As of July 2012, 15% of the *Minsu* are non-registered lodging establishments and therefore not reflected in the official supply. The international tourist hotels witnessed the highest supply growth in 2010, a 10% increase. However, this increased supply is still considered minimal for international tourist hotels.

Marketwide Upscale/Luxury Supply and Performance

Upscale Hotel Supply Pipeline in Taipei, Taichung and Kaohsiung

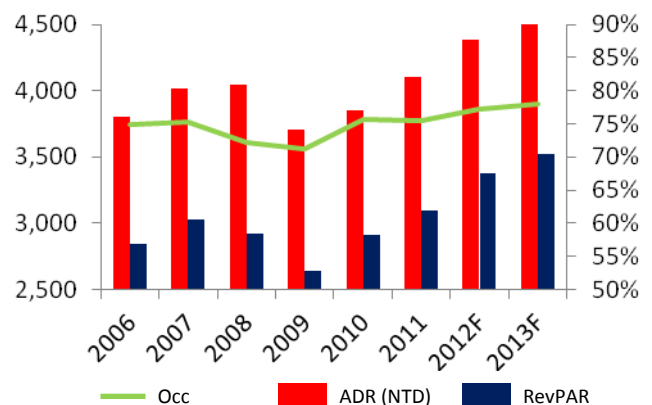
As of June 2012, there are a total of 107 international tourist hotels with 25,536 rooms available. Taiwan's hotel market has witnessed a slow growth of international tourist hotel supply since 2006, which is especially true for the Taichung and Kaohsiung markets. In 2011, Taipei and Kaohsiung markets saw a sharp increase in supply due to a relatively small amount of existing supply. The Taipei market will continue to see this sharp increase in supply in the coming years, with the majority of the new openings concentrated in Taipei. The total supply of upscale hotels in Taiwan is expected to increase to 22,039 rooms by the end of 2013. Since March 2008, according to TTB, 22 hotels with a total of 5,189 rooms have come into the supply pipeline for Taiwan. According to TTB's estimation, more than 49 new hotels, with a total supply of 9,938 rooms will enter the Taiwan's pipeline by 2015, making 153 upscale hotels and 35,375 rooms available in the upscale/luxury hotel market in all of Taiwan. Figure 9 illustrates the upcoming international tourist hotels in Taipei, Taichung and Kaohsiung.

Taipei

In 2011, Taipei witnessed a room supply growth of 4.4%. The openings of the W Taipei with 405 rooms and the Grand View Resort Beitou with 66 rooms, together with Le Meridien Taipei (160

rooms), Palais de Chine Hotel (286 rooms) and Radium-Kagaya Hotel (90 rooms) have rejuvenated the Taipei hotel scene, which has been relatively quiet since 2006. As of June 2012, there are currently 38 upscale hotels with 10,276 rooms. In addition, Westin Taipei, Regent Taipei and Far Eastern Plaza Hotel (Shangri-la) are all currently undergoing renovations. The performance pattern of the upscale market segment mirrors that of the overall market. Average rates in the upscale market increased by 6.7% to NTD4,382 as of the end of June 2012. Occupancy for the upscale market increased to 77.16% as compared to the overall occupancy of 75.40% in 2011. RevPAR continues its growth from 2010 with an increase of 9.2% as of the first half of 2012. With the addition of new openings such as Hotel Okura Taipei, Four Seasons Taipei and Silks Place Taipei in the near future, competition is expected to increase in the market. Occupancy is expected to be driven by the inflow of mainland Chinese tourists. With the additions of new international branded hotels into the market, the average rates are expected to rise to the range of NTD4,500 by 2013.

FIGURE 10: TAIPEI INTERNATIONAL TOURISM HOTELS PERFORMANCE 2006-2013F



Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan (2006-2011); HVS Forecast (2012F-2013F)

In anticipation to the robust growth of visitor arrivals, infrastructure developments are already in place. The Taiwan Taoyuan International Airport Access MRT System is expected to commence service in June 2013. In addition,

Nangang's 'Three-in-One Railway Station' currently under construction will serve as a hub for the three major railways (Taiwan Railway, Taipei Metro and Taiwan High-Speed Rail) and shorten the commuting time.

The upward trend of business market performance and investment sentiment in 2011 drove up the average hotel capital value for the upscale/luxury segment by 4.5% to US\$438,000, from US\$419,000 in 2010. Capital value for the luxury segment is expected to increase due to the increasing visitor arrival and healthy supply inflow.

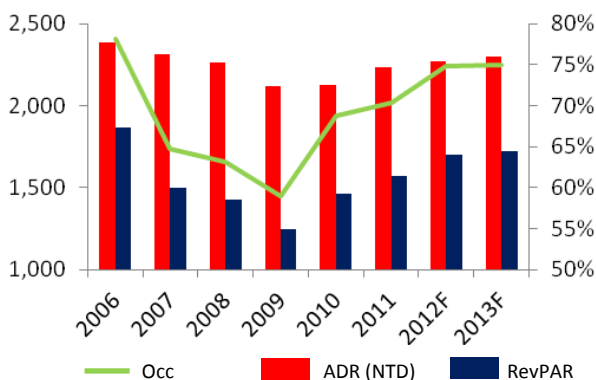
FIGURE 11: AVERAGE VALUE PER ROOM 2000-2011 (US\$ '000)



Source: HVS Research

Taichung

FIGURE 12: TAICHUNG INTERNATIONAL TOURISM HOTELS PERFORMANCE 2006-2012



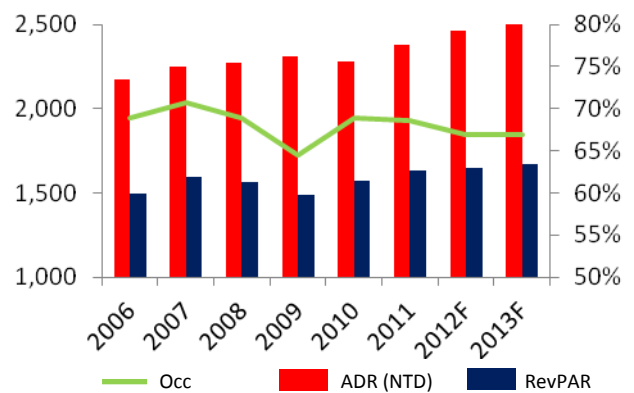
Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan (2006-2011); HVS Forecast (2012F-2013F)

There has been no additional upscale hotel room supply in Taichung in the past few quarters. As of the end of June 2012, there are only five upscale hotels in Taichung with a total supply of 1,286

rooms. Since the 2009 financial crisis, Taichung's upscale market has witnessed a decline in average rates, of -1% annually. As of June 2012, average rates increased 1.7% from 2011 while occupancy rate has increased from the 59% in 2009 to over 70% in 2011. Accommodated demand is expected to increase as visitor arrivals are expected to be 10 million visitors by 2016 in the country. In addition, Millennium Vee Hotel Taichung, expected to be completed as of November 2012, is going to give the Taichung upscale hotel market much of the jolt it needs. With the high occupancy rate in Taichung as well as an increasing ADR since 2009, these are positive signs for hotel developers and certainly going to attract more international hotel development prospects.

Kaohsiung

FIGURE 13: KAOHSIUNG INTERNATIONAL TOURISM HOTELS PERFORMANCE 2006-2012



Source: Tourism Bureau, Ministry of Transportation and Communications, Taiwan (2006-2011); HVS Forecast (2012F-2013F)

In 2010, the office-converted Fullon Hotel Kaohsiung is the only new entrant in the upscale category in the last five years. Fullon's room count was increased to 250 rooms in 2011. In the meantime, the only increase in supply was contributed by Ambassador Hotel Kaohsiung. Due to the completion of the renovation exercise, Ambassador released 16 and 12 rooms in 2009 and 2010, respectively. As of the end of June 2012, there are only nine upscale/luxury hotels in Kaohsiung with a total supply of 3,255 rooms.

After recovering from the global financial crisis, upscale hotels in Kaohsiung experienced a steady increase in average rates since 2010. The average rates are expected to increase at a low steady rate due to the lack of incoming upscale hotel supply. In addition, the occupancy rate in the market is expected to hover around 72% due to limited hotel supply and high tourists demand from mainland Chinese tourists.

Kaohsiung's government is leaping to push its tourism internationally. The Kaohsiung Harbor Bureau (KHB) is planning major developments to rejuvenate its tourism market. KHB seeks to establish Kaohsiung as a prime tourism destination by establishing a six-star sailboat hotel in the world on the "Waterside Pearl" project. The project plans to create the 10.7-hectare area into a travel destination target. In addition, KHB aims to transfer the old No. 19 and No. 20 piers into Kaohsiung Port Cruise Service Centre, capable of handling the largest cruise ships in the world, by 2014. This investment is estimated to top NTD2.9Billion (US\$93.5Million).

On-Going Improvement on Tourism Infrastructure

Currently, there are vast opportunities in tourism infrastructure development. For example, the current undergoing Suhua Highway Improvement Project, set to complete in 2018, is going to improve Yilan and Hualien's road infrastructure, which are always getting affected by typhoon and earthquakes. Since Typhoon Morakot in 2009, the Alishan Forest Railway has yet to be repaired. There are currently insufficient direct flights from Kaohsiung to mainland China, due to limited air-lift schedules; most direct flights from Kaohsiung International Airport to mainland China are red-eye flights. Improvement on this issue will bring much of the international tourism business into the south.

According to TTB, the recently passed voting decision whether to build a casino on Mazu Island

is likely to be delayed in its execution due to the lack of tourism infrastructure in the region. Much of the needed large energy and water-treatment infrastructure able to sustain these large-scale developments are still missing in the region.

Optimistic Hotel Development Potential and Outlook

In 2012, Taipei witnessed the energy and vigor that W Taipei brought into the hotel market. What makes W Taipei such an impact to the market, besides its upbeat brand imagery, is that it is one of the few new hotels in the market. We may see more management contracts in Taiwan as developers and owners see the benefits. Furthermore, due to the shortage of upscale hotel supply in Taichung and Kaohsiung and improved tourism infrastructure, we may see more upcoming properties in the near future.

Although Taiwan's economy is set back by the weak export situation, increased mainland Chinese tourism arrivals will boost the tourism industry in Taiwan. Coupled with the increasing upcoming upscale/luxury hotels into the supply pipeline and regionally tourism infrastructure development, Taiwan's hotel market is set to bloom. The demand is increasing for Taiwan's upscale market while the supply is not set to match that demand. In the near future, supply growth is imminent as the tourists arrival increases at the fast pace it observed in the past. We are finally seeing vigorous energy in the Taiwan's hotel market; it is finally time for Taiwan.



About HVS

HVS is the world's leading consulting and services organisation focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 30 offices staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. For further information regarding our expertise and specifics about our services, please visit www.hvs.com.

HVS SHANGHAI mainly serves clients with interests in China. We have appraised almost 1,000 hotels or projects in all markets within China and the Asia Pacific region for leading hotel companies, hotel owners and developers, investment groups and banks. Known as one of the foremost providers of hotel valuations and feasibility studies, and for our ability, experience and relationships throughout China and Asia, HVS Shanghai is on the valuation panels of numerous top international banks which finance hotels and portfolios.

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Jonathan Jaw is an Associate with HVS Shanghai, specialising in hotel valuation and consultancy. He joined HVS after completing his MSc program in Real Estate Economics and Finance at London School of Economics.

Having real estate private equity exposure with Morgan Stanley and operational experience with Shangri-La's Far Eastern Plaza Hotel, Jonathan has since then provided hotel investment advice and conducted valuations, feasibility studies, strategic advisories and other consultancy assignments across Asia.

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Adeline Phua is Partner of the HVS Shanghai. An alumnus of Ecole Hôtelière de Lausanne, Adeline has advised projects in excess of 20 countries across the Asia region and has been involved with feasibility studies, repositioning studies,

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