“Going beyond hospitality

In the world of hotels, the lobby is a convenient hub for the vast array of services that the establishment provides, including checking in, checking out, and arranging transportation. It often doubles as a communal multipurpose gathering place for the work and leisure activities of guests—providing a place where they can do everything from meeting with corporate clients to relaxing with a good cup of coffee and a book... Across the commercial real estate sector, trend-setting companies are taking inspiration from the hospitality industry’s focus on customer service, convenience, and satisfaction, and similarly striving to provide a better experience for tenants.

Many real estate companies are going beyond the model of offering an array of services and amenities comparable to those of a high-end hotel to also apply some of their design principles. They are analyzing tenant needs and challenges and finding innovative ways to fill them, from merging co-living and coworking into paradigm-shifting product offerings to delivering at office buildings on-site services that are designed to reduce workforce stress and improve work-life balance.”

— Extract from ULI Magazine 0819 article by Patrick Kiger

Welcome to the Q3 2019 edition of Colliers Hotel Insights, our quarterly magazine for hotel and other accommodation stakeholders across Asia. This edition features key destination trends across Asia, a highlight of key industry disruptors, and a technical section. We also provide insights and opinions on topical issues within the gaming and leisure sectors.

Hotels across Asia Pacific continued to have a tough year in Q2 2019 when compared to the corresponding period in 2018. Overall room occupancy and average daily rate (ADR) showed decreases to 68.1% and US$99.76, respectively. This resulted in RevPAR for the region showing a decline of some 6.2% year-on-year. We note this figure would have been negatively impacted by forex currency movements together with economic fundamentals. In terms of room occupancy, Delhi-NCR, Hanoi and Seoul were the stand out performers, with year-on-year growth in excess of 2.4%, according to STR. HCMC, KL, Jakarta and Phuket led the crowded field in being the worst performers.

In local currency terms, Bali, Hanoi, HCMC, and Mumbai, all witnessed increases in excess of 5% in terms of ADR. KL, Phuket, Sanya, Seoul and Shanghai witnessed declines.

It is evident that the recent escalation in the trade dispute and political impasse between the USA and China continues to weigh on business and consumer confidence, thereby tempering demand growth. This, combined with movements in forex, the fall in the number of Chinese visitors to Thailand, slightly mitigated by Indian visitors, together with new supply in some destinations have all significantly impacted performance. However, we note that intra-Asia and growing domestic travel in the larger destinations across Asia, is likely to continue to underpin demand in the region. As such, we would expect performance to remain largely muted in the coming months. On that note, good reading!
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Our specialists take on this important segment for destinations in Asia

Meetings, Incentives, Conventions and Exhibitions (MICE) represent a sector of tourism dedicated to planning, booking, and facilitating conferences, seminars, and other events. Delegates attending MICE activities have a purpose beyond leisure tourism and can be considered business travelers. Across Asia, the MICE industry is a key driver of tourism destination development and an important source of income, employment and foreign investment. Generating millions in annual revenues, the sector is evolving, aligned with the fastest growing region in the world. This unprecedented growth has meant incentivised business travel is now widely recognised as the highest revenue contributor to the travel industry, worth US$805 billion in 2017 and expected to generate US$1,245 billion globally in 2023.

Globally, Asia Pacific is the second largest and the fastest growing region for the MICE industry, with meeting and event-based travel generating US$229 billion in 2017; 28.4% of global revenue. Looking ahead, and according to AMR, a research institute, the global MICE industry is forecast to grow 7.5% CAGR between 2018–2025. During the same period, Asia Pacific MICE related tourism receipts are forecasted to expand 8.6%, contributing US$441.1 billion in revenue by 2025. Whilst most events in Asia support regional business and trade, global companies looking to expand into some of the world’s fastest growing economies, are also keen to host their own events in the region, further supporting the region’s activity.

Much of the regional MICE industry has been driven by Asia’s rapid urbanisation, business activity and increasing levels of corporate earnings. Recognising the sector as an important source of promotion and revenue for public and private sectors, Asian governments have refocused tourism strategies away from leisure and towards the more lucrative group business travel. In doing so, they are introducing incentives via dedicated tourism bodies including visa waivers, SME promotion and infrastructure improvements, all focused on developing this booming industry, with the aim of also convincing delegates to stay longer by adding leisure, so called ‘bleisure’.
Economic development across Asia more specifically correlates with the region’s momentous growth in tourism, which welcomed 506.6 million international visitor arrivals (IVAs) last year. Indeed, over the last ten years, Asia Pacific has become the world’s fastest growing region for tourism and shows no signs of slowing. Recently, The Pacific Asia Travel Association (PATA) forecast the region’s IVAs global contribution to swell from 73.6% to 76.2% by 2023 representing approximately 685 million international visitors into Asia.

As an industry, MICE is an important source of revenue to the hospitality sector, with approximately 90% of all business events in the region hosted in hotels and visitors spending 1.7 times more than leisure tourists. Therefore, incentive business travel provides hotels with unique opportunities to showcase their offerings to valuable and potentially repeat guests, whilst enhancing their overall reputation. However, different destinations can focus on varying segments of the industry.

Malaysia, Indonesia and Cambodia are focused on events promoting trade activities within region, whilst more established destinations such as China, Singapore and Hong Kong are reinventing themselves through providing a unique experience with technology, cuisine and content.

Supported by The China MICE Committee (CMC), China dominates the industry regionally and is expected to retain top spot through to 2025. The government has long encouraged SMEs and Chinese Trade Associations to expand their overseas operations and commercial activities.

Concurrently benefitting from this growth, Hong Kong saw a 11.4% growth in visitor arrivals to 65.1 million in 2018. This included a 14.8% rise in mainland Chinese visitors to just over 51 million, accounting for 78% of all arrivals.

Source: STB – MICE 2020 Roadmap

APAC meeting snapshot

**India**
Represents 5% of the total sqm sold in Asia’s trade fair market. Projected to be the next ‘sweet spot’ for exhibitions after China in the next 5–10 years, fueled by its growing middle class.

**Thailand**
As an established hub to Cambodia, Myanmar, Laos and Vietnam (CMLV), Thailand will see even more economic activities when the planned Kunming-Thailand high-speed rail is completed.

**Indonesia**
The world’s 16th largest economy, Indonesia is in the radar of many international event organizers who are hoping to cash in on the boom. The MICE industry is expected to get a boost with another 160,000 sqm of new exhibition space in 2014/2015.

**China**
More than 55% of market share in Asia in terms of sqm sold for exhibitions, and hosts 70% of venue capacity in Asia at 4.85 million sqm.

**South Korea**
3rd in the union of international associations (UIA) rankings for top international meeting country in 2013.

**ASEAN**
About 10% market share in Asia collectively in terms of sqm sold for exhibitions, ASEAN is becoming a major buyer market as economies and domestic consumption surge.

**Australia**
Investing more than ever in its business events and incentive offerings, with a robust strategy and an extended global trade and marketing program.

Despite being the region’s most expensive destination for business travel, Hong Kong offers visa-free entry for visitors from over 170 countries and received two million MICE arrivals in 2018, up 2.1% from 2017.

**THINKING OF INVESTING IN A MICE FACILITY? SPEAK TO OUR SPECIALIST TEAM**
In similar vein, Macau’s MICE Integrated Resorts are well known. The Macau Government Tourism Office (MGTO) has worked to capitalise on the Hong Kong-Zhuhai-Macao Bridge (HZMB), with an extra one million land arrivals using the crossing since its opening, whilst passenger traffic through the airport was up 15% to 8.2 million in 2018. Last year, Macau broke its record in terms of arrivals, welcoming 35.8 million visitors, a 9.8% Y-o-Y compared with 2017. The focus on the MICE industry next year looks set to remain strong with a Meet@Macao initiative being launched and first phase of the Light Rapid Transport (LRT) importantly linking Macau with Taipa and Cotai.

Elsewhere in the region, Singapore continues to take advantage of being within a seven-hour flight radius to circa half the world’s population. Launched in 2010, Marina Bay Sands (MBS) has welcomed over 330 million visitors, attracting approximately 700 new MICE events to Singapore. Last year the venue hosted 3,600 events, attracting 1.4 million delegates to the Sands Expo & Convention Centre. In 2018, the industry accounted for approximately 15% of all arrivals, contributing S$2.2 billion (22%) in tourist receipts. With a new 15,000-seat arena at MBS recently announced and The MICE 2020 Roadmap, Singapore will continue its focus on improving delegate experience through interactive technology, experience, convenience and thought leadership.

Away from established markets such as Singapore, Thailand is gaining ground in the MICE arena, welcoming approximately 38 million overseas visitors last year, up 7% Y-o-Y. This growth in popularity was reflected by a 10% increase in tourism receipts to circa US$62 billion. In 2002, Thailand launched the Thailand Convention and Exhibition Bureau (TCEB) to promote Thailand as a MICE destination. The country is fast gaining ground, attracting 1.3 million overseas MICE visitors in 2018, a 19.8% Y-o-Y increase from the previous year. The was reflected by the 8.1% jump in business tourism receipts to US$3.1 billion. Innovatively, Thailand also introduced the region’s first MICE Venue Standard (TMVS) facilitating a MICE venue standard certification (AMVS). There are currently 371 venues, consisting of 949 MICE spaces recognised nationwide. Looking ahead, The TCEB recently unveiled a 3-year MICE Intelligence & Innovation Strategic Plan (2019–2021), and a MaxiMICE campaign to source more meetings and incentives from top performing ASEAN markets whilst the government introduces double reward points and other flight schemes to continue to attract incentive travelers.

Like India and Indonesia, Japan boasts a large domestic market which suggests long term MICE potential. India – still very much an emerging giant aims to generate more than two million outbound MICE tourists by 2020, whilst the industry is expected to be worth an estimated US$9 billion by 2025.
Of note, there is an emerging trend in MICE cruise offerings, which is rapidly growing in popularity given its potential for bleisure trips. Offering both a unique experience and high quality service offerings, all often at a competitive price, many are looking at the cruise solution as an enticing option. Indeed, Genting’s Dream Cruises have been investing in the sector for some time and are expected to launch a technologically advanced, global class ship, designed for the Asian cruise market in 2021.

In summary, being the fastest growing region in the world, Asia can expect a buoyant few years ahead for the meetings and events industry. However, the MICE sector is largely seen as discretionary spend and as such is heavily correlated to business confidence and hiring. Despite this, the MICE industry in populous Asian countries including Japan, Indonesia and India are still relatively small and with national tourism agencies specifically focusing on this sector, we expect these countries and others in the region to grow from strength to strength.

In the interim, more established MICE markets including China, Hong Kong and Singapore will aim to refocus on extended corporate stays, introducing bespoke experiences, exceptional venues and integrated technology solutions. Supporting any tightening of corporate budgets, improvements to infrastructure, incentives to facilitate connectivity such as e-visas alongside improved supply of mid-tier lodging will all need to keep pace to ensure the continued success of the MICE industry in Asia.
DESTINATIONS OF THE QUARTER

Phuket

India to the rescue

For the past decade, the tourism sector in Thailand has been the key driving factor for Thailand’s economy growth. The capital of Thailand, Bangkok, has been ranked as the top most visited city in the world for three years consecutively. Phuket and Pattaya also made the list at 12th and 18th place respectively, making Thailand the only country to have three of its cities in the top 20. According to the World Travel and Tourism Council (WTCC), the travel and tourism sector in Thailand brought in a revenue of US$109.5 billion in 2018, making up 21.6% of Thailand’s GDP. This was a 6% growth from the previous year as it outpaced the global average growth rate of 3.9% in 2018.

As the largest island in Thailand, Phuket is the second most visited city after Bangkok. In 2017, there was a total of circa 28m (latest available) visitors arriving in Phuket, a 4.5% growth from the year before, recording a 3.2% CAGR since 2013. International tourists continue to drive Phuket’s tourism market making up 72.1% of the total arrivals in 2017.

Despite Thailand’s political turmoil and Russia’s ruble crisis in 2014 which saw a marginal dip in the number of visitors, the number of international arrivals grew for the fifth consecutive year since 2013. This shows the resilience of Phuket as an established tourist destination.

In 2017, the number of international visitors reached circa 20.2m, which was a 4.9% growth from previous year. On the other hand, domestic visitors grew by 3.6% to reach approximately 7.8m. Looking forward, factors such as government enforcement of safety standards and infrastructure projects to mitigate traffic problems, coupled with measures to promote tourism within and outside of Thailand, the number of tourists is expected to increase albeit at a slower pace than that witnessed in previous years.


Source: Ministry of Tourism and Sports, Thailand
On top of diversifying its source market, Phuket has been diversifying its destination offerings as well. Besides being a leisure destination, Phuket has been cementing its role as a MICE destination over the last few years, whilst also witnessing some increase in popularity as a wedding destination.

Overall, the airport traffic in Phuket’s airport has been increasing consecutively over the past seven years, and is forecasted to increase even further. This has spurred the Thai Government to increase the airport’s capacity through several expansions, at an estimated cost of THB5.8 billion. In addition, subject to the Government’s approval, the city is planning to build a new airport which will cost approximately THB75 million. As such, the expansion efforts further prove the Government’s confidence and support for Phuket’s tourism industry in the long run.

Phuket hotel KPIs

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accommodation options. In addition, unlicensed hotels and accommodations has impacted Phuket’s hotel sector. Together with Airbnb, they compete directly with the hotels for guests, thereby placing some pressure on occupancy rates.

ADR on the other hand dipped by 3.3% from THB3,887 to THB3,761 between 2015 and 2016. Following this, average rates have shown improvement recording a CAGR of 2.5% in the last three years, achieving an ADR of THB4,054 at then end of 2018. The increase in ADR can be mainly attributed to the increase in arrivals and as such, hotels were able to demand higher rates. The overall upward trend in occupancy and ADR resulted in a CAGR of 1.7% in RevPAR.

Comparing 2019 YTD May with the same period last year, we note that occupancy has dropped by 6 percentage points from 82.5% to 76.5%. ADR has also decreased by circa 5.4% from THB4,664 to THB4,414, which resulted in an overall dip in RevPAR by 12.3% to THB3,375.

The average length of stay in Phuket decreased from 2.87 days in 2013 to 2.74 days in 2014 due to the martial law declaration and curfew imposed, coupled with the instability of the Russian economy. However, it increased from 2015 onwards as tourism rebounded given the influx of Chinese tourists and increasing number of direct flights to Phuket.

In recent years, Phuket has become more established as a MICE destination. It is currently listed as one of the five dynamic MICE cities in Thailand. In 2017, the city hosted approximately 660 meetings which received close to 60,000 participants. Looking forward, the MICE segment in Phuket will receive a boost from various initiatives launched by the government, such as infrastructure improvements to ease traffic within the city. In addition, a 10,000 sqm MICE facility located right in Phuket’s city center is set to start construction within the next two years, as the government is also looking at building another exhibition hall which the city is currently lacking. Overall, we believe that Phuket has the potential to entice more MICE activity in the region.

### MICE in Phuket

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of meetings held</th>
<th>Number of attendees</th>
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<tr>
<td>2013</td>
<td>1,900</td>
<td>50,000</td>
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<td>20,000</td>
</tr>
<tr>
<td>2017</td>
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Source: Ministry of Tourism and Sports, Thailand

### Average length of stay

<table>
<thead>
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<th>Year</th>
<th>Thai</th>
<th>Foreigners</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.87</td>
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<tr>
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<td>2.74</td>
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<tr>
<td>2016</td>
<td>2.75</td>
<td>4.94</td>
<td>4.34</td>
</tr>
<tr>
<td>2017</td>
<td>2.76</td>
<td>4.92</td>
<td>4.34</td>
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Source: Thailand Convention & Exhibition Bureau

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### Hotel supply

Looking forward, we understand that there will be an influx of upcoming supply, notably The Beach Plaza, which will supply eleven 3- and 4- star hotels with a total of 1,458 keys by 2020. In addition, Airbnb is also ramping up its operation there. The increase in supply and competition will continue to place a downward pressure on occupancy and ADR, as operators strategize to maintain their profits. On a positive note, the government is currently cracking down on unlicensed private accommodation provider by launching the Hotel License Amnesty Program. If strictly carried out, this would help to relieve some competition on hotels.
DESTINATIONS OF THE QUARTER

Okinawa

A northern portal to the tropics

Strategically located within a four-hour flight from major Asian cities in Mainland China, Taiwan, South Korea, and Japan, Okinawa is the most popular beach resort destination in Japan with its sub-tropical climate, vast beaches and marine life. The tourism industry has been a key driver for Okinawa’s economy since its reversion, especially in the past six years after the expansion of air and sea routes coupled with successful promotional activities domestically and abroad. Looking forward, the upward trend is set to continue as Okinawa further develops as a MICE destination, with improving tourism and transportation infrastructure.

Visitor arrivals in Okinawa (2012–2018)

2018 witnessed the sixth consecutive increase in the number of domestic and international arrivals into Okinawa. As compared to the previous year, domestic arrivals rose by 1.6% to 6,998,200 in 2018 while international arrivals grew by 11.5% to 3,000,800. Overall, the total number of visitors increased by 4.4% from the previous year to a total of 9,999,000 visitors.

The domestic market continues to make up majority of demand in the city at 70%, while the international market is mostly driven by Taiwan (30.6%), China (23.2%), South Korea (18.5%) and Hong Kong (7.8%). The increasing number of direct flights, low cost carriers and cruise trips has contributed to the growth of the international market since 2012. However, a sharp drop was seen in 2015, which could be attributed to the increase cost of traveling in Japan underpinned by the strengthening yen. Looking forward, we expect the increasing trend of international arrivals to continue, as the 2020 Tokyo Olympics will likely have an impact on Okinawa’s tourism industry.

More importantly, the increase in frequency of both the air and sea routes should also lead to a growth in international arrivals. The new Miyako Shimoji-Shima International Terminal opened last March and has started to provide direct flights to Hong Kong; this being the first international flight received by the Miyakojima part of Okinawa.
Regional tourism boost with good investment opportunities

As a result of the development of infrastructure and increasing tourism demand, land prices in Okinawa have seen an increase in the recent years. The prices for residential land increased by 4% in 2018, especially in areas near the railway line. The prices of commercial land increased by 7.3% underpinned by the robust demand for hotel investments. In recent news, note that Berjaya Corp, a Malaysia-based corporation, has recently announced its investment into Okinawa by building a US$400 million (land inclusive) Four Seasons Hotel and Residences.

As an effort to boost the tourism industry, the government has been making efforts in developing Okinawa into a major business and tourism hub in Asia through upgrading its tourism and transportation infrastructure. In 2018, Okinawa received around ¥300 billion of subsidies from the central government to fund such initiatives. The existing Naha International Airport is also currently undergoing an expansion project for a second runway, increasing its capacity by 20 million tourists annually. It is estimated to be complete in March 2020, just before the Tokyo Olympics.

Another infrastructure project currently in the planning involves the construction of a railway line which will connect the urbanized Naha to the rural areas in the North. The railway line will cut through eight cities and towns, lasting approximately 15 years and costing circa ¥610 billion to construct. In addition, the central government is actively promoting Okinawa as a MICE destination with an exhibition centre set to open in 2020. Okinawa is also hosting the Tourism Expo Japan 2020, the world’s largest travel industry conference, in October. The event is expected to receive an estimated 36,000 people.
According to the latest available study in 2017, room occupancy exceeded 80% for two consecutive years in all hotel types. ADR has also shown a gradual increase since 2012, leading to RevPAR growth among various hotel categories. The budget hotel sector recorded the highest CAGR over the period, with a 3.3% and 5.9% recorded for occupancy and ADR respectively. This led to a CAGR RevPAR growth of 9.3%. The city hotel sector came in second, achieving a CAGR of 6.2% for RevPAR, followed by the resort hotel sector with a CAGR of 5.8%. All hotel sectors performed well due to the rise in the number of visitors for the past six years, which has led to an increase in the demand for hotels. Consequently, hoteliers were able to increase average room rates in response to the increase in occupancy levels.

Looking forward, hotel performance in Okinawa is expected to slow due to an increasing supply of hotels entering the market amidst slower growth in tourist arrivals. The strengthening of yen, and recent fall out with South Korea might impact tourists’ decisions. In addition, the hotel industry is also facing labour shortages which may have a negative impact on the service quality and operational costs. With that said, measures have been taken by large hotels to overcome such problems by implementing refurbishment plans and human resource development. Even though the government has yet to step in to improve on the labour environment, it has enforced the New Private Lodging Business Act last June. The Act will reduce competition from private lodgings such as Airbnb, hence benefitting the overall hotel industry.

Source: The Okinawa Development Finance Corporation
HOTEL INVESTMENT AND VALUATION

Capital markets insights

Across the region, investors are taking stock after a politically eventful quarter, which saw everything from massive elections in India and Indonesia to protests in Hong Kong. Activity in some areas may remain muted as investors digest recent developments and given the broader backdrop of simmering trade tensions and slowing global growth. However, there is also ample evidence of resilience in markets like Singapore, where additional investment in the commercial and leisure sector will underline the city-state’s status as a commercial haven; and China, where ongoing policy and infrastructure improvements in key markets including Shanghai and the Pearl River Delta should offset global volatility concerns. Compelling opportunities also continue to emerge in fast-developing markets like Vietnam and Myanmar, contributing to a robust regional outlook.

In 2019, the transaction market remains relatively subdued, as owners consolidate their portfolios and seek opportunistic investments as the bid-ask gap remains at historically high levels. Indeed, attention will continue to swing towards more acceptance of development risk as valuations remain high, and investors seek higher returns, particularly from emerging markets.

Interestingly, as the market seeks returns, investors are turning to REIT’s, and purchasing equity stakes in hotel operating companies. We have seen GIC adding another strategic stake in taking on IHCL out of India. We expect further consolidation and strategic investments to be the theme for 2019. Our view remains that this will be supported by assets being injected into REITs, and even consolidation of REITs to take advantage of high valuations.

Overall, despite strong demand driven by both family offices and private equity with Asian real estate mandates, quality inventory remains scarce and thus investors with disposition scenarios in the next 12 months, should consider expediting their process in order to take advantage of favourable market conditions, especially as the outlook for interest rates is on the downside.

Continuous investment into asset class by institutional investors and the dearth of assets being sold show that yields have been low and are expected to remain low, at least until interest rates increase significantly. In addition, sites that have potential alternative use will continue to depress yields derived on hotel income. As such, we are also witnessing high levels of investment in development projects. This will likely remain the case so long as valuations remain at their current high levels.

Recent notable transactions

In this quarter, most of the transactions across Asia were in gateway cities, where investors remain very active.

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Location</th>
<th>Value per room (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four Points by Sheraton Bangkok</td>
<td>Bangkok</td>
<td>0.16 million</td>
</tr>
<tr>
<td>Bay Hotel Singapore</td>
<td>Singapore</td>
<td>0.54 million</td>
</tr>
<tr>
<td>Ibis Singapore Novena</td>
<td>Singapore</td>
<td>0.51 million</td>
</tr>
<tr>
<td>Ewa Hotel Waikiki</td>
<td>Honolulu</td>
<td>0.21 million</td>
</tr>
</tbody>
</table>

Source: Colliers Research.
Note: USD conversions are at time of transaction and represent approx. values.
LEISURE/CRUISING/GAMING

A note on golf in Asia

Golf is a niche lifestyle sport, the demand for which is strongly linked to wealth and levels of disposable income. The level of wealth and the demographics, would determine the penetration rate for the sport in its market. For clubs open to non-members, in addition, income would largely depend on its ability to attract pay and play players and corporate events. The level of demand from both pay and play players and corporate events is generally strongly linked to consumer confidence and general economic conditions. As such, as the economy grows, generally we can expect the demand for golf to grow.

Golf is traditionally seen as a sport for the privileged and affluent class of society. This is despite many efforts to increase its appeal to a wider population, however its perception and relatively expensive nature has meant that in many mature destinations golf participation rates are slowing. In Asia, the sport witnessed a brief revival as participation rates in China drove growth in demand. This was however curtailed by the Mainland’s recent crackdown on conspicuous spending on luxury items which has dampened the market.

According to the MasterCard Affluent Report 2014 (latest), golf is one of the most popular activities by affluent people across the region, with one in five people participating in the sport within the year. Golf is considered a lifestyle product, fulfilling both social and emotional needs, with the golf course experience including discussions of current sporting and golf events, home, work and life ambitions, and exchange of ideas and insights. The attitudes to golf can vary in different markets. In Japan, golf is seen as a way to ‘transcend’ the social status, whilst in China it is primarily seen as a game. In Singapore, it provides access to certain financial products, and to a cache of like-minded people.

The size of the golf market in any destination is ultimately determined by the level of affluence and participation rates. In addition, it is inherently susceptible to changes in the level of disposable income and is generally seen as a discretionary spend by both companies and individuals, and as such tends to strongly correlate with economic prosperity of players in its source markets. As such, the participation rate for golf in wealthy countries can vary significantly, with age and social demographics having a significant influence. In Japan, it is circa 5.7% of the population, whilst in South Korea, it is circa 9.5%. However, due to sheer potential market penetration of the local population, Japan has a significantly larger golfing market than South Korea.

Among Asians, the highest participation rates are those in the age bracket of 35 and older, as the game is still perceived to be one for the older and more successful generation. According to a report entitled Golf Around the World 2019 prepared by The Royal & Ancient, a worldwide golf governing body, Asia is home to two of the five largest golfing markets worldwide including Japan (45,684 holes) and South Korea (9,183). The top five golfing markets in Asia includes China, India and Thailand. Japan is considered the most mature market with limited growth capabilities given the scarcity of available land there and declining population trends and participation rates. This is followed by South Korea, with China the only growing large market albeit from a low base.

We note that markets can also vary in terms of the source of players. In Thailand, for example,
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NEXT QUARTER

OPINION
Our forecasts for 2020

DESTINATION OF THE QUARTER
> China
> Siem Reap

WELLNESS UPDATE
Primary Authors:

Govinda Singh  
Executive Director | Valuation & Advisory | Asia  
+65 6531 8566  
Govinda.Singh@colliers.com

Destination Consulting:

Chris Wright  
Director | Valuation & Advisory | Asia  
+852 2822 0719  
Chris.Wright@colliers.com

Regional Contact:

David Faulkner  
Managing Director | Valuation & Advisory | Asia  
+852 2822 0525  
David.Faulkner@colliers.com

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