



High End Leisure Property, Hotel and Spa Market Overview – Executive Summary

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1 EXECUTIVE SUMMARY

1.1 THE PHILIPPINE ECONOMY AND ITS DRIVERS

The Philippines is no longer the “sick man” of Asia. The renewed faith in the Philippine national government led by Pres. Benigno Aquino III is reflected in the resurgence of the economy. In 2012, the country’s Gross Domestic Product (GDP) grew by 6.6%, making it one of the highest in Asia. The Philippines’ stellar economic performance continued as GDP growth registered at 7.6% in the first half of 2013. The country has also notably sustained its strong economic performance amid the economic recession in many parts of the world, performing better than any other economies in Asia. This has resulted to an investment grade rating from major international credit rating agencies Fitch Ratings, Standard & Poor’s and Moody’s.

Various factors have contributed to the current growth trend that the country is experiencing. The economy is continuously propelled by the many Overseas Filipino Workers (OFWs) who have significantly helped the national economy to move forward through their growing remittances from abroad. Their accumulated remittances have fuelled the Philippine economy to become more resilient and competitive globally.

Incomes have also been growing steadily, increasing by 4.6% between 2006 and 2009. As a result, household consumption is on the rise, growing by 6.6% in 2012, and is a major contributor to the economy. Because of the growing incomes, substantial increases in spending related to recreation and culture (+9.1%) and hotels and restaurants (7.1%) has been seen. With the sustained increase in the level of remittances backed by strong consumer confidence, spending will likewise expand moving forward.

Low interest rates are another key contributor to the national economy. Lending rates have dropped to levels that have never been seen before, allowing businesses to access capital at a very attractive rate. On the other hand, lower interest rates have been a bane to more traditional investors who rely on bank investments. Since yields have fallen, alternative investments such as mutual funds and real estate have become more popular.

The increase in sales of luxury goods is a reflection of the renewed vitality of the Philippine economy, as consumers with increased spending power coming from remittances or higher salaries are quick to acquire goods that reflect their newfound place in society. This is evident in the new wave of global and luxury brands coming into the Philippine market, such as Uniqlo, Brooks Brothers and Stefanel. Rolls Royce, Bentley and Peugeot have also established local branches to cater to the growing affluence. Distributors and local branches of brands such as Louis Vuitton, Salvatore Ferragamo, Armani Exchange and Mango have seen their sales grow annually by an average of 28% from 2006 to 2011.

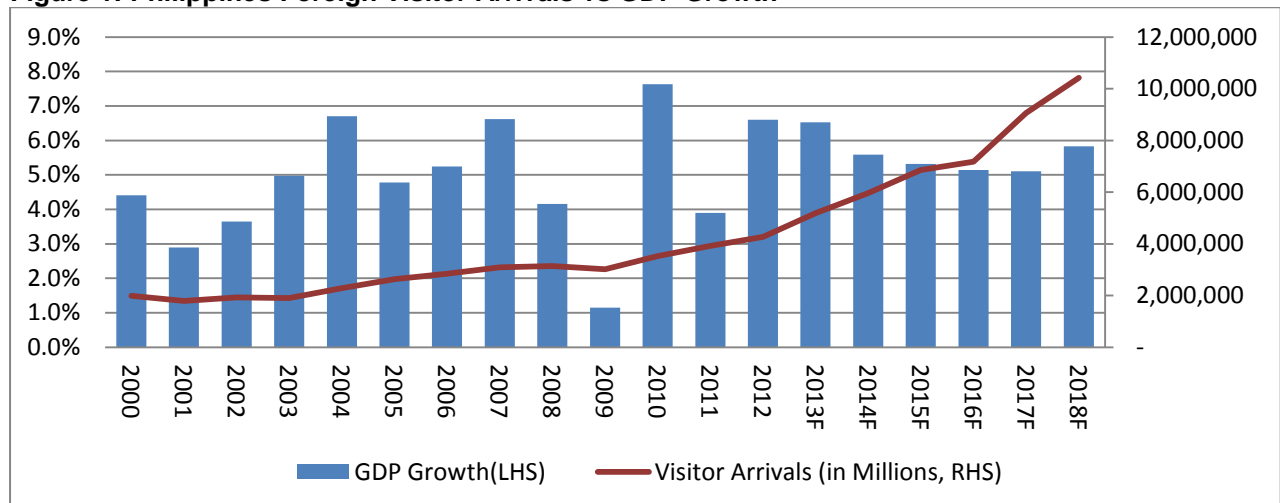


1.2 PHILIPPINE HOTEL INDUSTRY OVERVIEW

1.2.1 DEMAND DRIVERS

In its 2012 publication on world tourism highlights, the United Nations World Tourism Organization (UNWTO) observed that emerging economies have grown faster, and will continue to grow faster than developed economies. The number of visitors coming to the Philippines from abroad has been steadily increasing over the past few years. Tourists have continued to come to the Philippines despite several recent natural and economic disasters, and arrivals exceeded the 4-million mark for the first time in 2012, propelling the all-time high to 4.3 million tourist arrivals. Moving forward, the government is targeting tourist arrivals of 10 million by 2016. Colliers sees a more conservative figure of around 7 million in 2016 and 10 million in 2018 would most likely transpire.

Figure 1: Philippines Foreign Visitor Arrivals vs GDP Growth



Source: National Statistical Coordination Board, Department of Tourism, Colliers International Research (forecasts)

Improvements in the country’s infrastructure over the past few years have enhanced the accessibility of the various tourist destinations. For example, the construction and upgrading of the Busuanga Airport in Palawan in 2007 have helped in the increase of tourists visiting the popular resort town of Coron. Other improvements include the planned expansion of the passenger terminal of the Mactan International Airport in Cebu. Improvements on Terminal 3 of Manila’s Ninoy Aquino International Airport and a planned expressway between the airport and the gaming and entertainment district are also underway. In tandem with the Department of Public Works and Highways (DPWH), the Department of Tourism (DOT) has allotted P12 billion for road infrastructure projects in 2013 plus another P14.4 billion in 2014.

1.3 PHILIPPINES HOTEL INVENTORY

Based on data from the DOT presented in the Philippine Economic Briefing in September 2013, a total of 80,162 rooms are available in the country with an additional 9,690 rooms in the pipeline. In Metro



Manila & CALABARZON, there are currently 37,311 rooms and an upcoming stock of 7,330 rooms, bringing the total number of rooms to 44,641 by 2016. However, approximately 10,177 rooms are still needed to meet the room demand of 54,818 rooms.

Table 1: Room Projections from 2013 to 2016

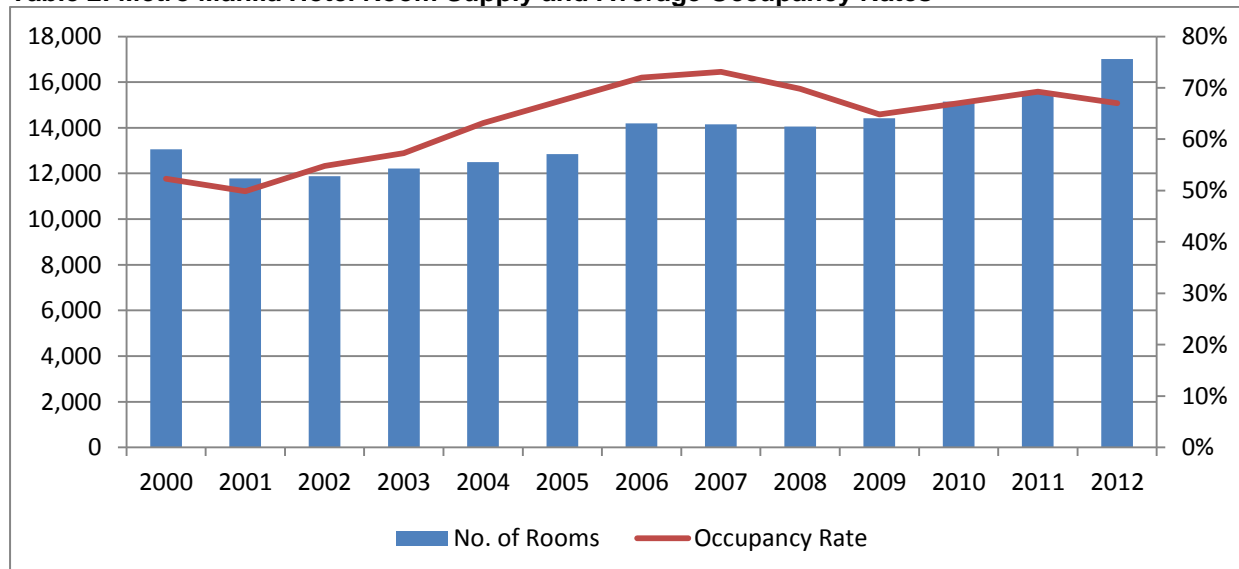
Critical Cluster Destinations	Room Demand	Available Rooms	In the Pipeline	Room Gap
Metro Manila & CALABARZON	54,818	37,311	7,330	10,177
Central Visayas	41,402	27,447	2,124	11,831
Bicol	15,804	8,549	130	7,125
Cordillera	9,851	6,855	106	2,890
Total	121,875	80,162	9,690	32,023

Source: Department of Tourism, Philippine Economic Briefing Sept. 2013

1.3.1 METRO MANILA HOTELS

In 2012, Metro Manila’s hotel room count increased by 10% to reach 17,000. The anticipated rise in tourist arrivals coupled with the heightened levels of casino hotel development will lead to a sharp increase in hotel room stock until 2018, reaching over 32,000 rooms. These new developments are mostly in Makati, BGC and the new Pagcor Entertainment City casino gaming area in Paranaque City. In terms of demand, Metro Manila hotel occupancy rates reached 73% in 2007 right before the Global Financial Crisis hit. It then gradually dipped as the number of hotels increased. Occupancy rates are still quite stable despite the surge in hotel room supply, and have been holding in the high 60’s.

Table 2: Metro Manila Hotel Room Supply and Average Occupancy Rates



Source: Department of Tourism

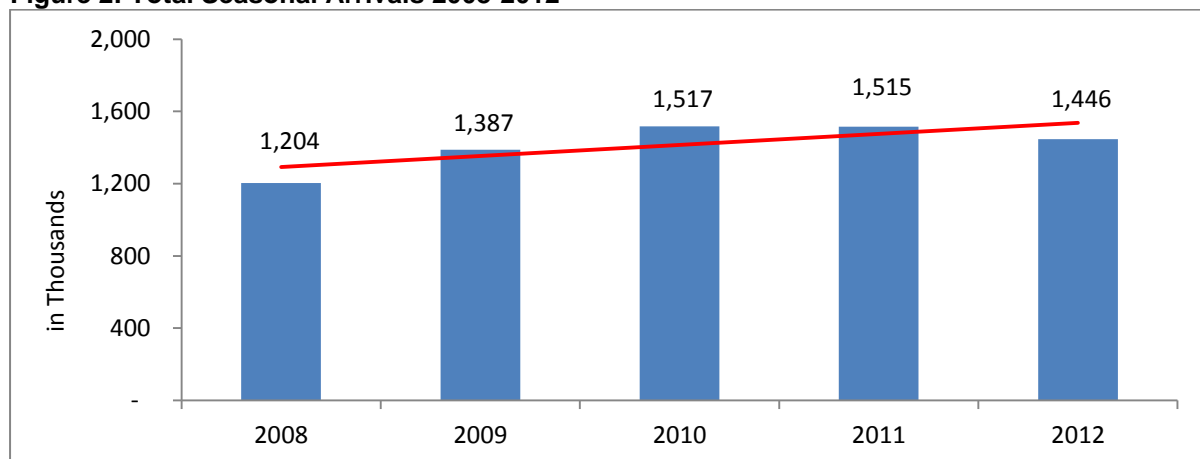


1.3.2 TAGAYTAY HOTEL MARKET

Tagaytay City is famous for its cool weather and tourist destinations, offering great dining options and accommodations as well as scenic views of Taal Lake and Volcano. It is one of the most popular weekend destinations of Manila locals, as well as foreign tourists, and it is only a 1 to 1 ½ hours’ drive from Manila.

Tourist arrivals in the provinces which cover the Tagaytay area have been rising. Batangas tourist arrivals increased by 61.27% in 2011. Cavite meanwhile, increased by 37.79%, upping the arrivals to 1,770,500 in 2011. For Tagaytay, while a slight dip in visitors occurred in 2012, Colliers believes that the general upward trend in visitors to the Tagaytay area will continue in the future. Tourists usually peak during the summer months of April and May as visitors escape the heat, while a second wave is experienced by the end of the year when overseas Filipinos take their holidays back in the country.

Figure 2: Total Seasonal Arrivals 2008-2012



Source: Tagaytay City Tourism & Cultural Office
 Note: Consolidated visitor data for People’s Park and Picnic Grove.

1.3.2.1 TAGAYTAY HOTEL COMPETITIVE SET

Five (5) hotels were chosen to be the competitive set for the Project. Taal Vista Hotel is the most popular and the largest in terms of number of rooms included in the set. Other hotels in the area that are included are One Tagaytay Place and Summit Ridge Tagaytay. Discovery Country Suites and Crosswinds Tagaytay are included because of their market positioning.

Table 3: Competitive Set for Tagaytay

Establishment	# of Rooms	Occupancy Rate
One Tagaytay Place	115	60 - 70%
Taal Vista Hotel	261	60 - 70%
Summit Ridge Tagaytay	108	50 - 60%

Establishment	# of Rooms	Occupancy Rate
Discovery Country Suites Tagaytay	7	50 - 60%
Crosswinds Tagaytay	27	60 - 70%
<i>Average</i>	<i>101</i>	<i>61%</i>
<i>Total</i>	<i>507</i>	

Source: Colliers International Research

Hotel occupancy rates in Tagaytay are generally the same, ranging from 50 to 70%. This is an acceptable level, considering that the research was conducted during the lean season. Crosswinds Tagaytay, One Tagaytay Place and Taal Vista Hotel performed slightly better, with an occupancy rate range of 60-70%.

Among the samples, Discovery Country Suites has the highest room rates, with its least expensive at P12,500, which is higher than the priciest room in Taal Vista Hotel. Taal Vista Hotel in the meantime has the lowest priced rooms at P5,648 to P8,790 per night. Based on the published rates, the average cost per room night for all room types is at P10,068. For the lowest priced rooms, the average is at P6,207, while for the rooms with the highest rate, the average is at P11,159.

Table 4: Hotel Room Published Rates

Establishment	Published Rates in Php (USD)		Corporate Rates	
	Low	High	Low	High
One Tagaytay Place	6,800 (\$158)	12,888 (\$300)	4,450 (\$103)	9,872 (\$230)
Taal Vista Hotel	5,648 (\$131)	8,790 (\$204)	4,800 (\$112)	6,500 (\$151)
Summit Ridge Tagaytay	6,550 (\$152)	14,000 (\$326)	5,005 (\$116)	9,800 (\$228)
Discovery Country Suites Tagaytay	12,500 (\$291)	18,500 (\$430)	6,000 (\$140)	12,800 (\$298)
Crosswinds Tagaytay	6,000 (\$140)	15,000 (\$349)	3,800 (\$88)	13,000 (\$302)
<i>Average</i>	<i>6,207 (\$144)</i>	<i>11,159 (\$260)</i>	<i>4,749 (\$110)</i>	<i>8,260 (\$192)</i>

Source: Colliers International Research

1.3.3 LUXURY RESORT HOTELS IN SELECT AREAS

1.3.3.1 PHILIPPINE LUXURY RESORT HOTELS

With about 7,107 islands, the Philippines has dozens of world-class beaches where a number of luxury resorts with top of the line amenities are located. These high-end resorts are typically marketed as relaxing and luxurious hideaways for those wanting an escape from the bustling and hurried city life. The resorts included in the competitive set are considered as among the most exclusive and best luxury resorts located in the country.

Table 5: Selected Philippine Luxury Resorts

Establishment	Location	No. of Rooms	Occupancy
Shangri-La Mactan	Punta Engano, Mactan, Cebu	530	65 - 70%
Amanpulo	Pamalican, Palawan	40	70 - 80%
El Nido - Pangulasian Island	Bacuit Bay, Pangulasian Island	42	50 - 60%
Misibis Bay	Cagraray Island, Bacacay, Albay	86	40 - 50%
Shangri-La Boracay	Boracay Island, Malay, Aklan	219	70 - 80%
Dedon	Siargao, Surigao del Norte	9	50 - 60%
Eskaya Bohol	Panglao Island, Bohol	15	70%
Balesin	Balesin Island, Quezon	267	Not available
Total Rooms/Villas		1,208	
Average		151	63%

Source: Colliers International Research

Among the high-end resorts surveyed, Amanpulo in Palawan with 70-80% had the highest occupancy rates for the month of August. Meanwhile the El Nido Pangalusian Island resort registered the lowest occupancy rate at only around 50-60%. An average of 63% occupancy could be found for these resorts.

Table 6: Philippine High End Resort Published Room Rates

Establishment	Published Rates in Php (USD)	
	Low	High
Shangri-La Mactan	12,400 (\$288)	31,750 (\$738)
Amanpulo	44,075 (\$1,025)	219,300 (\$5,100)
El Nido - Pangulasian Island	30,500 (\$709)	124,000 (\$2,884)
Misibis Bay	21,285 (\$495)	60,802 (\$1,414)
Shangri-La Boracay	18,000 (\$419)	67,000 (\$1,558)
Dedon	18,705 (\$435)	36,550 (\$850)
Eskaya Bohol	30,100 (\$700)	181,804 (\$4,228)
Balesin Island Club	Not applicable	Not applicable

Source: Colliers International Research

The resort with the highest room rate among the competitive set was Amanpulo, with its most affordable casita priced at P44,075 per night, and its most expensive villa is at P219,300. The least expensive published rate in the sample set was Shangri-La Mactan with rates ranging from P12,400 to P31,750. Based on available finance reports, we estimate that the average daily rate in 2011 of Amanpulo was P12,741, while Eskaya enjoyed an ADR of P7,291.

1.3.3.1.1 TRAVEL TIMES FROM MANILA

One vital factor that tourists take into consideration when planning their trips is the travel time to the destination resort or vacation spot. This is essential since opportunities for long vacations may be limited, and vacationers would want to maximize their time away for more leisurely pursuits.

Table 7: Minimum Travel Times

Resort	By Land	By Air	By Sea	Minimum Travel Time
Shangri-La Mactan, Cebu	20-30 mins	3 hours		3 hr 20 mins
Amanpulo, Palawan		3 hr 10 mins		3 hrs 10 mins
El Nido - Pangulasian Island, Palawan		3 hours	25 mins	3 hrs 25 mins
Balesin Island Club, Quezon		2.5 hours		2.5 hours
Misibis Bay, Albay	9 hrs 45 mins	3 hours		3 hrs 45 mins
Shangri-La Boracay, Aklan		3 hours	15 mins	3 hrs 15 mins
Dedon Island, Siargao	30-40 mins	3 hours 45 mins		4 hrs 15 mins
Eskaya Bohol	30 mins	3 hr 10 mins		3 hrs 40 mins

Source: Colliers International Research

Note: Maximum time at the airport for check in and boarding is only assumed to be 2 hours

1.3.3.2 LUXURY RESORT HOTELS IN THE REGION

To provide a picture of how luxury resorts are being positioned elsewhere in Southeast Asia, data from a sampling of high end resorts in various countries in the region were compiled:

Table 8: Selected Regional High End Resorts

Establishment	Location	No. of Rooms
Four Seasons Bali at Sayan	Sayan, Gianyar, Ubud, Bali, Indonesia	60
Amandari	Kedewatan, Ubud, Bali, Indonesia	30
Amantaka	Luang Prabang, Laos	24
Evason Hua Hin	Pranburi, Thailand	185
<i>Average</i>		75
<i>Total</i>		299

Source: Colliers International Research

For the regional set, resorts in Bali, Indonesia have priciest rates with the Amandari resort having the most expensive rate at P176,300 per night for a 1,500 sq. m. villa serviced by two staff. This is followed by P100,620 per night at Four Seasons Bali at Sayan, also located in Bali. Rates at Evason Hua Hin are the lowest among the regional resorts with prices ranging from P6,414 to P11,291.

Table 9: Regional High End Resort Published Rates

Establishment	Published Rates in Php (USD)	
	Low	High
Four Seasons Bali at Sayan	19,780 (\$460)	100,620 (\$2,340)
Amandari	40,850 (\$950)	176,300 (\$4,100)
Amantaka	34,400 (\$800)	77,400 (\$1,800)
Evason Hua Hin	6,414 (\$149)	11,291 (\$263)

Source: Colliers International Research

1.4 HIGH END SPA INDUSTRY OVERVIEW

Health and wellness along with medical tourism is becoming a more popular trend nowadays in the Philippines. According to the Business Monitor, health and wellness tourism in the country increased in current value by 18% in 2012. It is also expected to increase at a compounded annual rate of 16% over the next few years, as it will be boosted by the Department of Tourism's efforts in increasing the number of tourist arrivals to 10 million by 2016.

Locally and regionally, a number of hotels and resorts in popular tourist destinations already have their own spa service providers for their guests to provide a relaxed and stress-free experience. Notably, Tagaytay City is a popular destination of resort spas and health and wellness centers outside of Metro Manila. Given that it is only an hour and a half away from the capital, it is a popular choice for quick getaways for rest and recreation.

Luxury spas offer a diverse range of beauty and wellness treatments, massage services, body scrubs and other salon treatments. Most of these spas also have Jacuzzis, steam rooms, saunas and swimming pools. Luxury spas usually offer the typical variants of spa treatments, particularly Swedish, Shiatsu, Thai and the traditional Hilot (Filipino massage).

For spas located in the resorts around the Southeast Asian region, treatments and services are also designed based on the cultural and religious traditions in the local community. Moreover, these high-end spas offer not only spa treatments, gourmet meals and other typical amenities, but also physical activities such as yoga, meditation and aerobics.

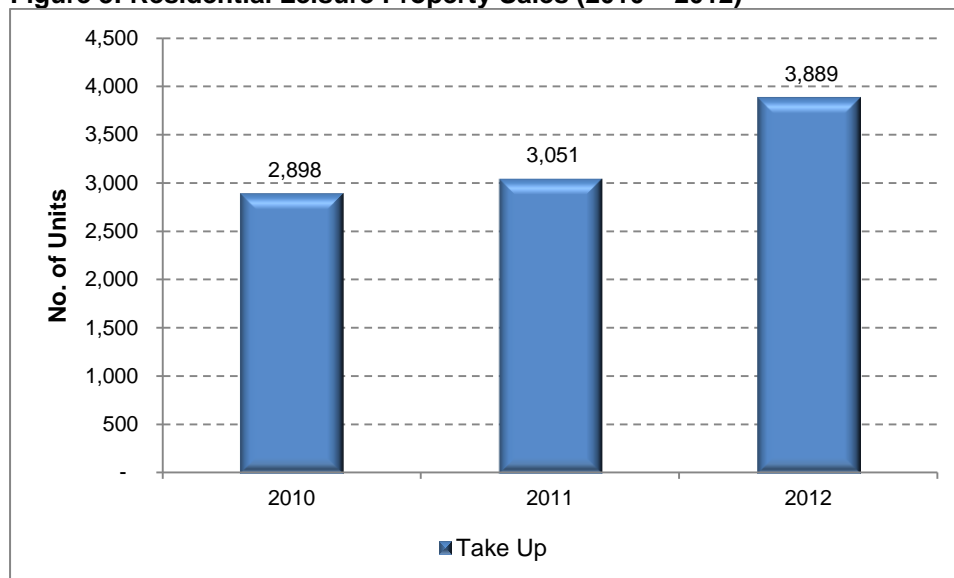
Some of the spas that are considered as major players or the most prestigious and luxury-oriented in the country include CHI The Spa at Shangri-La, The Nurture Spa, The SPA, The Farm at San Benito, Mandala Spa, Asmara Spa and SeriAsia Spa. Some spas located in Southeast Asia that were also assessed were The Spa at Four Seasons Sayan at Bali (Bali, Indonesia), Amadari Resort Spa (Bali, Indonesia) and the Earth Spa in Evason Hua Hin (Pranburi, Thailand).

1.5 LEISURE PROPERTY MARKET

Demand for residential products located in areas known to be as leisure destinations has been growing over time. Buyers will either use it as their second home or a weekend getaway, while the others treat it as an investment as they see the potential for capital appreciation. These properties range from beach houses, mountain resort properties, golf related homes to farm lots, and are found in popular vacation areas such as Tagaytay, Batangas, Subic, Boracay and Baguio.

The graph below shows the number of residential-leisure units that were absorbed by the market.

Figure 3: Residential Leisure Property Sales (2010 – 2012)



Source: Colliers International Research

Note: Covers residential condominium units, open lots and H&L units in selected areas of Tagaytay, Laguna, Batangas, Rizal, Quezon Province, Cebu, Davao and Cagayan De Oro City.

While leisure properties have become popular over the past few years, appealing to those craving for a secondary home for vacations, developers have also started to offer real estate investments with a recurring income component. Taking advantage of areas where tourists flock, projects known as “condominium-hotels”, also popularly known as “condotels”, have been offered to the investment market. With this concept, unit owners may have an option to enroll their units in a pool and be rented out as a hotel room. This type of investment is more enticing than the typical leisure property because of the annual returns that it could deliver.



2 CONCLUSION

Anya Resorts and Residences is a first-class leisure development offering the best of Tagaytay to discerning travelers and pleasure seekers. As the Philippines' first true luxury, wellness hotel and resort brand, Anya offers its guests a unique experience through the partnership of several highly reputable organizations such as the Small Luxury Hotels of the World, Fuego Hotels, and Devarana Spa of Dusit Hotels. Set in an idyllic spot in Tagaytay's rolling hills, amid streams, lush gardens and tasteful Filipino architecture, Anya's guests can find a quiet getaway where they can truly relax in luxury.

Colliers believes that Roxaco Land Corp. is offering an investment proposition of exceptional value in Anya Resorts and Residences Tagaytay. Given the foreseen strength of the Philippine economy, a growing demand for luxury products and services, a rising tourism industry and the increasing demand for weekend retreat facilities that are close to Metro Manila, we believe that Anya would be strategically placed to fulfill an increasing demand for luxury resort hotel and spa services.

Our market research has confirmed the strength of the hotel industry not only in Tagaytay but the rest of the Philippines as well. We have also seen that there are very limited viable options in terms of luxury weekend retreats that are close to Metro Manila, since most options would require air travel in order to access these resorts and spas. The competitive sets for both the Tagaytay hotels and top Philippine luxury resorts both had an average occupancy of over 60%. Our findings indicate that Anya's minimum targets for average daily room rate (P7,900) and occupancy rate (49%) are within range of those being experienced by the leading luxury hotel and resorts in the country, hence offering a conservative and achievable projection of the property's performance.

We believe that once the vision for Anya Resorts and Residences materializes, it can take its place among the top luxury resort destinations in the Philippines and the region.