

savills
第一太平戴維斯

Hospitality

Macao



Tourism in Macao

With the liberalization of the gaming industry in 2002, the Macao Special Administration Region (SAR) began to transform itself into an integrated gaming tourist destination, with construction of Las Vegas-style entertainment facilities and new hotels. Moreover, a series of measures introduced from 2001 to relax restrictions on travel by Mainland Chinese to Hong Kong and Macao (application procedures as well as currency controls) has resulted in a significant boost to arrivals numbers over the past few years.

The tourism industry of Macao is in a phase of rapid growth, as total visitor arrivals hit a new high of almost 22 million in 2006, an increase of 17.6 per cent against 2005. The largest visitor source market continues to be Mainland China, with about 12 million visitors representing a growth rate of 14.5 per cent, followed by Hong Kong and Taiwan. These three source markets alone accounted for over 92 per cent of all arrivals in 2006.

In spite of the strong inflow of tourists, average occupancy rates in Macao's hotels have dropped over the past two years while the proportion of same-day travelers or day-trippers increased from about 43 per cent of total arrivals in 2000 to 52 per cent in 2006. Moreover, as a majority of Macao's overnight visitors spend the night in casinos only 4.6 million visitors stayed in Macao's hotels in 2006, up by 14.1 per cent over 2005, but nonetheless still far short of total visitor arrivals of 22 million. The average length of stay of visitors shortened from 1.4 days in 2000 to 1.2 days in 2006 and over 53 per cent traveled with a guided or packaged tour.

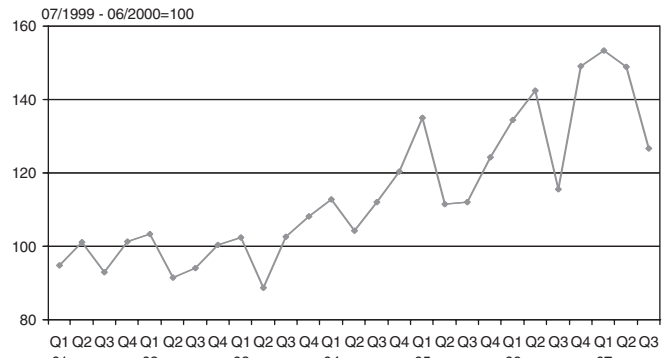
Outlook

The Macao SAR Government is committed to the development of Macao into a quality destination for leisure, entertainment and M.I.C.E. travel in the Asia region. There are in place comprehensive plans to drive the transformation of Macao from a day-trip market to a fully-integrated resort destination, which should attract more visitors to the SAR. Planned tourist infrastructure and world-class entertainment venues as well as further development of the M.I.C.E. market are all expected to draw higher numbers of both vacation and business overnight visitors.

Moreover, continued economic growth in China and the steady appreciation of the RMB are also expected to encourage more Mainland Chinese to visit Macao. Euromonitor International forecasts that the number of Chinese tourists is set to grow by 18 per cent in 2007 and will reach 80 million by 2011. They also predict that five destinations within Asia Pacific including Hong Kong, Macao, Vietnam, South Korea and Japan, are set to dominate the Chinese outbound tourism market and will take a massive 85 per cent of all Chinese outbound tourist numbers by 2011. Amongst these, Macao is projected to receive 10.6 million Chinese visitors by 2011.

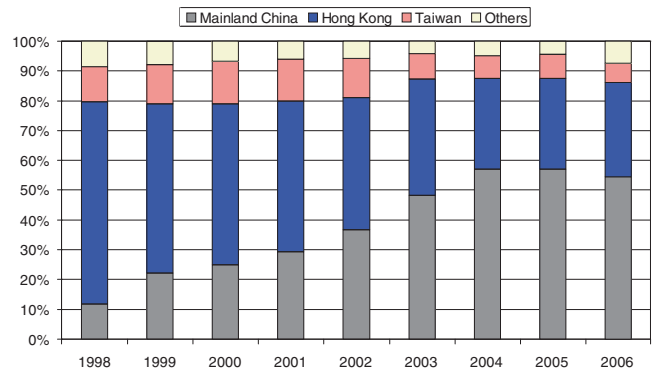
According to the Pacific Asia Travel Association (PATA), the total number of visitor arrivals in Macao is estimated to reach 27.6 million by 2009. PATA forecasts an estimated average annual growth rate ("AAGR") of 7.8 per cent between 2007 and 2009. In addition, PATA also predicts that Mainland Chinese visitors to Macao will increase by 23.5 per cent over the next three years to reach 14.7 million by 2009.

Hotel Accommodation Price Index, Q1/2001 - Q3/2007



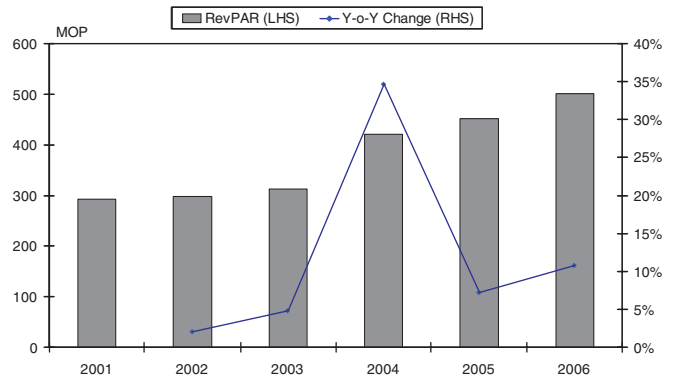
Source: DSEC, Savills Research & Consultancy

Visitors by Country, 1998 - 2006



Source: DSEC, Savills Research & Consultancy

Revenue per Available Room (RevPAR) of All Hotels, 2001 - 2006



Source: Macau Hotel Association, Savills Research & Consultancy

In fact, Macao continued to see very impressive growth in tourism in the first nine months of 2007, as visitor arrivals for the period from January to September 2007 were up by 29.6 per cent compared with the same period last year. This positive trend is evidence that increasing supply of quality gaming and tourist facilities is spurring demand growth in the SAR.

According to DSEC1 and MGTO2, in 2006, 9,089 rooms were occupied daily, producing approximately 5.1 million paid room nights for the year as a whole. In the same year, the average number of guests per room was 1.67 and the average length of stay of all visitors in that year was 1.21. Based on this data, approximately 4.5 million visitors were estimated to have stayed in hotels in 2006, representing approximately 43 per cent of total overnight visitors.

MGTO is intensifying their promotions in Mainland cities and consolidating other major source markets such as Hong Kong, Taiwan and Japan. They are also actively exploring potential long-haul markets such as Russia and the Middle East, and this should help to provide a more diversified visitor market portfolio. The increasing number of low-cost carrier services and long-haul airline routes are also expected to attract more vacation visitors from both the surrounding region as well as the long-haul markets.

Moreover, the new integrated resort style facilities which will offer a variety of diversions such as contemporary shopping, entertainment and fine dining, will attract family-oriented travelers and extend the lengths of stay of visitors (from 1.2 currently to about 2 nights).

On the other hand, with the large-scale convention, exhibition and entertainment facilities soon to be opened in Macao, this will provide favorable conditions for the development of the M.I.C.E. sector. Macao will capitalize on the opportunities to position the territory as a prominent business destination in the region, in turn to enhancing the development of business tourism and driving growth of hotel room demand.

On the supply side, new supply in Macao's hotel market over the next two to three years is substantial. The entry of new international hotel brand names, such as Four Seasons, Shangri-La, Hilton and Conrad, will provide visitors with more choice.

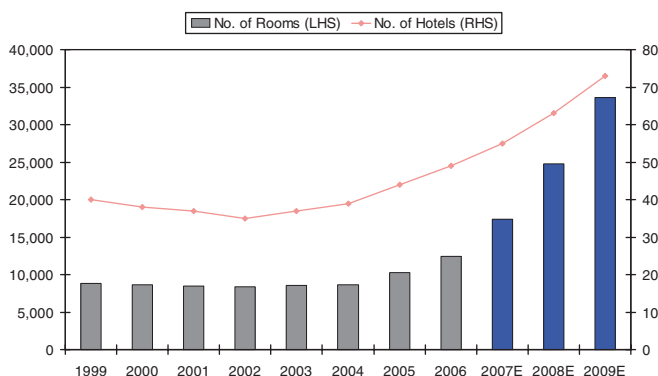
The growing wealth of Mainland Chinese as well as their familiarity with outbound travel is expected to have an effect on spending patterns. As urban Mainland Chinese incomes are expected to increase, by a further 28 per cent to 2010, alongside the generally positive economic outlook for the Chinese economy, a trend to higher quality accommodation is expected and hence, per capita spending on hotels of these travelers is expected to increase. The expected increasing number of Mainland Chinese visitors will benefit both lower-end hotels, as well as the higher-end hotel segment.

Supply of Hotel Rooms by Class, 2000 - 2006



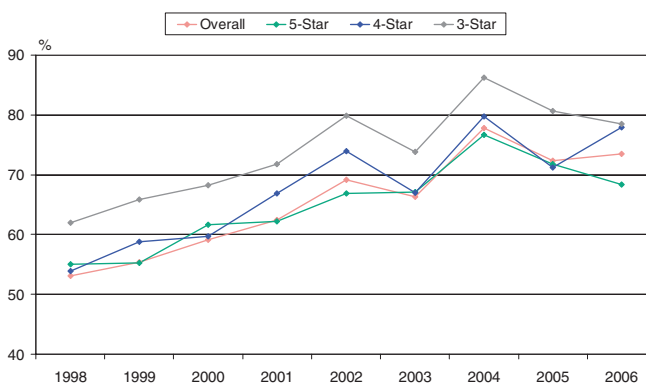
Source: DSEC, Savills Research & Consultancy

Historical and Future Hotel Room Supply, 2007E - 2009E



Source: DSEC, Company Reports, Press Reports, Savills Research & Consultancy

Average Hotel Occupancy Rates, 1998 - 2006



Source: DSEC, Savills Research & Consultancy

¹ Statistics and Census Service of Macao

² Macau Government Tourist Office

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