

RESEARCH REPORT: VOL.2

HOTEL MARKET TREND AFTER 2020-2021 FISCAL YEAR

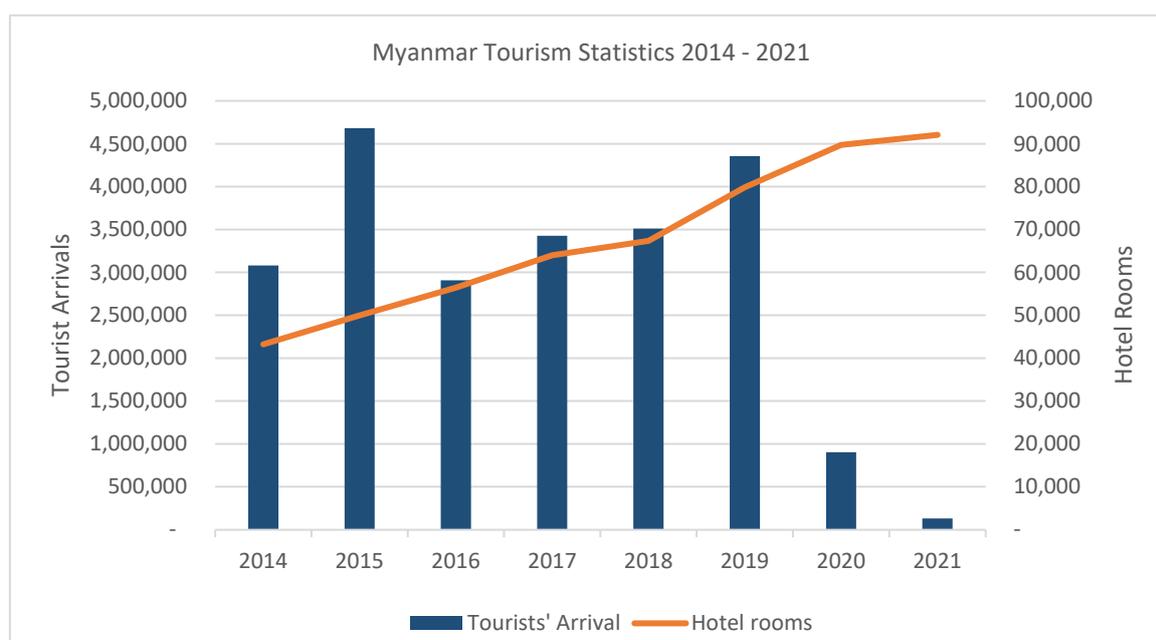
INTRODUCTION

The research report on “Hotel Market Trend After 2020- 2021 Fiscal Year”, is prepared by Japan Valuers (Myanmar) Co., Ltd. Myanmar’s tourism and hotel industry is shaped by the country’s political and climate as well as social and economic contexts. In this report, short overview relating on Myanmar Tourism and Hotel Industry over the past years shall be briefly presented, followed by the Yangon Upper-scale hotel market trends. The latest market trend in Tourism and Hotel Industry is also exclusively discussed in this report; reflecting current significant factors happened after 2020-2021 Fiscal Year.

OVERVIEW ON MYANMAR TOURISM INDUSTRY OVER THE PAST YEARS

The Myanmar tourism industry is highly sensitive and reactive to the political and economic situation in country. After long decades of self-isolation from the outside world, untouched Myanmar emerged as a renewed tourist destination in South East Asia, in response to the country’s political reform started in 2011 with international-recognized general election, which created a positive impact on the industry. Although Myanmar Tourism sector is still considered less developed comparing to the neighbor countries, the visitor arrivals between the year 2011 and 2012, increased by 29.7% for the first time in its history. Since then, Myanmar received over millions of international visitors year on year. Government focused on upgrading infrastructure and enacting laws and master plans to promote the industry.

Figure 1: Numbers of tourists’ arrival and hotel rooms supply over the past years



Data Source: Ministry of Hotel and Tourism Statistics, Trading Economics (2022)

Notes: Tourists’ arrival numbers are the total numbers of visitors’ arrival to Myanmar by International airports and through land borders (VISA, EP, BP, TBP).



The new Myanmar Tourism Law (2018), Myanmar Tourism Rules (2020) and Myanmar Tourism Master Plan (2013-2020) are notable significant attempts to leverage the sector enabling to create employment and business opportunities for the people in Myanmar. It is also significant that tourism in Myanmar is seasonal and lasts around six months, starting from October, after rainy season and peaking in winter between November and February to March, before the onset of the hot season. The remaining six months are generally regarded as the off-season for international tourists due to the hot weather especially in Yangon, Mandalay, Bagan and beach areas. However, Myanmar has both diverse topographical features and seasonal climates. The varied climate and topography allow opportunities for travel and tour in other regions of the country even in the off-season. (Insight, 2012)

According to the data released from Ministry of Hotel and Tourism, tourist arrivals surged in 2015 under quasi-civilian government with a significant uptick, representing 52% increase on the previous year. However, emerging industry had been witnessed a significant decrease in 2016 due to Rohingya crisis in Rakhine State, which reduce its attractiveness of Myanmar to be explored. A steady growth of numbers of tourists was seen in the following years with a remarkable uprise reached to 4.3 million in 2019. (Business, 2018) In the same year, Bagan was remarked as UNESCO World Heritage and Rakhine was opened for business to the world; enhancing business ties with Japan and South Korea for the entry of foreign investment to the country (Lwin, 2019). However, in 2020, COVID-19 pandemic impacted the world tourism and Myanmar was no exception. The number of tourists arrivals declined below a million in 2020, lead to 95 percent of travel and tour companies had halted operations along with some near collapse. The political turndown in 2021 substantially tarnished the fragile industry, increasing serious safety concerns to travel for international tourists in the country.

OVERVIEW ON MYANMAR HOTEL INDUSTRY OVER THE PAST YEARS

Since the country started to open for tourism in 2011- 2012, there was a steady increased in hotel supply in the hotel industry. Government had also attempted to plan and develop hotel zones in Mandalay, Bagan and Nyaung Shwe, but these were not a great success. Changing Nay Pyi Taw as the capital city of the country, in 2015 was also a significant factor for supply being increased, as numbers of hotels had been built with the expectation that many international tourists would visit.

Table 1: Comparison of hotel-rooms supply in popular tourist destinations for 2011 and 2021

Tourist Destinations	2011	2021	PCT
Yangon	7,934	25,582	222%
Mandalay	3,181	11,807	271%
Bagan	2,008	5,866	192%
Nyaung Shwe	937	3,794	305%
Total Rooms	14,254	47,049	230%

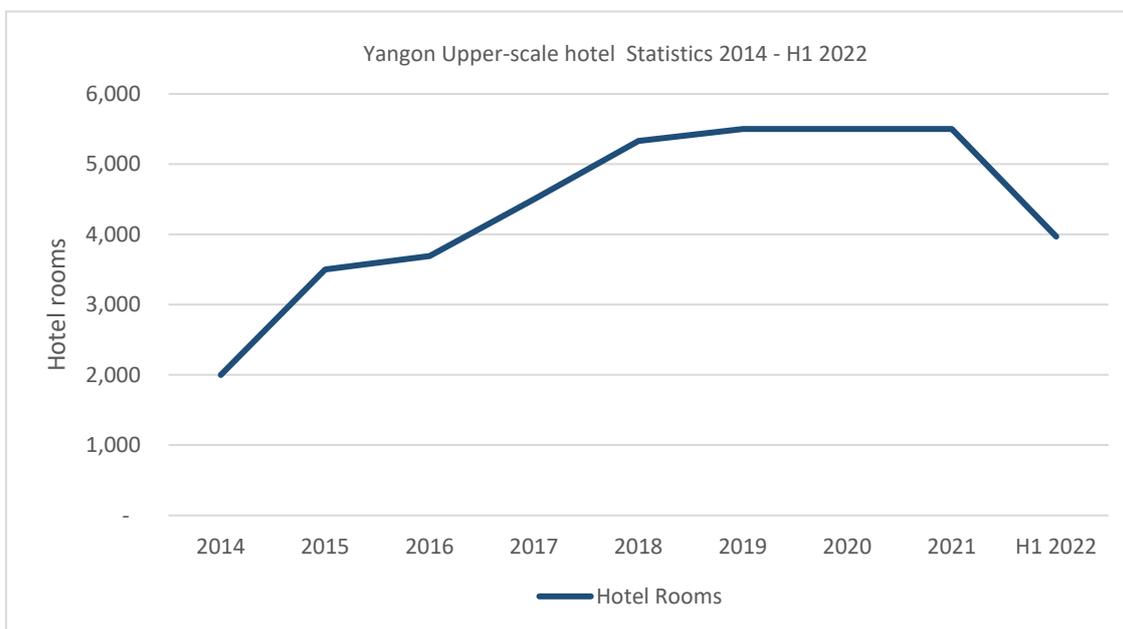
Data Source: Ministry of Hotel and Tourism

Nevertheless, Yangon still remains as Myanmar’s commercial center and the country’s gateway for international travelers. As many international hotel operators eyed on establishing their businesses in a highly potential market, Yangon possesses majority of international hotels and restaurants, compared with other regions. Yangon, Bagan, Mandalay and Inle Lake in Nyaung Shwe, Southern Shan State are popular tourist attractions in the country. The total number of hotel rooms supply in the main destinations increased more than double, compared with the last 10 years.

OVERVIEW ON YANGON UPPER-SCALE HOTEL TREND

In 2014, there were only 12 upper-scale hotels in Yangon with total number of 2,000 rooms in the market. Accelerated tourism industry and growing demand in Yangon’s inadequate hotel supply encouraged foreign investors to develop new international-standard hotels in the market. Yangon hotel market grew rapidly with new hotel projects being developed across the city and investment opportunities remained flourish for the coming years. The completion of Jasmine Palace Hotel and Rose Garden Hotel brought significant addition to the total supply of around 3,500 rooms in 2015. In the next year, not only the completion of Melia Hotel, some properties were also renovated and expanded. Most notably Yangon’s venerable hotel “The Strand”, reopened in 2016.

Figure 2: Hotel rooms supply in Yangon Upper-Scale hotels over the past years



Data Source: Colliers International Myanmar, CIM Property Consultant

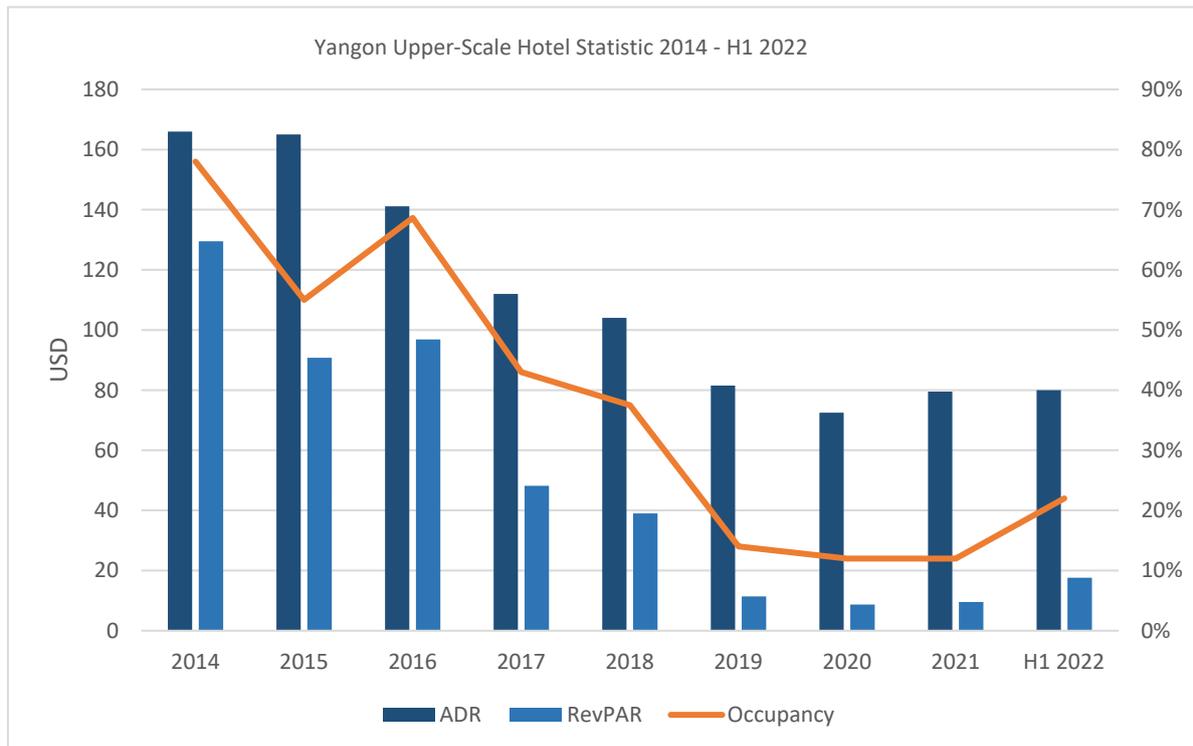
2017 and 2018 were the booming period for the Hotel Industry triggered by the country’s democratization and the investors’ confidence on relaxation of laws related to the foreign investments. At the end of 2017, Yangon upper-scale hotel market offered up to 4,500 rooms at the highest. A stock of high-end hotels reached the modest level in 2019 with a total number of 5,500 room supply. Hotel projects in pipelines initially scheduled to complete in 2020 and 2021, had been witnessed with some delay, resulted in no new addition of hotel rooms in Yangon upscale hotel market. Nearly half of Yangon’s hotels had closed in 2021



mainly because of the hinderances by the pandemic and the massive political change happened in the early 2021 (Myanmar, 2021). In H1 2022, following some remaining temporarily and permanent upscale hotel closures, the upscale hotel stock declined at 3,968 keys, which is a drop of 22%, compared with last year (Consultants, 2022).

AVERAGE ROOM RATE AND OCCUPANCY TREND OF YANGON UPPER-SCALE HOTEL

Figure 3: Average ADR and Occupancy trend over the years



Data Source: CIM Property Consultant.

The room rate was overpriced in 2013-2014 due to a strong demand, which even led to a shortage of room supply in Yangon upscale hotel market. However, in the following years, the rate decreased gradually as a response to healthy competition in hotel industry as there had been a surge in hotel investments by international brands in Myanmar since 2015. Moreover, the increasing demand for lower-grade and locally developed hotels had exerted downward pressure on the occupancy rate of upscale hotel market in Yangon. Despite low occupancy rates in 2017 and 2018, investment continued to rise in anticipation of future growth. The occupancy rate and average daily rate recorded as the lowest in 2020 since the industry hit by the travel restrictions. In the first half of 2022, domestic tourism had also expanded greatly, amid conflicts, especially in safe places to travel such as Mandalay, Bagan, Inle and beach areas as COVID-19 restrictions were gradually lifted. Demand for Yangon city hotels had also improved yet it remained inadequate to buoy revenues. As business and leisure travelers were steadily improving, the occupancy remained at over 20% with suspected revenue per available room at sub-USD 40. In H1 2022, there were about 10 major hotels in Yangon that ceased operations at the onset of COVID in 2021. The supply also decreased 22% YoY, because of temporarily and permanent closure of upscale hotels in Yangon. (Consultants, 2022)

THE LATEST HOTEL TREND AFTER 2020-2021 FISCAL YEAR

Table.2 below shows the list of hotel projects which were either suspended or terminated the operation after 2020-2021 Fiscal Year. “The Peninsula Hotels” operator, Hong Kong and Shanghai Hotels Holdings suspended US\$ 130 million construction project in Yangon. The project includes the renovation of the former colonial style Myanmar Railways headquarters in downtown Yangon into an 88-room Peninsula Hotel (Kawase, 2021).

Table 2: Suspended/ Closed/ Temporarily Closed upper-scale hotel businesses after 2020-2021 fiscal year

No.	Name of Hotel	Grade	Room Supply	Condition	Year
1	Peninsula Hotel	5	88	Suspended	2021
2	Okura Prestige Yangon Hotel	5	399	Suspended	2021
3	Westin Hotel	5	281	Suspended	2021
4	The Golden Terrace Hotel	-	-	Suspended	-
5	Adani Yangon Hotel	5	250	Suspended	2021
6	Oaks Yangon Hotel	5	221	Suspended	2021
7	Sheraton Hotel	-	375	Suspended	-
8	Best Western Ahlone Hotel	-	-	Suspended	-
9	Kempinski Hotel (Nay Pyi Taw)	5	141	Closed	2021
10	Savoy Hotel	5	30	Closed	2022
11	Sedona Hotel Yangon	5	791	Temporarily Closed	2021
12	Pullman Yangon Centrepoint	5	289	Temporarily Closed	2021
13	Yangon Excelsior	5	65	Temporarily Closed	2021
14	The Strand Hotel Yangon	5	32	Temporarily Closed	2020
15	Governor's Residence, Belmond	5	49	Temporarily Closed	2021
16	Sule-Shangri-La Hotel	5	466	Temporarily Closed	2021

Data Source: Media and Press Released.

Okura Prestige Yangon Hotel, scheduled to open in 2022, was also suspended its development in 2021 (WEEKLY, 2021). As of September 2022, according to Directorate of Hotels and Tourism, 320 hotels out of total 493 hotels in Yangon have been operated and 173 hotels are not yet operated. Yangon hotels that are currently opened provide hotel-quarantine services and holiday-staycation packages for travelers. Upper-scale hotels are now welcoming art-exhibitions and wedding ceremonies. Hotels and other revenues are expecting a strong rise in bookings for wedding receptions as wedding ceremonies are traditionally allowed, only after three-month period of Buddhist Lent, in October. Full occupancy was witnessed in some hotels during Thadingyut holidays. Upscale hotels now provide service-apartments by installing kitchen and facilities in guest-rooms, as being flexible with market’s condition in

order to survive in a long-term. As a significant hotel investment in 2022, it is reported that Yoma Strategic Holdings and First Myanmar Investment Company (FMI) will be investing Myanmar Kyats 105 billion in Kawtthaung Hill Development project. The development will be included international standard museum, hotel and villas. The project will be implemented on 197 acres land plot of No.1,199 Hill, one of the highest hills in Kawtthaung. The project will include a 70-room facility hotel and 30 villas, resorts and holidays homes (Eleven, 2022). Since Myanmar has diverse topography, history, untouched natural beauty and cultures to be explored, some hoteliers are still eager to seek and seize business opportunities in key tourist destinations. Table.3 below shows some of the new hotels in Yangon that were opened after 2020-2021 fiscal year.

Table 3: Newly opened hotels in Yangon after 2020-2021 fiscal year

No.	Name of Hotel	Grade	Room Supply	Opened Year
1	The Prince Hotel	4	90	2022
2	Areca Hotel	3	70	2022
3	Hotel Grand Vista	3	50	2021
4	Yangon Win Hotel	2	31	2021
5	Zealax Hotel and Residence	4	180	2020
6	The Link Yangon Boutique	3.5	59	2020
7	Hotel Scion	3.5	36	2020

Data Source: Media and Press Released.

According to the Ministry of Hotel and Tourism, there were 21 new hotels/ motels/ guesthouses that entered Yangon hotel market in 2020 while the entry number dropped to 4 in the following year under the hinderance by political turmoil. Midscale hotels are now focusing to maintain occupancy at the best level, offering affordable room rate for local visitors. Government's reopening of international visitors has given hope for hoteliers who are struggling to keep their business afloat. However, only time will tell if the hotel industry market will be able to bounce back from the current setbacks in the country.

THE LATEST TOURISM TREND AFTER 2020-2021 FISCAL YEAR

In 2022, a slow recovery of tourism industry participated to resume and plans are underway to reopen hotels which are still closed. Myanmar lifted travel restrictions with business visa resuming at the start of April, 2022, followed by tourist visa in mid-May. As a positive impact, it was recorded that more than 3,000 foreign tourists with tourist visas visited Myanmar between 25th May and 12th August. Moreover, over 20,000 foreign tourists with business visas entered the country within four months. Most of the visitors are from ASEAN countries. Although there are some areas in the country that are subjected to heightened armed conflicts, many tourism sites are safe to travel for visitors. In addition, there are likely to experience some inconveniences such as longer travel time due to security check-points; access to bank-ATMs is still limited; frequent power cuts even in the big cities (Thuta, 2022).



Therefore, it is forecasted international tourism may not fully recover in 2022 although domestic tourism is on the rise despite widespread insecurity. Domestic tourism has expanded greatly in recent years, as local travel-style has been changed (Nrang, 2022) . People tend to spend their holidays by staycation in luxurious hotels as one of the options. This helps the hotel occupancy to stay afloat at the modest level. Visitors are now widely suggested to support local businesses and workers so that they can bring positive impact in the community. There are also numbers of hotel and resorts, which are on sale in different tourists' destinations of the country as some hoteliers decided to abandon their businesses under unforeseeable and unpredictable economic and political situation in Myanmar. Moreover, during the pandemic, nearly 2 million people directly and indirectly involved in hotel and tourism sector, to have become unemployed. As a result, many local experts in the industry had moved out to other tourism-developed countries such as UAE, Japan and Thai for their job opportunities. This could lead to a significant skillful labor shortage in the industry in both near-term and long-term.

CONCLUSION AND RECOMMENDATION

Hotel and tourism industry is the one of the major income sources for Myanmar. With no exception, the sector has been severely hit by COVID-19 pandemic. In addition, the political incident gets it worse and paralyzed. However, a slow recovery has been seen in the industry in 2022 with international visitors' arrivals and growing domestic tourism. Hoteliers are suggested to bring up with creative staycation packages and exhibitions to attract local audiences as a flexible business operation for modern trend. Nevertheless, it is undeniable that the positive future of the hotel market depends on creativity and resiliency of businesses during crises, better economic and policy infrastructures in the country.

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