GLOBAL BUSINESS TRAVEL

Hotel Monitor 2020

Powered by Global Business Consulting

Global Business Consulting

WHO WE ARE

American Express Global Business Travel (GBT) is the world's leading business partner for managed travel. The Global Business Consulting (GBC) team at GBT works with companies and organizations to create travel programs tailored to achieve specific goals. Our extensive capabilities and results-oriented approach allow us to build and implement strategies that streamline processes, deliver savings, improve compliance and reduce risk.

We base our approach around six strategic consulting solutions that help clients implement a best-in-class travel management program:

Supplier Management – Air, Accommodation, Ground Transport:

Detailed analytics to evaluate your travel program with Key Performance Indicator (KPI) reviews of your supplier contract management, travel spend, traveler behaviors, policy compliance and more.

Change Management:

Advising on strategy, predictive analysis of impacts linked to expected changes, communication, program design and training plans. Piloting implementation of change programs, including organization, technology and processes.

Program and Process Optimization, Policy Design and Review:

Assessment and benchmarking of deployed end-to-end travel processes, including mission order, booking, validation process and accounting interface. Project management and integration support when implementing new technology solutions, such as single sign-on and HR feeds.

Travel and Expense (T&E) Management:

Analyzing and benchmarking clients' T&E processes. Managing T&E projects related to online booking tools (OBTs), expense environments, card payment solutions, integration between client systems and GBT systems. Optimizing the T&E environment based on agreed KPIs, supporting clients with maintenance of T&E tools.

Business Intelligence (BI) and Data Advisory:

Providing differentiated insight plus actionable recommendations by analyzing client travel behavior and performance using GBC's proprietary analytics, GBT's rich supply of T&E data, and powerful BI and visualization tools. Through data advisory, we can help clients make informed decisions in their travel management activities. We utilize the datasets available to us to identify behavioral trends, enhance traveler experience and generate savings, delivering value throughout the organization.

GBC Travel Program Management:

Clients benefit from an experienced, single point of contact to provide a holistic, strategic approach; driving day-to-day activities with project ownership, operational support, escalation management and process improvement, deploying savings opportunities and efficiency initiatives.

For more information, visit: https://www.amexglobalbusinesstravel.com/corporate-travel-services/global-business-consulting/

WELCOME TO THE HOTEL MONITOR 2020

This report, analyzing factors that could impact how you buy hotels, is produced by the Global Business Consulting (GBC) team at GBT.

The Hotel Monitor 2020 is based on a custom-built model combining seven years of historical booking data from GBT's proprietary data lake with macroeconomic indicators and hotel industry data, including occupancy rates and room yield data. The model's findings are validated by GBT's global network of subject matter experts.

Across much of the world, the hotel industry is booming. Business and leisure volumes are growing, even as international trade tensions continue to dampen the economic outlook. A healthy global hotel construction pipeline will mean, in most cities, hotel rates remain stable or see only modest rises.

One interesting trend for traveler behavior in many regions, observed by GBT local experts: modern business travelers are increasingly looking for lodging options that offer shared working spaces and a more relaxing environment. In response, hotel brands are investing in lifestyle formats that feel less corporate.

Technology is a major theme for the Hotel Monitor 2020: digital innovation is driving change across the hotel landscape, creating new opportunities to drive savings and improve the traveler experience. Underlining the growing role of technology in corporate lodging, GBC's new Hotel Lobby platform uses the latest AI and data technology to deliver strategic analytics and provide greater transparency and forecasting capabilities.

To help you understand how the fast-evolving technology landscape could impact your program, in the following pages GBC consultants spotlight five key trends to watch. The Monitor concludes with advice for travel buyers on how they can use data insights to optimize their lodging program. These topics are explored in more detail in the white paper which accompanies this year's Monitor: **Putting data to work for your lodging program**.

Corporate lodging is a large and complex topic, and we can only scrape the surface here. For strategic advice, configured for your travel program, please get in touch with our Global Business Consulting team.

Joakim Johansson
Vice President,
Global Business Consulting

"Digital innovation is driving change across the hotel landscape, creating new opportunities to drive savings and improve the traveler experience."

Key 2020 City Hotel Rate Predictions

Source: GBT
Note: All forecasts are in local currencies

Technology Trends

Technology is driving change across every area of corporate lodging, from sourcing to the traveler experience. Here, the GBC team identifies five specific areas where technology is reshaping corporate lodging, and looks at how organizations are responding.

Artificial Intelligence (AI)

Hotels are investing in AI to help drive value and differentiation for corporate travelers. AI-based technology is being deployed throughout the guest journey. Ahead of booking, guests can visualize hotel rooms through augmented reality. They can check in using facial recognition and, during their stay, be looked after by robot-concierges who respond to voice-activated commands. AI allows hoteliers to meet the modern business traveler's need for personalized service: using pattern recognition, hotels can anticipate guests' requirements and provide more responsive service. However, hotels must keep in mind the balance between greater functionality and guest data-privacy protection.

The growing scalability of data processing, machine learning, computer vision, object recognition and unsupervised learning will offer hotels speed and cost reductions to offer differentiated products in the medium to long-term.

OBTs supporting duty of care

The OBT plays a key role in driving travel policy compliance and supporting an organizational culture of traveler safety and security. Educate your travelers on the safety benefits of booking approved hotels via the designated OBT. These include:

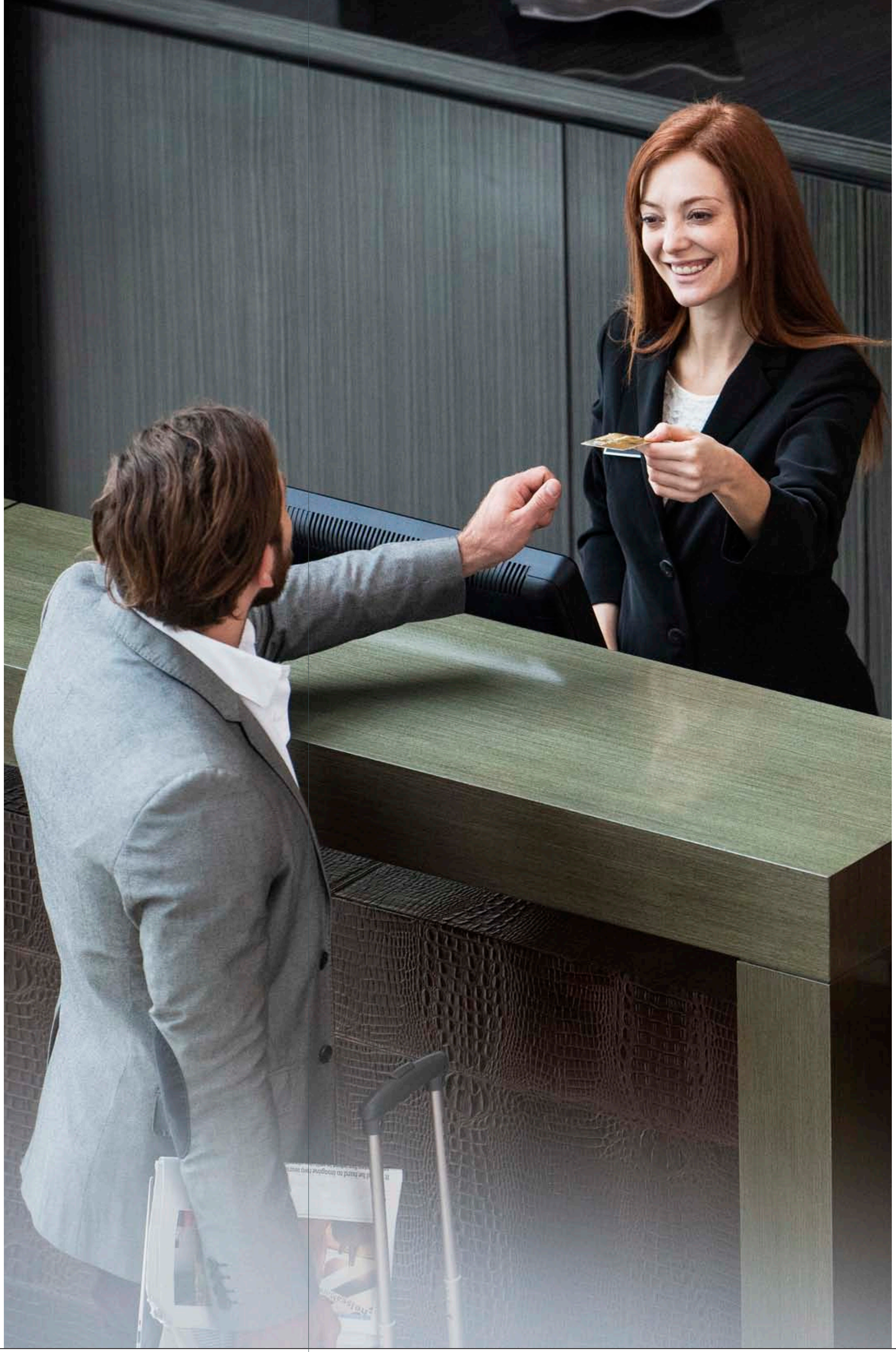
- Any hotel included in the program is vetted during the selection process via mandatory safety and security questions.
- Booking via the OBT can trigger pre-trip approval requests for trips to high-risk destinations. And travelers can be mandated to book only security-approved hotels in these destinations – the OBT can be configured to only display these properties.
- Travelers need to understand why their safety relies on using the approved channels to book travel. If they go off-channel, the organization cannot locate the traveler or their itinerary. Booking policy-compliant hotels via the OBT can also help address security concerns for groups potentially at risk in certain destinations, for example LGBT+ or solo female travelers: as well as offering only security-vetted properties, OBT bookings can trigger notifications about what information and advice on these destinations are available.

Cancellation policies

In an effort to counter elevated cancellation rates often associated with the use of online travel agents (OTAs) and re-shopping tools, many hotels have implemented tighter cancellation policies, such as 72-hour advance notice requirements.

Hotel groups say this change is necessary to reduce the impact of no-shows and open up more inventory to generate revenues. But it does not support many companies' travel patterns. Buyers should look to negotiate more favorable cancellation policies during the RFP process.

For in-depth expert advice on how you can use data to optimize your program, download our white paper here.



Revenue management

As room rates flatten and traditional revenue growth comes under pressure, hotels are becoming more creative in how they drive yields. Over the last couple of years, hotels have been heavily focused on driving direct bookings, which can offer higher profits. This trend will continue, with hotels offering improved mobile apps or booking platforms and extended loyalty member perks, including tech-enabled personalization (for example, setting up rooms according to the traveler's preferences).

In addition to powering loyalty programs, evolving technology is enabling hotels to upsell value-added offerings across all stages of the client experience. Hotels are also making use of improved data and revenue management tools to clearly define client booking patterns, and develop more sophisticated revenue optimization models that go well beyond volume and industry share. As a result, travelers may find it harder to book their negotiated rates, particularly in compacted regions, and hotels are increasingly pushing for dynamic pricing. With this approach, hotels give corporates an agreed discount off their best available rate. While dynamic pricing is often more expensive than negotiated rates, it can be useful when corporates have ad hoc requirements or when volumes in particular locations do not warrant a fixed price.

Guiding traveler decision-making

Today's travelers are tech savvy and accustomed to managing travel on their own. They feel comfortable researching and selecting their travel or hotel options based on peer reviews and ratings. Driving policy adherence may require a shift from compulsion to reward and education. Look for tools, such as GBT's Trip Recommender™, that actively incorporate traveler preferences into creating intelligent, personalized offerings. Also, consider how chatbots and AI-powered messaging can create a simplified, customized booking experience. Technology can also help highlight the value and cost of booking decisions to the traveler: for example, by incorporating pricing intelligence into the booking process, you can help the traveler save time and money in their booking decisions.

KEY CITIES

North America

The forecasts for North America are set against the background of an expected global economic slowdown in 2019, with growth accelerating again in 2020.[1]

Overall, the region should see minimal rate increases in 2020. In the US, flat occupancy and a full pipeline of rooms in construction will drive competition and limit the ability of hotels to raise prices. Rate rises are more likely in Canada, thanks to a relatively strong economic performance and slowing capacity growth.

Look out for major hotel brands, such as Hilton, seeking to change pricing strategies, with multi-year contracts, off-cycle sourcing outside the traditional RFP period, and dynamic pricing, where prices adjust continually as the balance shifts between supply and demand. Other chains are starting to follow suit with similar pricing strategies.

Many hotels will harness new technologies, processes and performance metrics to optimize housekeeping costs and drive savings: these have the potential to decrease rates as operational expenses fall. Technology will also increasingly shape the guest experience, as hotels introduce self-service kiosks, keyless entry and online check-in via mobile apps.

Atlanta 1%

Home to multiple major brand hotels, Atlanta as a whole should see minimal rate rises. That said, the city's Perimeter area, where low supply growth is matched with solid demand, could see prices rise by 2.5-3%.

Boston 1%

Despite falling occupancy, Boston saw slight growth in Average Daily Rate (ADR) in 2018 – 2019. This trend will continue into 2020, driven by consolidation and the major hotel brands setting revenue-increase goals.

Chicago 5%

In terms of hotel occupancy and Revenue Per Available Room (RevPAR) growth, Chicago is one of the best performing cities in North America. Corporate relocations, attracted by a low cost of living, strong talent pool and Chicago's geographically central location, will continue to drive demand and push rates upwards.

Houston 0%

The period 2018 – 2019 saw a steady increase in Houston's hotel capacity, as new properties opened downtown and in the city's rapidly expanding suburbs. The arrival of additional rooms means rates are likely to remain unchanged even as recovering oil prices drive up demand.

Los Angeles 1%

While Los Angeles has been experiencing strong GDP growth, hotel occupancy in 2018 was 80%, decreasing year on year in part due to the addition of nearly 2,000 rooms. Capacity will continue to increase through 2019 and into 2020, with openings from brands including Fairmont, Park Hyatt, Edition and Thompson. It will take time for occupancy levels to stabilize. At the city level, median ADR is likely to increase due to the new supply being heavily oriented towards luxury and upper-upscale. But at an individual property level, ADR growth could be minimal.

New York -3%

Several factors point to room rate decreases in New York through 2019 – 2020. The city is already seeing occupancy rates, RevPAR and ADR slide. Increased supply, with the addition of up to 29,000 rooms in the coming months, plus a softening city economy in 2020, will see room rates decline further.

Among the new adds will be the world's tallest modular hotel. The AC Hotel New York NoMad will be constructed from prefabricated modules built in Poland. It is expected to open late 2020.

Influenced by the growing millennial cohort of business travelers, corporations continue to explore non-traditional lodging options, including shared lodging and hotels that offer innovations including "grab and go" breakfasts, mobile apps for check-in and room key, and communal work spaces.

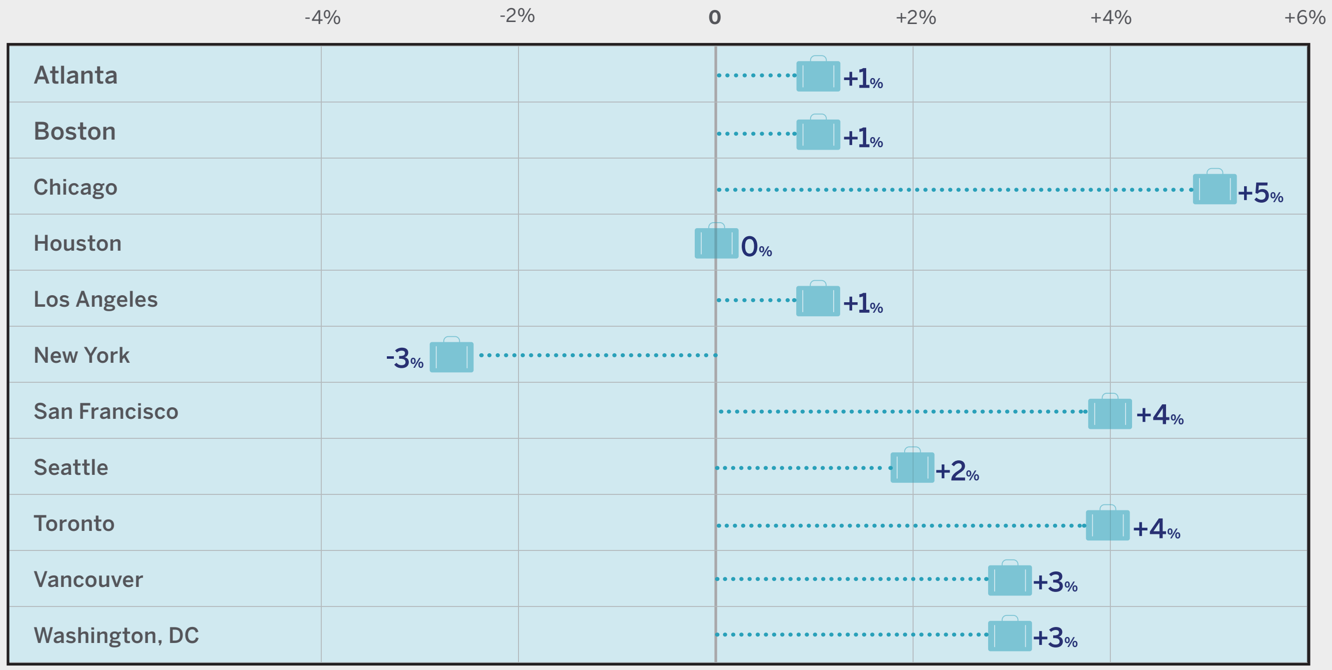
San Francisco 4%

Room rates are predicted to rise in San Francisco, as employment continues to expand, albeit at a reduced rate, and visitor numbers grow. Following the re-opening of the vast Moscone Center convention and exhibition complex in January 2019, occupancy rates are expected to rise after a decline in 2018.

After several years without major openings, San Francisco is welcoming three new hotels through 2019, adding more than 625 rooms to the city's bed stock, with a similar amount expected in 2020. Despite the capacity boost, rising occupancy will see rates rise.

DOWNLOAD THE FULL CITY FORECAST HERE

Room rate forecast: North America



Source: GBT

Seattle 2%

The fastest growing city in the US, home to leading technology and Fortune 500 companies, and a significant leisure destination, Seattle is gearing up to welcome more visitors. The city is expanding Seattle-Tacoma International and ten hotels are in development, which together will add around 3,000 rooms to the city's bed stock. A further 21 hotels are at the planning stage.

Despite expected economic activity, supply growth will prevent rates from rising faster than the forecasted 2%. One factor that could raise hotel costs and push up hotel rates over time: Seattle's tough labor laws require employers to set schedules 14 days in advance and offer more hours to current employees before hiring new staff.

Toronto 4%

With one of the fastest expanding economies in Canada, driven by the finance, communications and life sciences sectors, hotel rates are forecast to rise by up to 4% as demand grows. Another upward influence on room rates: the introduction of the Municipal Accommodation Tax in 2018, which has added 4% to guests' bills.

Around 40 hotel construction projects are underway, which will add more than 5,200 rooms to the city's stock, but this is not expected to dent the forecast rate rises.

Vancouver 3%

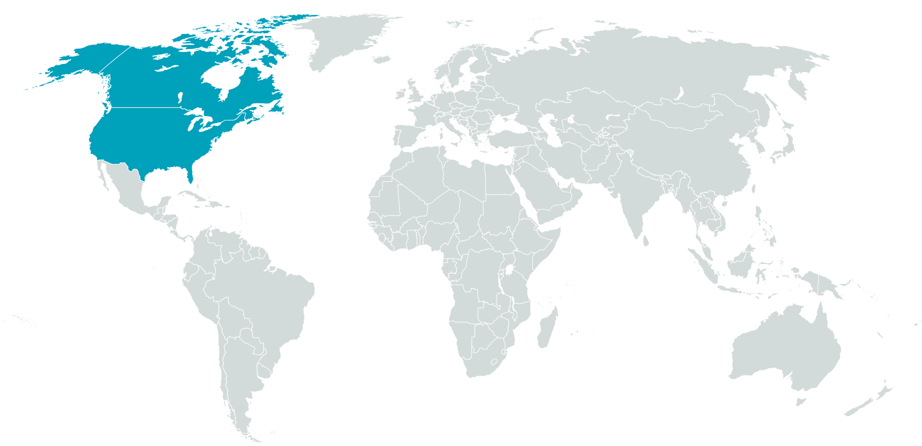
The Vancouver economy continues to expand, which is expected to support hotel rate rises of 3%.

Watch out for developments on non-traditional lodging: Vancouver has launched a number of initiatives that may curtail the expansion of Airbnb in the city. In a first for Canada, Airbnb has been required to collect provincial sales taxes on all short-term rentals, as well as municipal and regional taxes. In 2018, Vancouver passed a rule that restricted Airbnb rentals to principal residences and required that operators be licensed. As of March 2019, the city reported that only 55% of listings were abiding by this rule.[2]

Washington, DC 3%

The majority of hotel business in Washington, DC, is driven by the federal government, followed by tourism. Occupancy is largely determined by changes in government policy, national events and the electoral cycle: occupancy levels and ADR fell during the government shutdown between December 2018 and January 2019.

Corporate transient travel competes with a strong leisure sector. With Amazon scheduled to start moving into its Arlington, VA, facilities late 2020, Washington, DC, could see an increase in rates.



KEY CITIES

Central & Latin America

Concerns about political and economic uncertainty have had a negative impact on business travel in Central and Latin America. Nonetheless, price rises are forecast across the region as demand outpaces growth. At the beginning of 2019, the hotel construction pipeline had been contracted by more than 25% year-on-year.[3]

Bogota 4%

Colombia is forecast to experience strengthening economic growth in 2019 through to 2021, as lower corporate taxes boost investment, and are in turn expected to drive up demand.[4]

In response to an inbound tourism boom, almost 4,000 rooms are in construction across the country, representing more than 7% of existing supply.[5] The significant growth of new inventory has kept occupancy low, particularly in Bogota.

Travel buyers should note that Bogota is rated “concerning” for traveler safety in BTN’s Corporate Travel Index for the Americas.

Buenos Aires 47%

Financial turbulence in 2018 saw a 50.6% depreciation of the Argentine peso, a strong reduction in government expenditure and double-figure inflation. The economic context remains volatile, and Argentina’s GDP is expected to contract further through 2019.[6]

The forecast change in room rates is mostly due to inflation. That said, demand remains strong with occupancy at 73.6% YTD in Buenos Aires (vs. 63.3% for the country as a whole). In fact, Buenos Aires experienced its highest January occupancy since 2012, due in part to a lack of new rooms entering the region. ADR growth in Buenos Aires has outpaced the rest of the country by double-digits and should continue to do so.

Mexico City 3%

Mexico’s GDP growth has fallen in H1 2019, owing to weak investment and lower export growth, as US imports have slowed. Trade tensions and political uncertainty have also dented business confidence.[7]

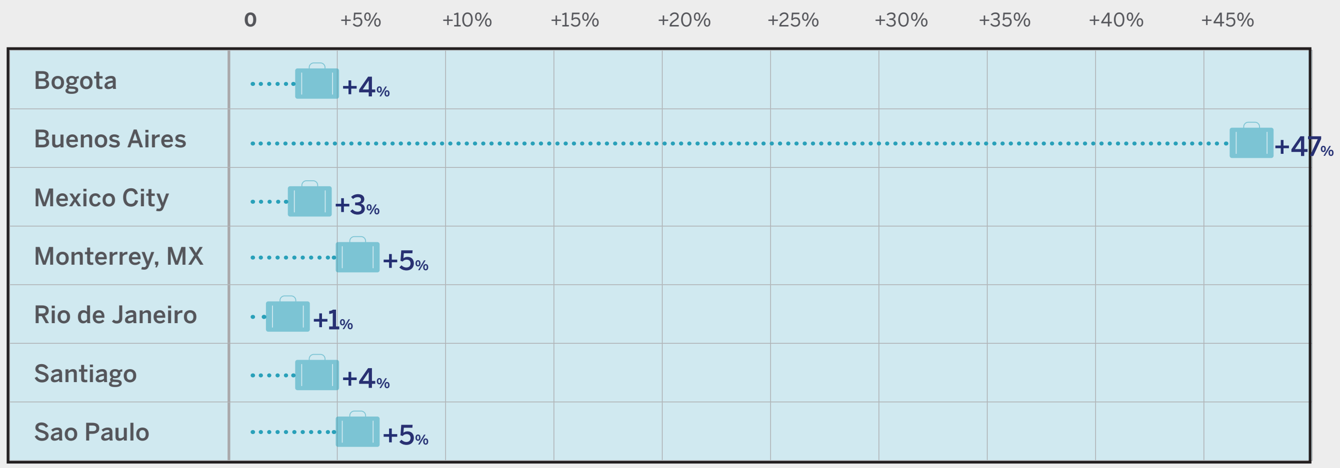
Occupancy levels YTD have dropped slightly from 2018, ostensibly as a result of flat demand and increased supply. At the start of 2019, more than fourteen thousand hotel rooms, representing 3.5% of existing supply, were in construction in Mexico City.

Monterrey, MX 5%

One of the leading business and industrial centers in Mexico, and located close to the United States – Mexico border, Monterrey is particularly influenced by trade with the US.

In Q1 2019, Mexico Northwest, the region that includes Monterrey, experienced the country’s only double-digit decrease in occupancy, which resulted in the only double-digit drop in RevPAR.

Room rate forecast: Latin & Central America



Source: GBT

Rio de Janeiro 1%

Occupancy in Rio is a healthy 63.8% YTD, and this number has risen strongly year-on-year. However, hotels have little scope to increase rates. The 2016 Summer Olympics and 2014 FIFA World Cup created a massive supply increase in Brazil’s key cities. Rio alone saw 10,000 rooms added for the Olympic games.

Travel buyers should note that Rio de Janeiro is rated “concerning” for traveler safety in BTN’s Corporate Travel Index for the Americas.

Santiago 4%

As a commodities exporter, Chile remains particularly susceptible to downturns in trade and manufacturing. Economic growth is forecast to slow in 2019 – 2020, as the global economic environment cools. Nonetheless, sustained corporate demand and relatively high occupancy will mean rates are expected to increase by up to 4% in 2020.

With its economic and political stability, Santiago is rated the safest Latin American city in BTN’s Corporate Travel Index.

DOWNLOAD THE FULL CITY FORECAST HERE

Sao Paulo 5%

Now in the third year of a slow recovery following a deep recession, Brazil’s economy is growing by little more than 1% each year.[8] The expected deceleration of the world economy, as well as limited progress in the local adoption of economic reforms, will limit the economy’s capacity for growth in the coming years.

Nonetheless, as Brazil’s commercial capital and one of the leading business centers in the Americas, Sao Paulo is performing relatively strongly. Occupancy, while on the low side, is improving and ADR has improved 12.5% YTD, versus 7.7% for Brazil as a whole.

“Price rises are forecast across the region as demand outpaces growth.”

KEY CITIES

Europe

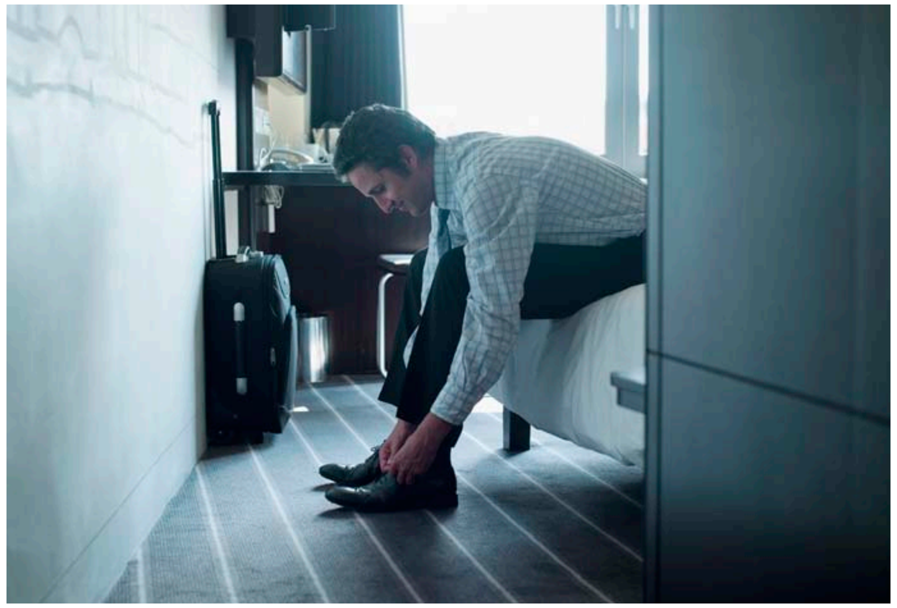
Hotel rates are predicted to be stable across key European business centers, against a backdrop of moderate economic growth in 2019, followed by an expected acceleration through 2020.[9]

The big story in Europe is the boom in hotel development, which has hit a record high. At the end of 2018, Europe's total construction pipeline had reached 1,569 hotels with 243,947 rooms, a 19% increase year over year.[10] This major expansion of room stock is occurring despite lower growth in the region, and uncertainties about Brexit and the global economic outlook.

Germany is leading the development boom with 379 projects in the pipeline, with the UK closely behind with 281 hotels in the works. Branded hotels, including IHG, Hilton, Marriott and Radisson, account for most of the new rooms, with lower end categories such as Holiday Inn Express and Hampton by Hilton the most popular with hotel developers.[11]

Responding to traveler demands for more informal hotel environments, the major brands are re-configuring public areas in their properties. Accor's Ibis chain, for example, has embarked on a transformation of its hotel lobbies to create welcoming, communal spaces for working and relaxing.

While many business travelers today favor sharing economy lodging options, several cities across Europe are staging a fightback against short-term apartment rentals. Amsterdam, Madrid and Munich are three locations where GBT's local experts have identified moves by local government to curb offerings such as Airbnb. Going forward, as well as putting upwards pressure on prices, this could reduce traveler choice.



Amsterdam 1%

The city offers diverse lodging options, with big brand hotels and independent properties. New higher tier hotels have opened in recent years, keeping price increases low in downtown Amsterdam. In the suburbs, however, where corporate offices tend to be located, rates are rising more rapidly.

VAT on hotel stays rose to 9% at the beginning of 2019. Most hotels passed this increase through to guests. No further change is expected for 2020.

Concerned about over-tourism, Amsterdam is limiting the number of inner-city hotel openings and approved Airbnb properties. Looking ahead, these moves could lead to higher lodging costs.

Brussels 3%

As well as being home to key EU institutions, Brussels is one of the world's top destinations for international conferences while also attracting significant inbound tourism. Sustained demand for lodging means hotels in the city are likely to raise room rates by up to 3% in 2020.

On the supply side, the construction pipeline is relatively quiet: key inventory arriving in the next year includes the 140-room Moxy in the city center and the 305-room nhow.

Dublin 3%

The hospitality sector in Dublin is experiencing rising occupancy and ADR as Ireland's relatively strong economic performance, combined with healthy inbound tourism numbers, continues to drive demand.

Occupancy levels are expected to remain high due to persistent shortfall of supply. This despite a hotel development boom that will add almost 700 new rooms to the city's stock by 2020, with an estimated additional 3,000 hotel bound for Dublin by 2023.

Frankfurt 1%

Travel to Frankfurt is driven mainly by banking and professional services. Additionally, the city is a major center for trade fairs. Together, these factors mean high occupancy and price levels through the year.

New hotel openings, including IHG, Intercity, Leonardo, Melia, NIU and NH Collection, will ease the upward pressure on room rates. Focused on upper-tier business, Frankfurt offers only limited economy inventory. An exception is the Motel One brand, which opened its fourth property in the city in June 2019.

One developing trend to watch: long-stay serviced apartments are becoming increasingly popular among business travelers.

London 1%

In spite of uncertainty related to Brexit, London retains its status as a global business hub and center for tourism, sport and cultural events. Sustained demand has allowed London to maintain high occupancy rates. However, ADR has risen slowly on account of the steady increase in supply: around 20,000 new rooms joined the city's inventory in the last five years.

London's confirmed accommodation pipeline to 2020 covers a diverse range of segments, products and brands. London will see a further 10,000 new rooms open in 2019 and 2020. Some of the largest new hotels are set to open at Heathrow Airport.

Microstays – where travelers hire a hotel room from a period as small as three hours – have become increasingly popular over the last two years. These short hires offer busy travelers a chance to freshen up or recharge between meetings.

Madrid 4%

Increased economic activity is feeding through to increased demand and rising room rates: the Monitor's 4% forecast for Madrid is the highest of any of the key European business centers. International investors are taking note: 2018 investment in Spain's hotel industry broke new records, with Madrid a principal focus for buyers.[12]

As a result of concerns about the impact of over-tourism on local communities, Madrid's city government wants to introduce severe restrictions on apartment rentals. These proposals would eradicate the majority of apartments currently used as vacation rentals in the city.

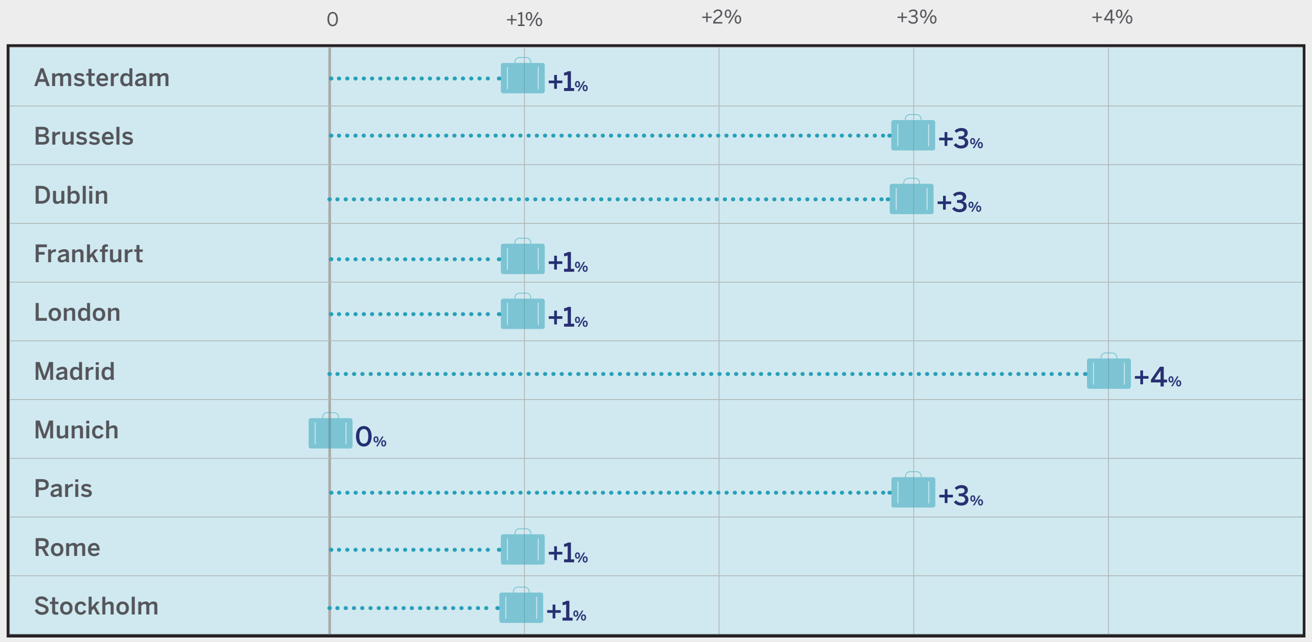
Munich 0%

Despite sustained year-round demand, Munich hotel rates are not expected to change. At the upper-tier, the arrival of several premium hotels in 2018 to 2019 has reduced scope to raise rates. Meanwhile, multiple openings planned for 2020 to 2021 – including the budget brands Motel One, Premier Inn, Prizeotel – will push rates down in the economy category.

Reflecting the modern business traveler's appetite for informal lodgings, corporates are increasingly using young, on-trend hotels, such as 25hours, as an alternative to the standard brands.

> "The big story in Europe is the boom in hotel development, which has hit a record high."

Room rate forecast: Europe



Source: GBT

KEY CITIES

Europe

Paris 3%

A major center for business and tourism, Paris attracts visitors throughout the year. Rate rises, however, are likely to be relatively modest as the city continues to add new capacity at pace. Key arrivals include the re-opening of the Pullman Montparnasse and the opening of the Courtyard Paris Porte de Versailles. Scheduled for Q1 2020, these large hotels are strategically located for corporate and exhibition visitors. At the upper-tier, Bulgari has announced plans for a new luxury hotel in Paris to open the same year.

Paris has a growing non-traditional lodging offering, attractive to many modern business travelers. Two examples of this trend opened in 2019: the 25Hours and Jo&Joe.

Rome 1%

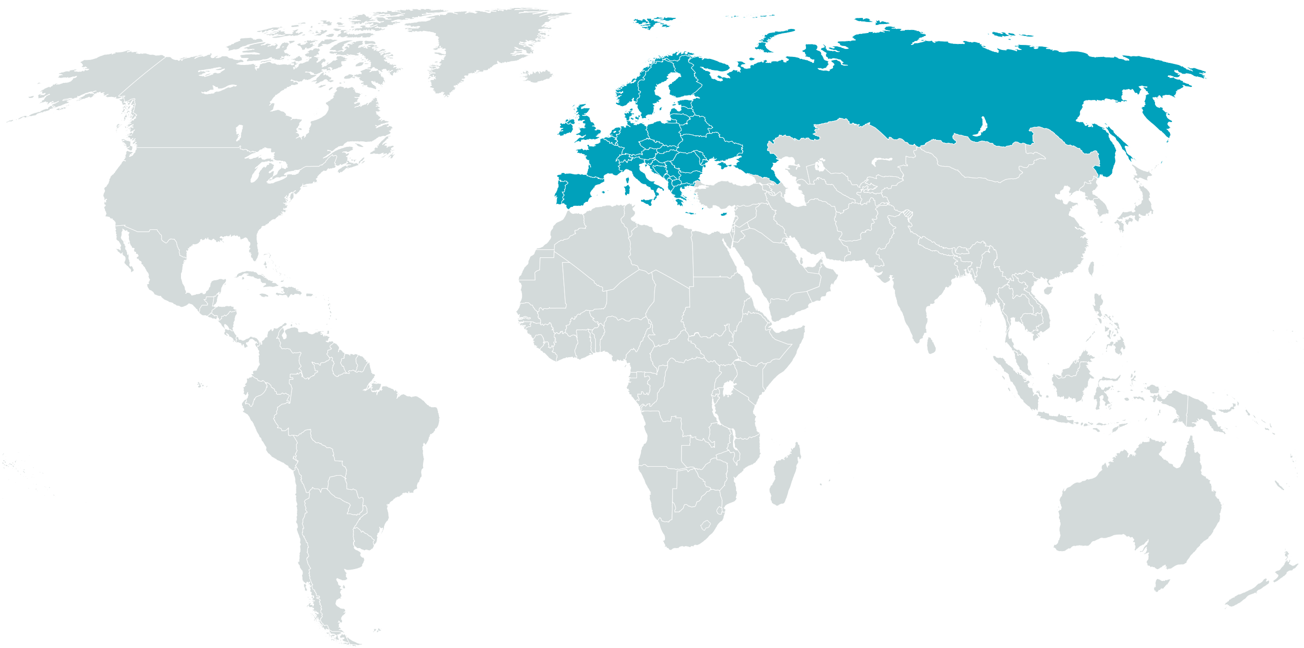
One of the more expensive cities in Europe for the visitor, Rome saw rising ADR in 2018 and Q1 2019. Against a background of very low GDP growth, and a slew of hotel openings, room rates are expected to be stable, growing only marginally in 2020.[13]

Among the planned openings are the new Iberostar, the 439-room Hilton Rome Eur – La Lama and the 297-room Radisson Blu GHR.

Stockholm 1%

Demand for guestrooms in Stockholm's hotels is outpacing supply, even though the city added 1,840 rooms last year alone, and ADR is rising steadily. Demand is expected to continue to rise as economic growth strengthens in 2020.[14] The city is responding to the uptick in demand by adding new capacity: 4,900 hotel rooms are planned in Stockholm County over the next five years, with 1,236 in downtown Stockholm.

Spurred by the city's hotel growth wave, international hotel brands are stepping up their activity, with recent major investments by Radisson Hotel Group, Zleep Hotel and Scandic.



KEY CITIES

Middle East & Africa

The nations of the Middle East continue to make large investments in cultural and tourism projects as they seek to pivot their economies away from oil.

Traditionally, luxury and upper-upscale hotels predominated in the region. Increasingly, midscale hotels are becoming part of the hospitality mix, allowing countries and cities to cater to travelers across a wider range of income groups. According to STR, 125,052 rooms are under construction in the Middle East. With more than 56,000 hotel rooms under construction, the United Arab Emirates (UAE) accounts for almost 45% of this number.[15]

In Africa as a whole, around 25,000 hotel rooms are currently under construction. The Hotel Monitor looks at the specific issues driving rates in the key business destinations of Lagos and Johannesburg.

Abu Dhabi -4%

The UAE is experiencing a rapid increase in its room stock, which is impacting occupancy and pushing down rates. Falling oil prices have further reduced demand, again putting downward pressure on rates in Abu Dhabi.

The 2020 Expo event in neighboring Dubai will cause demand to pick up. Nonetheless, room rates are expected to decline by up to 4 percent.

Doha -10%

Qatar has been under an economic embargo, imposed by Saudi Arabia, Bahrain, Egypt and the UAE, since June 2017. The effect of the political situation on demand, combined with an oversupply of upper upscale and luxury rooms, is forecast to drive a significant decline in room rates.

Dubai 0%

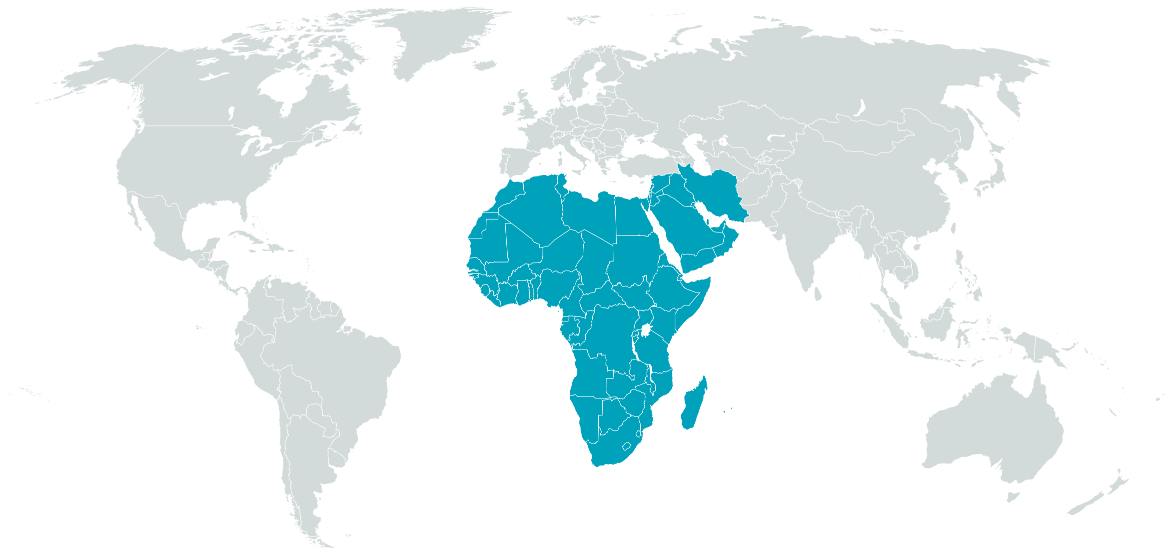
The large increase in the number of hotels being built ahead of the 2020 Expo has softened rates. However, the Expo is expected to generate high demand, so rates should increase from October. A stronger economic performance forecast for Dubai through 2019 and 2020 should also prevent rates from declining.[16]

Hotel developments tend to be in the luxury and upper upscale tiers, though more midscale properties are appearing as demand strengthens. Emaar hospitality has developed the Rove brand to tap into this segment.

Johannesburg 4%

With the local economy growing and demand rising, while the construction pipeline is narrow, Johannesburg is seeing rising ADR.

The hotel industry is dominated by major chains, though lodge and independent hotels are also a strong presence.



Lagos -1%

Demand for accommodation in Lagos is weak, as many corporations restrict travel to the city on account of traveler safety concerns. Nevertheless, travel to Lagos continues to be essential for many companies in the energy sector.

Inventory tends to be smaller independently-owned hotels, apartments or high-end luxury hotels.

Riyadh -8%

As part of a plan to diversify the economy away from oil, the Kingdom of Saudi Arabia wants to increase the number of visitors to Haji and Umrah to 30 million a year by 2030 – up from 8 million a year in 2016, when the Kingdom announced its Vision 2030 initiative. The plans are drawing interest from the major hotel chains, who are starting to increase building in Riyadh.

The number of new hotel openings means supply currently exceeds demand in Riyadh. Even with GDP growth forecast to grow by around 2%, room rates in 2020 are expected to fall by up to 8%.[17]

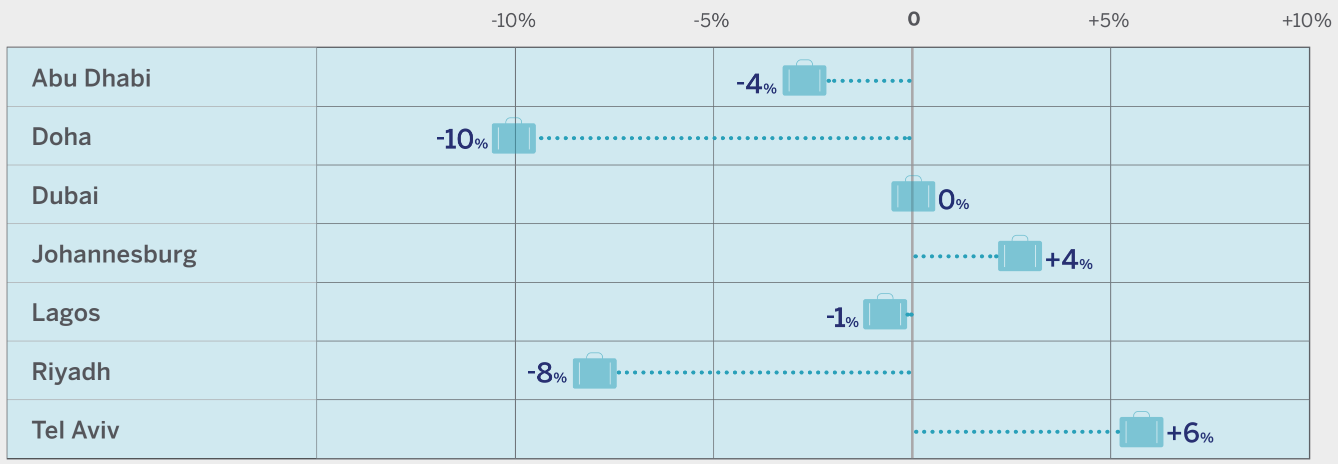
Tel Aviv 6%

A tourism boom, allied with the continuing expansion of the Israeli tech industry, is attracting higher volumes of inbound travel. Room rates are increasing as demand continues to outstrip supply. However, the heightened threat of terrorism could see rates fall if any increase in attacks leads to a fall in visitor numbers.

Tel Aviv is seeing a boom in boutique hotels, led by Brown Hotels.

Short-term rentals are not currently regulated in Israel. While no timetable has been announced for its introduction, a proposed tax on Airbnb hosts could reduce supply or push up rates.

Room rate forecast: Middle East & Africa



Source: GBT

KEY CITIES

Asia Pacific

Home to some of the world's most dynamic economies, the hospitality industry is growing rapidly across Asia Pacific. Thousands of beds are being added in the region's key cities every year. Even with the added capacity, sustained demand in these growth economies means rates are likely to see some rises.

Inbound leisure and business were the key drivers for hotels in Asia Pacific, but increasingly domestic travelers are filling hotel beds, compensating for any falls in international visitor numbers.

The major global hotel brands continue to build their presence across the region, developing inventory from budget and mid-market to the upper-upscale and luxury tiers.

In 2020, the region will host the highest-profile global event there is, with the Summer Olympics in Tokyo. Japan hopes to attract 20 million inbound visitors in this gala year for the country.

Bangalore 5%

As India's high-tech hub, and home to major multinational corporates, Bangalore is one of the top business destinations in the country. Demand from business travelers means room rates are expected to rise by up to 5% in 2020, even as supply grows at double-digit rate.[18]

The international hotel brands are increasingly making their presence felt in the city. Key new additions to Bangalore's hospitality offering include India's second Four Seasons and a Radisson Red hotel. Fern Hotels & Resorts, an Indian brand built around environmental sustainability, is also opening a hotel.

The Indian Machine Tool Manufacturers' Association will organize its flagship IMTEX Forming 2020 at the Bangalore International Exhibition Centre in January 2020. Billed as the largest event of its kind in South East Asia, IMTEX is expected to bring more than 80,000 visitors to the city.

Bangkok 2%

Thailand looks forward to welcoming a growing number of visitors, even with an uncertain political situation following the inconclusive general election in Q1 2019. According to government estimates, tourist numbers for 2019 will be up by about 8%, reaching a record 41.1 million. [19] To accommodate the expected growth in demand, Bangkok's Suvarnabhoomi airport is currently being expanded. When complete in 2020, it will handle 60 million passengers per year.

To stimulate the services sector, the national government has reduced taxes on hotel stays and expanded the number of construction permits for new hotels. The Greater Bangkok Region is one of the key areas for hotel development. The majority of new inventory is 3-star, 4-star and budget hotels.

Meetings and events (M&E) is a strong growth area for Bangkok's hospitality industry, as hotels look to drive up earnings on room bookings, the hire of conference facilities, and food and beverage sales.

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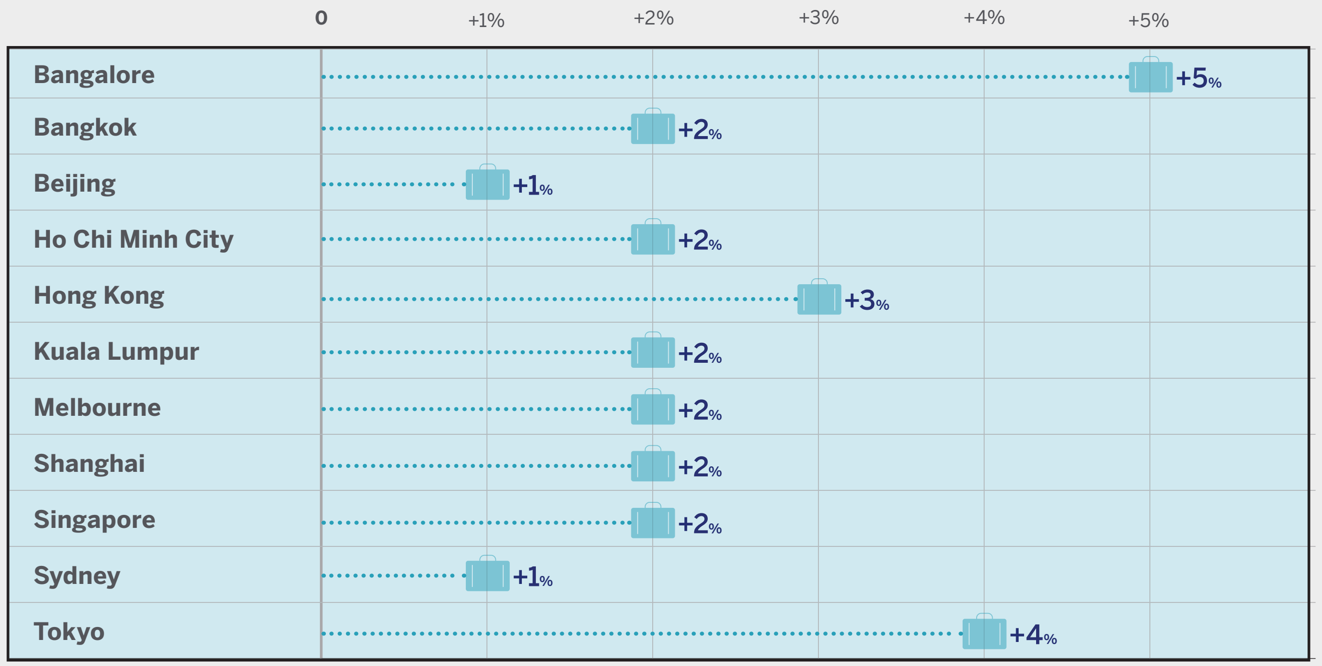
Room rate forecast: Asia Pacific



Source: GBT

Beijing 1%

China is seeing rapid expansion of the hotel supply at every tier. Demand for five-star hotels, driven by domestic and international business travelers, is strong and expected to remain robust. As a result, China is among the most important countries for global operators, with brands such as Hilton and Hyatt aiming to grow their presence.

Despite the rise in supply, occupancy has not been negatively impacted. In fact, according to STR, occupancy for high-end hotels has grown every year since 2013.[20] This means rates are likely to be stable, and even rise slightly, in 2020.

Key new developments for Beijing include the launch of a joint venture between Hyatt and Shanghai-based Homeinns Hotel Group to attract younger travelers in the upper-midscale segment.

Ho Chi Minh City 2%

Vietnam has seen significant growth of foreign management companies and international hotel brands in the last few years. A recent arrival in Ho Chi Minh City, the Mandarin Oriental, underlines how the city is becoming a destination for upper upscale travelers.

The chief destination for international visitors, Ho Chi Minh City is expected to maintain solid occupancy levels and ADR in 2020 due to a limited construction pipeline. Looking further ahead, relatively high yields in Vietnam are attracting Asian-based property developers and real estate companies focused on mid-market business hotels in Ho Chi Minh City and Hanoi.

Hong Kong 3%

The opening of a bullet train connection between Hong Kong and the mainland in 2018 contributed to record visitor numbers last year. The volume of visitors, combined with a slowing rate of hotel development, resulted in very high citywide occupancy rates, which have persisted ever since. The gap between supply and demand means rates for 2020 are forecast to rise by up to 3%.

Hotel development rates are accelerating, with around 20,000 new rooms due to be opened in the next five years.

> **"The hospitality industry is growing rapidly across Asia Pacific. Thousands of beds are being added in the region's key cities every year."**

KEY CITIES

Asia Pacific

Kuala Lumpur 2%

After five years of sustained hotel development, supply growth in Kuala Lumpur has outpaced demand, preventing significant rises in ADR.

The current construction pipeline of 25 hotels and 6,900 rooms will put additional pressure on certain areas of the city, particularly for high-end hotels since half of all the new hotels will be in upper-upscale and luxury hotel classes.

In recent years, global hotel chains have arrived in the Kuala Lumpur region, including premium brands such as Four Seasons, W Hotels, St Regis and Sofitel. Mid-range hotels include Hilton Garden Inn, Citizen M Bukit Bintang, Travelodge Bukit Bintang and Travelodge Central Market.

Melbourne 2%

The fourth-fastest growing city in the developed world, growing by 125,000 people a year, Melbourne is predicted to be Australia's biggest city by 2028.

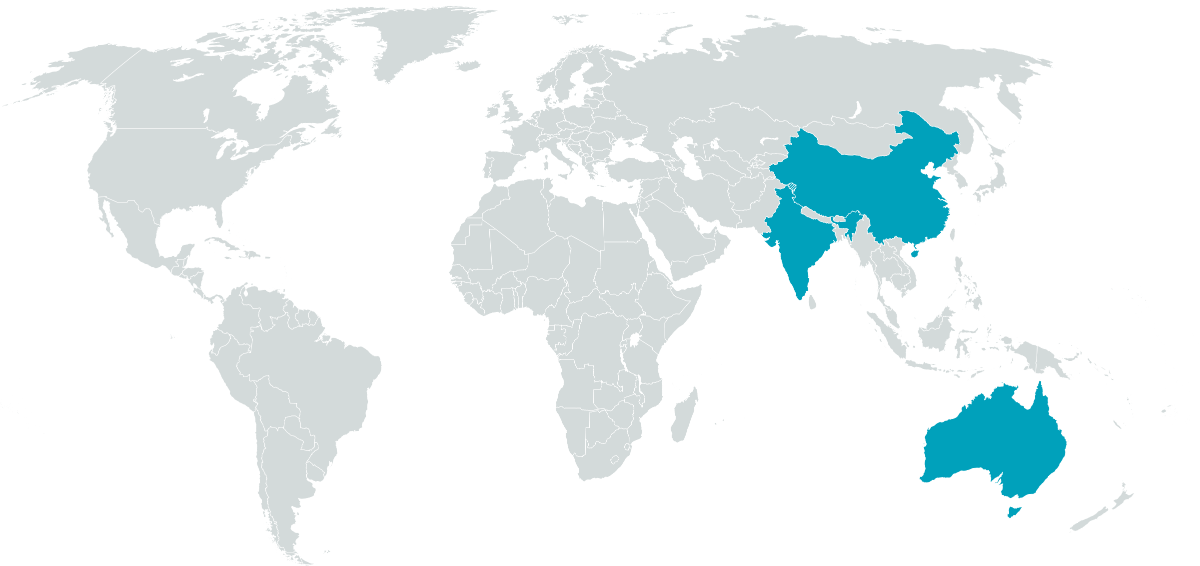
Supply has been growing, particularly in the luxury sector, and is balanced with demand, meaning only modest rate rises are expected.

Australia is undergoing its largest-ever hospitality expansion, with the biggest growth in "lifestyle" hotel brands. These provide a less corporate experience than can be found in traditional business hotels. Aimed at tech-savvy modern travelers, technology is a core component of the offering, with features like free high-speed Wi-Fi, casting capability to in-room screens and keyless entry. New lifestyle-oriented arrivals to Melbourne include Marriott's Aloft and Moxy brands, along with IHG's voco.

Shanghai 2%

Growing supply is compensated by demand growth, particularly on the domestic side: while trade tensions with the US have affected outbound travel, there has been a much weaker effect on inbound and domestic travel.

Shanghai is experiencing major investment by global hotel brands. Recent and new openings include JW Marriott, Bellagio, InterContinental Shanghai Wonderland and the boutique Edition brand.



Singapore 2%

Key developments, including the expansion of Changi airport and major investment at Resorts World Sentosa, are expected to increase tourism and M&E business into Singapore. Nonetheless, even with steady GDP growth forecasted, room rates are expected to remain stable, with only a 2% rise predicted on account of inflation. [21]

In line with a global shift in business traveler preference towards non-traditional accommodation, Singapore-based lodging owner-operator Citadines has unveiled Citadines Connect, a short-stay version of its serviced residence brand.

Sydney 1%

An injection of new capacity into Sydney's room stock in 2019 and 2020 will push down occupancy. Room rates are expected to rise by only 1%, sustained by a full calendar of large national and international events coming to the city.

Despite being a gateway city, Sydney has relatively limited luxury inventory. This looks set to change, with up to 2,000 rooms under construction in and around the city. New arrivals include the 586-room W Hotel Sydney.

Hotels are increasingly being designed to cater to mobile workers, offering co-working and more informal environments. Next Story Group's Kafnu exemplifies this approach. The brand's first Australian outpost, Kafnu Alexandria, opened in Sydney in Q1 2019.

Tokyo 4%

Hotel development has been boosted by growing inbound tourism and rising ADR. In 2018 the country welcomed a record 31.2 million visitors, an 8.7% increase over the prior year and almost quadruple the number of visitors in 2008. More visitors are on the way, with the 2019 Rugby World Cup and the 2020 Summer Olympics.

Despite a major expansion in hotel capacity in recent years, which has added around 30,000 rooms, Tokyo is expected to face a shortfall of around 3,500 guest rooms. With so much demand chasing an inadequate supply, rates in 2020 are predicted to rise by up to 4%.

DOWNLOAD THE FULL CITY FORECAST HERE

> **"The major global hotel brands continue to build their presence across the region, developing inventory from budget and mid-market to the upper-upscale and luxury tiers."**

Using data to optimize your lodging program

TIPS FOR BUYERS

Data insights, presented in a clear and compelling way, can give travel buyers the means to differentiate their program and work more strategically with stakeholders, both within their organization and externally.

Equipped with the right data insights, buyers can achieve a number of important benefits for the lodging program. These include driving savings through more effective supplier negotiations, boosting traveler compliance, and using insights to demonstrate the total value of the program.

Here are seven tips to help buyers deploy data in their organization, taken from **Putting data to work for your lodging program**, a guide for travel buyers developed by experts as a companion to the Hotel Monitor 2020.

1. Make sure you understand the four types of data: descriptive; diagnostic; predictive; prescriptive – and how you use them.
2. It's important to present data in a format that is easy for your audiences to understand. Think about using graphics and visualizations to make your message more compelling.
3. Don't forget to look at what opportunities are available from utilizing combined M&E and accommodation spend with hotel suppliers, as well as other benefits such as reducing hotel attrition.
4. Data can help you understand the factors that shape traveler experience. Think about how you can use data insights to improve traveler experience, thereby driving compliance and reducing leakage.
5. Employee wellness is at the top of the corporate agenda: explore how you can use data insights to identify issues among your travelers and drive effective support solutions.
6. Engage key stakeholders – including HR, Finance, Sales and Operations – to agree the definitive data and reporting strategy for your organization. This will include the key deliverables for each stakeholder. Use all the available data to generate clear and relevant dashboards (your TMC should support you) and issue them regularly.
7. Evaluate critical findings from the dashboards and propose solutions to your key stakeholders. If you can provide answers to problems they don't know they have, you will increase your credibility.

This is a good time for travel buyers to start making more use of data insights. Suppliers are making the relevant data available. There is a wealth of support and advice available on how to harness data-driven insights, from consultants and TMCs.

"Equipped with the right data insights, buyers can achieve a number of important benefits for the lodging program."

For in-depth expert advice on how you can use data to optimize your program, download our white paper here.

Methodology

Forecasting requires a lot of good data. We delved into our vast data lake to understand the dynamics at a city level in local-currency terms, using proprietary sources including anonymized and aggregated hotel transaction data over the past five years.

In addition to seeing what was happening in key cities based on our data, we factored in other variables that impact the hotel industry as a whole. We augmented the data set with other macroeconomic variables from the International Monetary Fund (IMF) and broader industry metrics from hotel data specialist STR.

Good forecasting requires us not just to project the trend of the data forward. That ignores a lot of residual variation, as well as seasonal highs and lows, compromising the accuracy of the forecast. The approach we use models the residual variation using broader industry and macroeconomic variables. We included only those variables with the biggest impact to avoid overfitting the model.

Using third-party expert forecasts of those external variables, we were able to increase the accuracy of our ADR forecast by adding our model of residual variation.

ABOUT AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL

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