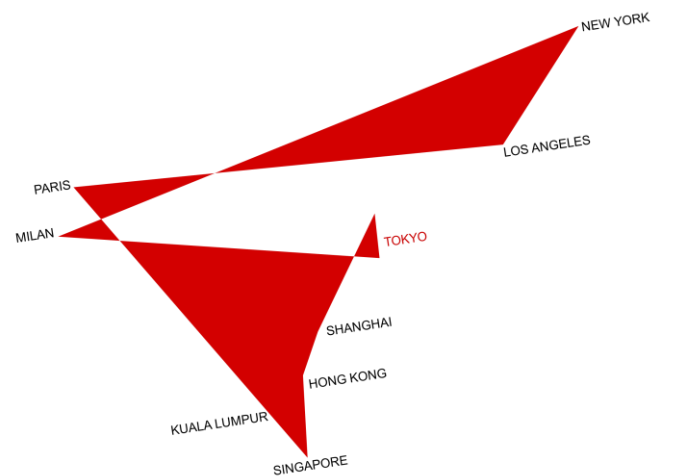




# PHILIPPINES HOSPITALITY INSIGHT

JANUARY 2022



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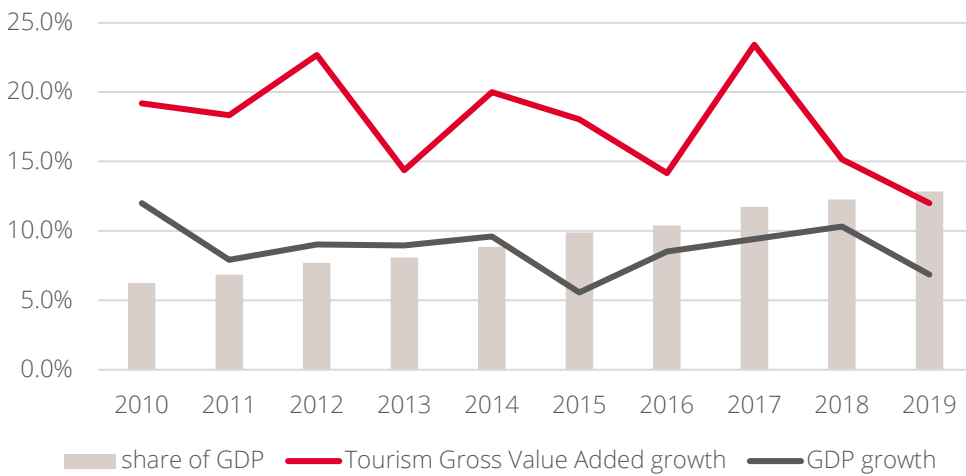
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**Tourism vs GDP (current price)**



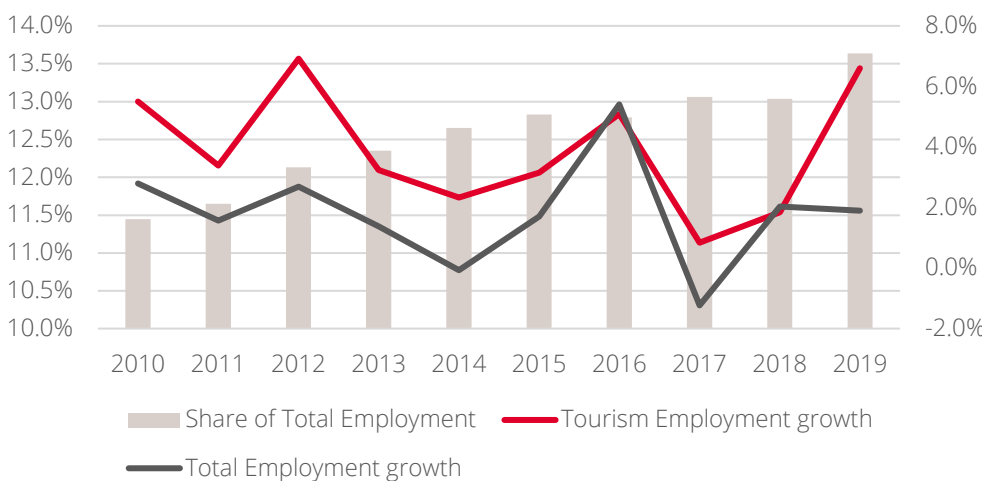
**Tourism GDP**

Tourism is an important sector to the Philippines economy, contributing to 12.8% of the country's total Gross Domestic Product (GDP) in 2019. The tourism sector has been growing faster than the general economy and has been playing an increasing role within the country's economy. The 10-year compounded annual growth rate for tourism Gross Value Added (GVA) is 17.5% p.a. and CAGR for GDP is 8.5% p.a..

**Tourist Employment Share**

Not only the tourism sector contributed to large share in the economy, the tourism sector in Philippines also have a significant impact in the local job market. As of 2019, tourism sector accounted for 13.6% of the total employment within the country and the job growth within the sector has been consistently above the growth of the overall job market.

**Tourism Employment vs Total Employment**

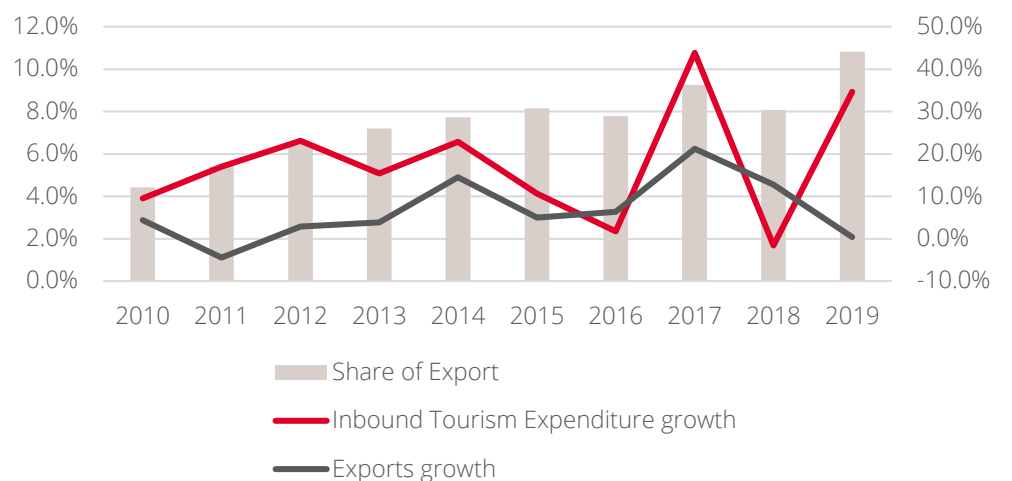


Based on latest 2020 data, tourism GVA dipped by 61.2% and tourism employment dropped by 18.2%

**Inbound Tourism as an Export**

Being an integral part of the Philippines economy, it is no surprised that tourism is a major export of the country. Inbound tourism accounted for 10.8% of the total export in 2019 and has been growing at a higher rate compared to the overall export. The minor dip in 2018 was probably due to the increasing incidents of terrorism during the period which affected the inbound tourism sector.

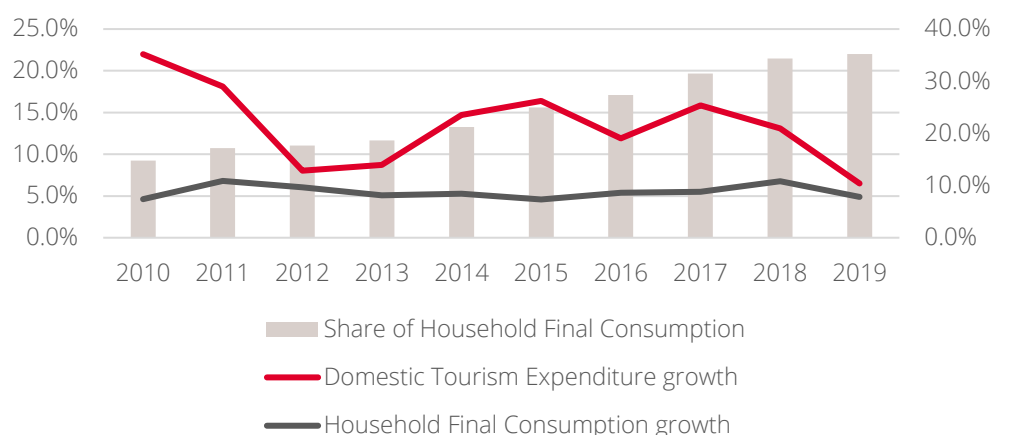
**Inbound Tourism vs Export (current price)**



**Domestic Tourism**

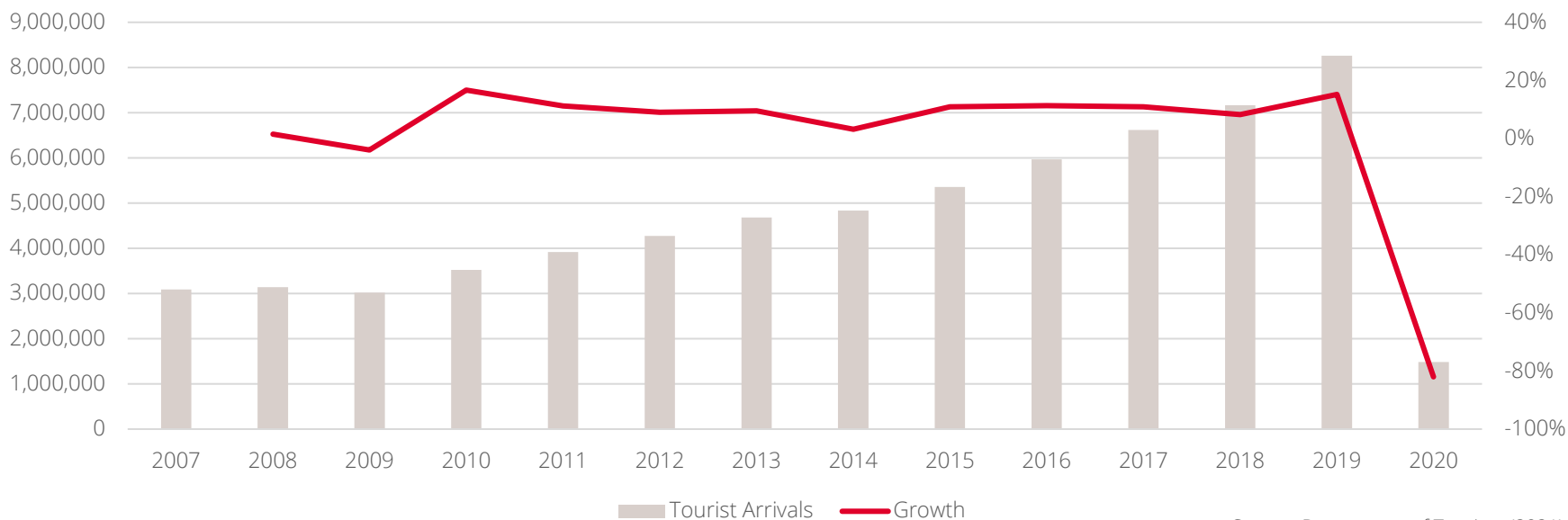
While inbound tourism has been a big driver of the economy, domestic tourism in Philippines has also been a very prominent sector. Domestic tourism took up 22% of total household expenditure of the country and have been growing for more than 10% per annum for the last 10 years.

**Domestic Tourism vs Household Expenditure (current price)**



In 2020, inbound tourism reduced by 78% while domestic tourism dropped by 82% due to Covid19 pandemic.

**Tourist Arrivals**



Source: Department of Tourism (2021)

**Tourist Arrivals**

Tourists arrivals in Philippines have been growing at an impressive pace. The CAGR from 2017 to 2020 is 8.5% p.a.. Despite the tourism sector playing an imminent role within the country's economy and job market, the Philippines tourism sector is still underdeveloped relative to its regional peers. Thailand, which relies as heavily on tourism sector has an annual foreign arrivals of 40 million; Vietnam despite not being a tourism-focused country, has a tourist arrival of 18 million p.a., same goes to Malaysia, with 26 million arrivals in 2019. Philippines, on the other hand, had less than 10 million foreign arrivals before Covid19. With its abundance natural resource, Philippines tourism sector have ample space for growth. The Philippines government have recognised that and are investing heavily to develop the sector.

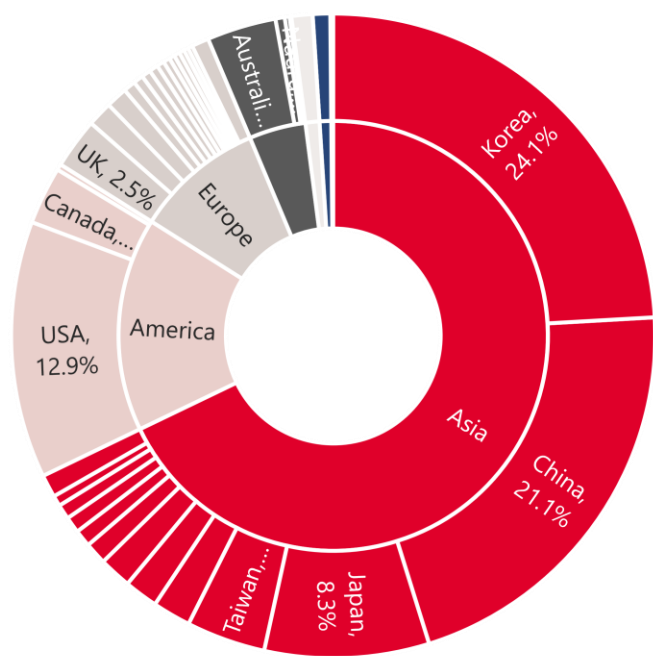
**Tourist Arrivals by Nationality**

Majority of the arrivals into Philippines are from Asia especially developed East Asia of which Korea and China being the largest tourist contributors to the Philippines. Despite already occupying the top 2 spots, tourists arrivals from both Korea and China are still growing at a very impressive rate of 22% and 39% respectively.

Compared to other Southeast Asian countries, the Philippines are able to attract more tourists from the West such as the USA, which was the 3<sup>rd</sup> largest source of tourists arrivals.

Arrivals from Taiwan increased by 35% from 2018, and Taiwan has overtook Australia as the 5<sup>th</sup> largest tourists source in 2019.

Top 5 countries accounted for 70% of total foreign tourists arrivals in the Philippines.



Legend: Asia (Red), America (Light Red), Europe (Grey), Pacific (Dark Grey), Africa (Blue), Others (Light Grey), Overseas Filipinos (Dark Blue)

Source: Department of Tourism (2021)

Country	2018	share of arrivals	2019	share of arrivals	Growth
Korea	1,624,251	23%	1,989,322	24%	22%
China	1,257,962	18%	1,743,309	21%	39%
USA	1,034,471	14%	1,064,440	13%	3%
Japan	631,821	9%	682,788	8%	8%
Australia	279,828	4%	286,170	3%	2%
Taiwan	242,411	3%	327,273	4%	35%

Source: Department of Tourism (2021)

## Top 10 Most Visited Province/ City 2019

Foreign Tourist			Domestic Tourist	
1	Lapu-lapu City	14.3%	Rizal	5.8%
2	Cebu City	10.4%	Davao City	5.1%
3	Boracay	10.2%	Batangas	4.4%
4	Bohol	7.1%	Cebu City	3.9%
5	Cebu	4.4%	Davao De Oro (ComVal)	3.5%
6	Puerto Princesa City	4.3%	Albay	3.3%
7	Mandaue City	4.1%	Baguio City	3.2%
8	Pampanga	4.0%	Cavite	3.0%
9	Palawan	3.8%	Laguna	2.8%
10	Pasay City	3.6%	Quezon	2.8%
<b>TOTAL</b>		<b>66.3%</b>	<b>TOTAL</b>	<b>37.7%</b>

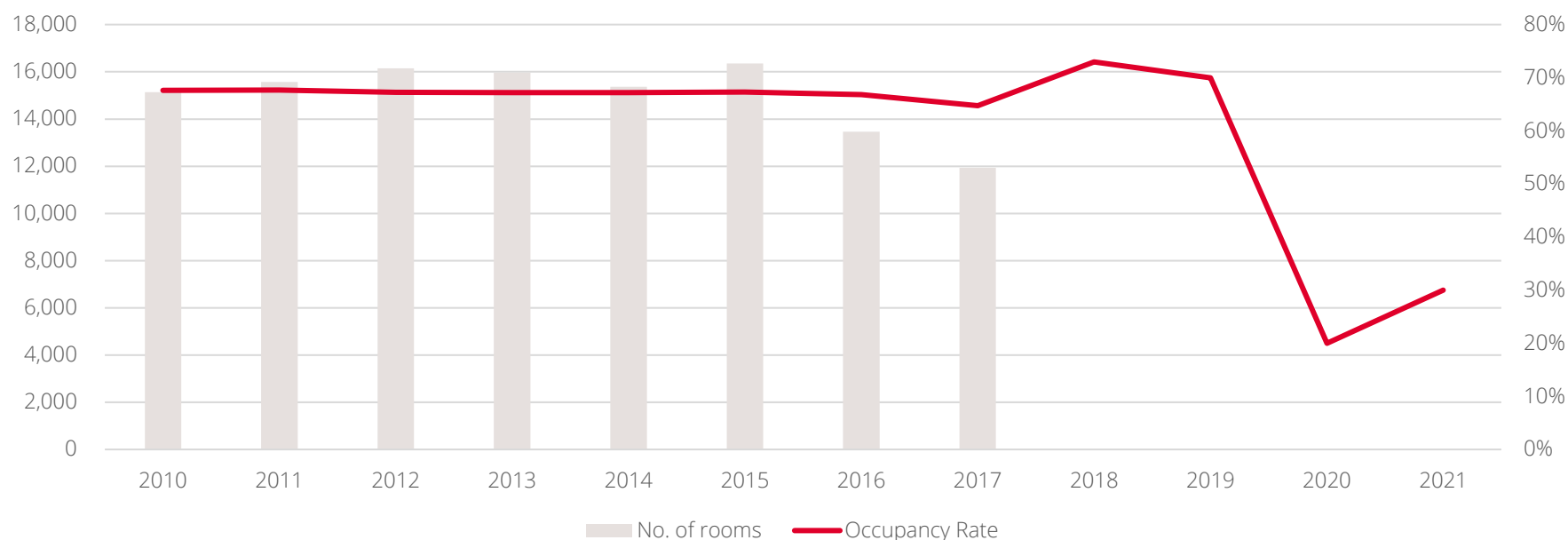
Source: Department of Tourism (2021)

### Places of Interest

Most of the cities with the highest footfall are where the beaches are, with Lapu-lapu-Bohol corridor attracting the largest share of tourists. Top 10 destinations accounted for 66% of foreign tourist footfall.

Domestic tourism however are a lot diverse compared to the foreign tourists. Except for Rizal and Davao City, none of the city made up more than 5% of the total domestic tourist arrivals.

## Hotel Supply in National Capital Region (Metro Manila)



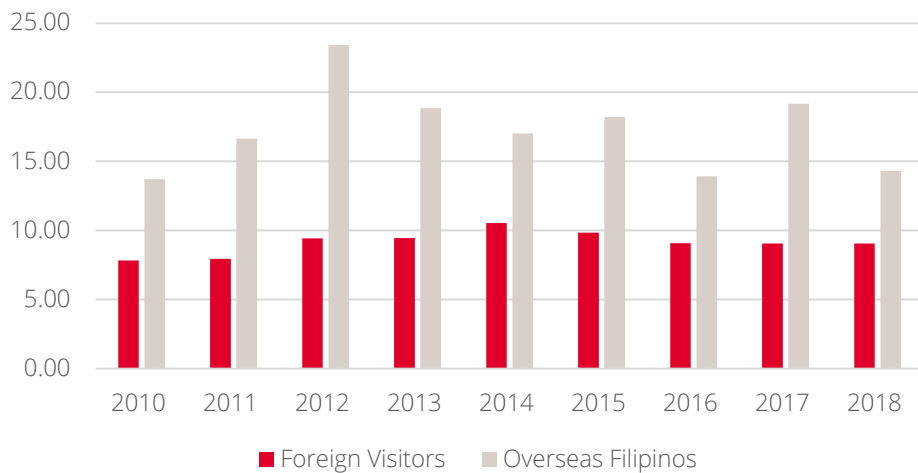
Source: Department of Tourism, Collier International, ST, Inc. (2021)

### Hotel Supply in Metro Manila

The average hotel occupancy rate in Metro Manila is 68% from 2010-2019. Hotel supply has not been consistent over the years which some hotels exiting the market in 2016-2017. While there is no data on 2018-2021, it is believed that hotel supply should be on decreasing trend due to the pandemic.

There is no public data available on the total room supply and occupancy for Philippines as a whole, however according to a survey by Horwath HTL in 2018, there are a total of 289,649 rooms in Philippines in 2017 and the overall occupancy is estimated to be 73%. It is forecasted that there will be an average of 1,900 rooms completion per year from 2021 to 2024, less than 4-year average of 2,100 rooms from 2016 to 2019 (Collier International, 2021). The increase in room supply both historically and according to projection have never been more than 1% of the total supply. With the supply held relatively constant, any further uptick in demand will push up both the occupancy rate and profitability of the hotel sector; which may occur once international travel resumes, as Philippines are under-represented in the regional tourism market.

## Length of Stay



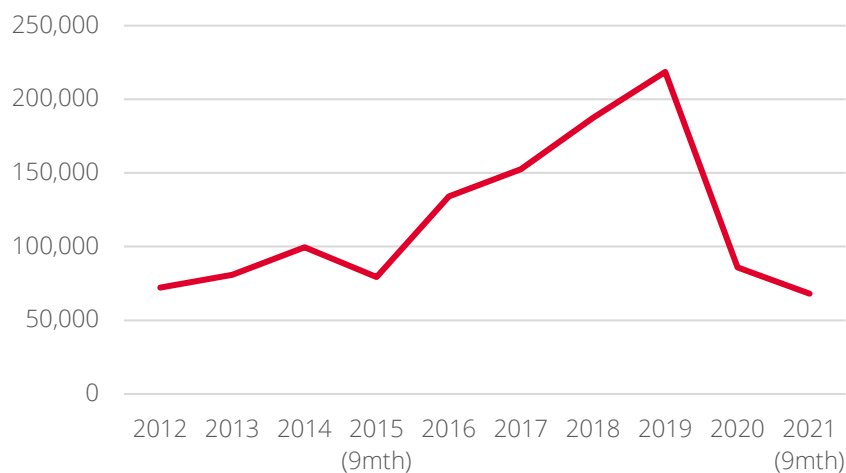
Source: Department of Tourism (2021)

## Average Length of Stay

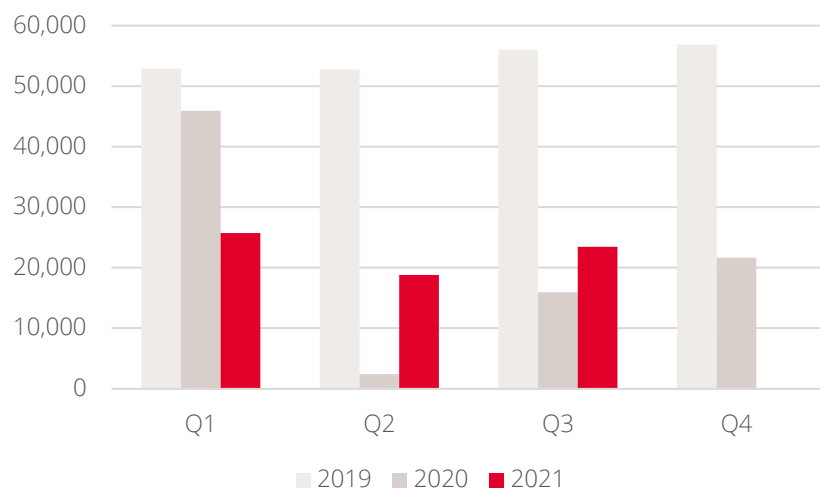
Foreign visitors who visited Philippines typically stay for a very long time. In 2018, foreigner visitors generally stayed for 9.05 days in the country. The 5-year average length of stay for foreign visitors is 9.51 days.

Overseas Filipinos, which is also a large source of foreign tourism in Philippines, on average stayed for 14.30 days in the country. The 5-year average length of stay for overseas Filipinos is 16.52 days.

## Casino Gaming Revenue ('mil Php)



## Casino Gaming Revenue ('mil Php)



Source: Philippines Amusement and Gaming Corporation (2021)

## Casino Gaming Revenue

With the gaming industry being one of the main attraction for tourism in Philippines, the Casino Gaming Revenue has been growing by leaps and bounds in the country before Covid19 pandemic hit in 2020. The CAGR for gaming revenue from 2012-2019 is an eye-watering 17% p.a..

Despite the sharp drop in revenue in 2020, the gaming industry is seen to be recovering, despite still being lower than the peak in 2019. The gaming revenue in 2021Q2 and Q3 has surpassed the low in 2020, and is expected to fare better once international travel resumes.

It is estimated that there are around 50 casinos around the Philippines, with majority of it located within Metro Manila. The Philippines Amusement and Gaming Corporation (PAGCOR), a government-owned corporation owns majority of the casinos in the country. PAGCOR are also mandated to regulate as well as authorize licensing within the gaming industry.

## **NOTETABLE ACTIVITIES**

### **Notable Hotel Openings**

1. Hilton Clark Sun Valley Resort (308 keys); Opened 2020
2. Citadines Amigo Iloilo (121 keys); Opened 2021
3. Park Inn by Radisson Bacolod (150 keys); Opened 2021
4. Hop Inn Ortigas Centre Manila (231 keys); Opened 2021

### **Notable Upcoming Hotel in 2022**

1. The Westin Manila Sonata Place (300 keys)
2. Pullman Manila at Primex Tower (200 keys)
3. Seda Arca South, Taguig Hotel (265 keys)
4. Somerset Valero Makati (176 keys)
5. Lyf Cebu City (180 keys)
6. Lyf Malate Manila (202 keys)

### **Notable Transactions**

1. No transaction in 2020 and 2021.

### **Foreign Ownership of Hotel**

1. 100% foreign ownership of business and building is allowed in the Philippines.
2. However, foreigners cannot own land of which the building (in this case hotel/resort) is located on. Foreigner can lease the land for 50 years renewable for another 25 years from the owner.
3. For land holding company, there needs to be 60% ownership by local Filipino.

### **Hotel Related License**

1. Business registration.
2. Accreditation from Department of Tourism.
3. Environmental Compliance Certificate.
4. Fire safety.
5. Alcohol license, if needed.

## **GOVERNMENT INITIATIVES**

### **Relief Measure during Covid19**

1. Interest-free loan or loan guarantees with terms up to 5 years for maintenance and OPEX for Department of Tourism (DOT) accredited tourism enterprise.
2. Credit facilities to upgrade existing tourism premises to be compliant of health and safety regulations.
3. Marketing and product development promotions and programs for DOT accredited tourism enterprise.
4. Grant for educational training to tourism stakeholders.
5. Launched "More Fun Awaits" campaign to sustain Philippines as top of mind travel destination.

### **Future Tourism Strategy**

1. For short term recovery: expand product offerings and explore more green travel lanes.
2. Focus on 'workation', tapping into the growing remote working trend, Philippines is positioning itself as the best 'Work from Beach' location.

### **Government Incentives**

1. Special Investor's Resident Visa (SIRV) to foreigners investing minimum USD 50,000.
2. Income tax holiday to selected tourism projects.
3. Granting Special Economic Zone status to projects within tourism development zones with incentives including tax holiday, duty-free importation of capital equipment and waiver of local taxes.

### **Opportunities**

Low hotel supply + under-represented tourism market (with potential uptick in demand) + high share of GDP (government's motivation to support the sector) = future prospect for hospitality development within the country.

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