



HOSPITALITY  
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# Taiwan Hotel Update Trends, Outlook & Opportunities



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## Summary

*The unprecedented decline in visitor arrivals to Taiwan caused drastic changes in hotel RevPAR performance under the pandemic, and domestic demand suddenly became critical to hotels. The article highlights top performers in the hotel market amid the changes posed by COVID-19 and analyses factors of success behind these properties. Additionally, it dives into current and future supply in the hotel market and evaluates the potential of hot spring tourism, as it gains popularity among domestic travellers. The article is concluded with recommendations and opportunities for future development in the Taiwan hotel market.*

## Introduction

The COVID-19 pandemic led to an enduring impact on Taiwan hotel market and brought shifts and challenges to hotels with high reliance on inbound visitors. Taiwan is a popular destination for tourists from East Asia; Greater China, together with Japan and South Korea accounted for over 60% of its visitor arrivals in 2019. The hotel markets in Taipei, the economic and cultural centre of Taiwan, and tourist attractions across the island were flourishing until border control due to the global pandemic.

Taiwanese hotel market without inbound visitors heavily relied on domestic travellers in 2020-21. Previously neglected trends of domestic were then revealed, including preferred cities and hotel types. Over the past decade, several international hotel chains entered Taipei and other key cities with brands ranging from mid-scale to luxury segments. Local hotel chains and independent operators, the other key players, also used their local expertise as advantages to stand out in the market.

The article investigates the hotel supply from both international and local chains and aims to understand the gaps in the current hotel market in Taiwan. Through analysis, the article endeavours to propose strategies and opportunities for future development, including but not limited to hotel types, geographic locations, and overall positioning. While the recovery of hotel market is dependable on the resumption of international travel, the outlook of Taiwanese hotel market is considered positive in long term. The pandemic might be a turning point for the industry to reevaluate the business and redesign the future strategies in response to the “new normal.”

## Visitor Arrivals to Taiwan

The number of visitor arrivals to Taiwan reached its peak at 11.9 million in 2019 reflecting a 7.2% YOY growth over 2018. At the 90% of the visitor arrivals were from Asia where Mainland China, Hong Kong, Macau, Japan, and Korea are the main origins. Akin to many other markets, the number of visitor arrivals plummeted after the government announced a border shutdown for non-citizen and non-essential travel in March 2020 due to global pandemic. The number of visitors continued to drop in early 2020, and it went to the lowest in April right after travel restrictions were implemented. As a result, the total number of visitor arrivals in 2020 reached only 1.1 million, an 88.4% decrease

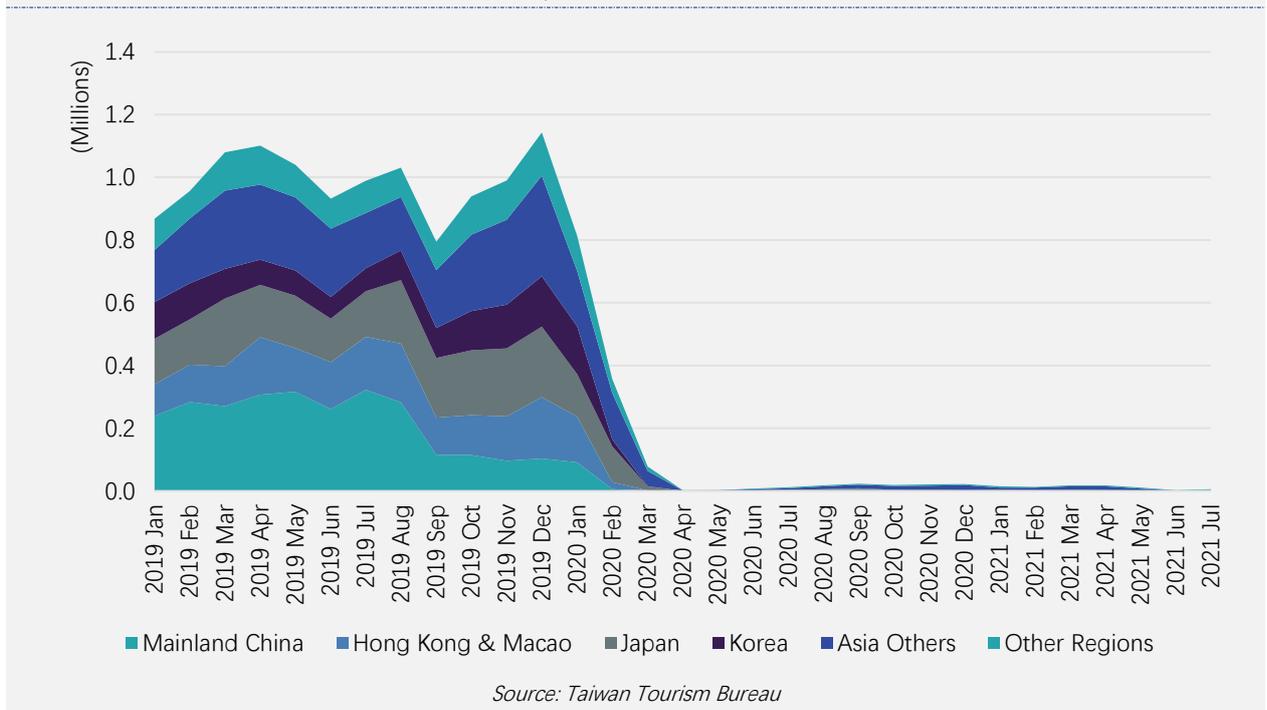
over 2019. As of September, Taiwan still maintained its “zero-COVID” policy, keeping the boarder closed for general visitors.

ANNUAL VISITOR ARRIVALS BY RESIDENCE, 2017-2020

Year	Asia		Americas		Europe		Others		Total	YOY changes (%)
		%		%		%		%		
2017	9,585,635	89.3%	702,049	6.5%	330,090	3.1%	121,827	1.1%	10,739,601	0.5%
2018	9,845,761	89.0%	732,478	6.6%	350,094	3.2%	138,374	1.3%	11,066,707	3.0%
2019	10,561,699	89.0%	766,254	6.5%	386,752	3.3%	149,400	1.3%	11,864,105	7.2%
2020	1,183,987	85.9%	106,117	7.7%	59,512	4.3%	28,245	2.0%	1,377,861	-88.4%

Source: Taiwan Tourism Bureau

MONTHLY VISITOR ARRIVALS BY RESIDENCE, 2019-2021YTD JULY



Hotel market in Taiwan

Hotels in Taiwan are categorized by the Taiwan Tourism Bureau (TTB) into different markets according to geographic locations. The major markets, such as Taipei and Kaohsiung, are well-known to the visitors, hotels located in popular sightseeing areas are grouped under designated market named ‘scenic area’. This article adopts the categorization by the TTB. The scenic area includes selected hotels from Yangminshan, Jiaoxi, Sun Moon Lake, Alishan, Zhiben, Tainan, Kaohsiung and Kenting, which are considered popular tourist attractions in Taiwan.

MAJOR CITIES & TOURIST ATTRACTIONS IN TAIWAN



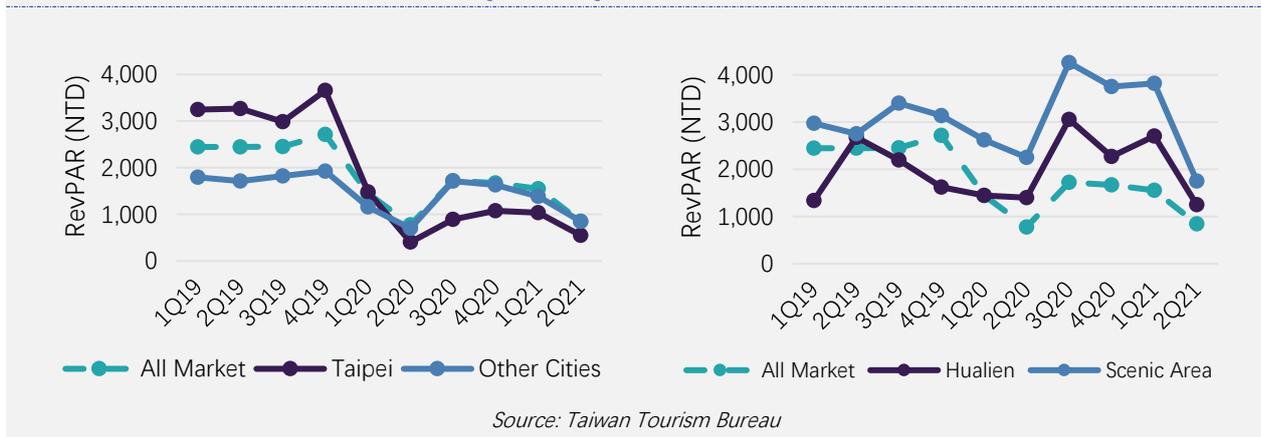
Source: AP Research

As a result of the declining number of inbound visitors to Taiwan, RevPAR performance was also negatively impacted. TTB data indicates that the overall RevPAR in the Taiwanese hotel market reached its pinnacle in 4Q2019 followed by a drastic decrease in the first and second quarters of 2020. During the pandemic era, the hotel market began its recovery with domestic travel to leisure destinations driving RevPAR performance starting from 2020Q3. A similar pattern can also be observed in city markets, due to staycation demand. It is noteworthy that Taipei suffered the most from the pandemic with the slowest recovery of RevPAR among all markets. Given that Taipei has a higher level of reliance on international and regional travellers than other markets, the city will experience lacklustre market performance while borders remain shut.

While RevPAR in cities fluctuated with the number of inbound visitors, the leisure markets outperformed. Starting from 3Q2020, RevPAR of both markets exceeded pre-pandemic levels, with YOY-Q32020 RevPAR change of 33% and 20% in Hualien and scenic area, respectively. The strong performance of both markets implies that domestic travellers “stuck” on the island contribute a sizeable share of demand for domestic leisure markets.

Undoubtedly, RevPAR performance is also correlated to the COVID situation in Taiwan. The situation was under control due to strict entry requirements in 2020 but hit by an outbreak in May 2021. Subsequently, most domestic travel was suspended, dragging down hotel occupancy levels, which impacted RevPAR performance across all hotel markets in Q22021.

REVPAR PERFORMANCE BY MARKET, 1Q2019-2Q2021



Top RevPAR Performers

The changing market dynamics can further be observed in the RevPAR ranking of individual hotels between 2019 to 2021. Significant rank changes can be observed between 2019 and 2020 when hotels in Taipei registered sharply lower occupancy levels and RevPAR. The top 12 performers in 2020 and 2021 are all full-service resort hotels and predominantly located in Hualien and Scenic Area or featuring wellness components, such as hot springs and spas. The top rank is presented based on the participating properties' RevPAR performance, and it provided insights of trends and challenges of Taiwanese hotel market in the pandemic and upcoming recovery.

## REVPAR RANK, 2019-2021 YTD JUNE

RevPAR Rank		Hotel Name	City	Market	Rank Change		RevPAR (NTD)
2021 YTD	2019-20				YTD20-21	2021 YTD	
1	The Lalu, Sun Moon Lake	Nantou	Scenic Area	→ 0	→ 0	9,727	
2	Grand View Resort Beitou	Taipei City	Taipei	↓ -2	↑ 3	7,195	
3	Grand Cosmos Resort	Hualien	Hualien	↑ 17	↑ 4	7,010	
4	Fleur de Chine Hotel, Sun Moon Lake	Nantou	Scenic Area	↑ 3	↓ -1	5,995	
5	Silks Place Taroko	Hualien	Scenic Area	↑ 6	↓ -3	5,809	
6	Silks Place Yilan Hotel	Yilan	Others	↑ 1	→ 0	5,636	
7	Hotel Royal Chiaohsi	Yilan	Scenic Area	↑ 1	↓ -3	4,694	
8	Alishan House	Chiayi	Scenic Area	↑ 7	↑ 1	3,970	
9	Radium Kagaya International Hotel	Taipei City	Taipei	↑ 7	↑ 2	3,837	
10	Caesar Park Kenting	Pingtung	Scenic Area	↑ 18	↓ -2	3,719	
11	Hotel Royal Chihpen	Taitung	Scenic Area	↑ 24	↓ -1	3,350	
12	Evergreen Resort Hotel Jiaosi	Yilan	Scenic Area	↑ 4	→ 0	2,693	
16	Silks Club	Kaohsiung	Kaohsiung	↑ 40	↑ 17	2,153	
19	Crowne Plaza Tainan	Tainan	Tainan	↑ 45	↑ 7	2,041	
22	Shangri-La Far Eastern Tainan	Tainan	Tainan	↑ 16	→ 0	1,925	
23	Le Méridien Taipei	Taipei City	Taipei	↓ -23	↓ -6	1,785	
27	W Taipei	Taipei City	Taipei	↓ -20	↓ -9	1,597	
34	Marriott Hotel Taipei	Taipei City	Taipei	↓ -31	↑ 4	1,460	
37	Regent Taipei	Taipei City	Taipei	↓ -19	↓ -16	1,329	
44	Humble House Taipei	Taipei City	Taipei	↓ -31	↓ -27	1,174	
48	Shangri-La's Far Eastern, Taipei	Taipei City	Taipei	↓ -42	↓ -7	1,082	
66	Grand Hyatt Taipei	Taipei City	Taipei	↓ -53	↓ -19	867	

Source: Taiwan Tourism Bureau

## City Hotels vs Resort Hotels

Reflecting the wider trend of city vs leisure destination markets, resorts outperformed their urban peers in terms of change in RevPAR ranking during the pandemic.

While two city hotels (#3 Le Meridien Taipei and #4 W Taipei) ranked in the Top 5 in terms of RevPAR in 2019, the picture changed dramatically in 2020. RevPAR declines of more than 50% led to a shake-up in the ranking for city hotels outside of the Top 20. Specifically, RevPAR in the Taipei hotel market dropped from NTD3,294 in 2019 to NTD974 in 2020 - a 70% decline. Notably, properties in markets that are historically softer, such as Tainan and Kaohsiung, outperformed their peers in other cities. Silks Club by Silks in Kaohsiung is ranked 22<sup>nd</sup> in 2021 YTD RevPAR performance with a 12% RevPAR growth of 2019YTD. A new player in Tainan city, Crowne Plaza Tainan, and the first international brand in the city, Shangri-La Far Eastern, Tainan, ranked 19<sup>th</sup> and 22<sup>nd</sup> in 2021 YTD, respectively. Notably, open in 2017, the 231-room Crowne Plaza Tainan registered 17% RevPAR growth from 2019YTD to 2021YTD benefitting from its location near Anping Old Fort. City hotels outside Taipei benefited from the newfound popularity of domestic travel when international visitors

ceased. Staycations at readily accessible branded city hotels became popular alternatives for getaways besides scenic area.

The leading resort hotels generally maintained their top rankings, first and foremost The Lalu, Sun Moon Lake. As an exceptional property in an unrivalled setting the hotel commands a significant RevPAR premium. Interestingly, some hot spring resorts managed to regain on their ranking in 2020-21YTD as demand started to come back to more established properties in readily accessible locations such as the Grand View Resort Beitou and Radium Kagaya International Hotel, both in Beitou, a suburb of Taipei.

### Internationally branded & locally branded resort hotels

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Locally branded resorts maintained stronger RevPAR performances amid the pandemic, some hotels even reached higher RevPAR levels in 2021YTD than 2019YTD. Overall, the resort hotel market in Taiwan is still dominated by local hotel chains and independent operators. Besides, several resorts on the RevPAR leader board have a rich historical background, which can enhance a property's popularity.

International hotel brand names are not necessarily the major considerations behind visitors' intentions toward resort hotels in Taiwan, due to limited supply. Westin is one of the stronger brands among international operators with two properties in Taoyuan and Yilan. Other factors, such as proximity to tourist attractions, historical background, and international recognition, are additional factors in consumers decision-making process for resort hotels in Taiwan. The historical background of a site or property, specifically guesthouses and residences of former President Chiang Kai-Shek, are highlights for some resorts, including The Lalu, Sun Moon Lake, Silks Place Taroko, and Alishan House. These sites chosen by Chiang Kai-Shek usually occupy the best area within the destination with good feng-shui. Additionally, several guesthouses had high-profile guests decades ago, which makes the property more attractive to some visitors. At the same time, hotels and resorts receive international recognitions, such as Exclusive Island Hotels & Resorts collection, Michelin Guide or Small Luxury Hotels of The World, which can be another differentiator. With these international recognitions, local hotels can differentiate their services offering and facilities from competitors in the neighbourhood and, during non-pandemic times, attract international visitors. We highlight five independent and locally branded properties which stand out:

*The Lalu, Sun Moon Lake* in Nantou topped the Taiwanese hotel market in terms of RevPAR in the past two years. This 96-room resort by the Sun Moon Lake is developed and managed by The



Lalu, a hotel brand under a local developer, Shining Group. The Lalu was once a residence and guesthouse of Japanese government officials and former president Chiang Kai-Shek. Additionally, The Lalu at Sun Moon Lake was initially launched by GHM Hotels (brainchild of industry legend Adrian Zecha) and was designed by Kerry Hill, awardee of several honours in architecture and designer of many luxury resorts in the world.

*Silks Place Taroko* is the second hotel under the “Silks Place” brand by Silks Hotel Group, former owner of The Regent brand. Reopened after its renovation in 2009, the 160-room property can be dated back to a designated guesthouse of Chiang Kai-Shek and his family in the 1960s. The hotel adopts its historical heritage and the surrounding natural scenery into the design, benefitting from its location in Taroko National Park and proximity to area attractions.



*Silks Place Yilan*, located in the centre of Yilan, the 193-room hotel is the first Silks Place branded



property unveiled by Silks Hotel Group in 2009. The hotel is part of a mixed-use development sitting on top of the largest shopping mall in eastern Taiwan. Positioned to be the preferred one-stop destination in the region, the hotel also features a family-friendly environment and design for guests with children. Specific areas are transformed into kid’s zone with activities for children of different ages. Together with a famous Chinese Restaurant serving Peking Duck, the hotel has been very popular and performed strongly since opening.

*Alishan House* is located in the heart of Alishan (Ali Mountain), a popular tourist attraction for more than a century; the site itself was once home to guest houses of several government officials. To cater to the growing tourist demand, the 104-room Modern Building annex was added in 2012 for a total of 139 rooms. The project is under a BOT (“Build, Operate, Transfer”) scheme, which outsources government projects to firms from the industry to develop and manage projects in a form of Public Private Partnership (PPP) which is quite common in Taiwan.





*Caesar Park Kenting*, a member of Exclusive Island Hotels & Resorts, has great accessibility to its natural surroundings, including the beaches and mountains in southern Pingtung County. This 281-room resort offers an exotic atmosphere with different leisure activities, such as water sport and biking.

On the other hand, internationally branded resorts currently have a weak presence in Taiwanese market. Recent developments of internationally branded resorts include two properties managed by Marriott International under the Westin Hotels & Resorts brand, and a regional luxury resort brand, Hoshinoya Hotels, from Japan.

*The Westin Tashee Resort* is a 205-room property adjacent to the famous Tashee Golf Course in Taoyuan. Surrounded by verdant nature in the sprawling suburb, the hotel provides a selection of wellness activities under Westin's wellness initiatives along with family-focused facilities, such as the largest kids club in Asia and various outdoor activities for all guests.



*The 85-room Westin Yilan Resort* has a strong focus on wellness. Located in Yuanshan of Yilan County the natural hot spring facilities are highlights of the resort featuring open-air hot spring and bath houses. With Westin's wellness program, it is positioned as a retreat destination for guests from urban areas.

Hoshinoya continues to expand its footprint in Asia Pacific, and Guguan in Taichung was chosen for its hot springs and natural scenery. Open in 2019, 50-room *Hoshinoya Guguan* is positioned as a secluded, luxury resort in central Taiwan where each room has access to an in-room hot spring bath. At the same time, Hoshinoya brings its Japanese hospitality and gastronomy into their resort proving popular with the domestic market.



Although internationally branded resorts do not provide their performance data for a direct comparison, it is fair to say that international resort brands do bring new and different experiences to the Taiwanese hotel market. For example, Westin introduced a holistic wellness concept in both properties, and Hoshinoya brings its well-known Japanese hospitality and luxury service culture to central Taiwan, where few luxury hotels can be found outside of Sun Moon Lake.

## International & Local Hotel Chains in Taiwan

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While local hotel chains are the key players in Taiwanese hotel market; several international brands continue their expansions in Taiwan. At the same time, local hotel chains are working with local developer and investors to expand their brand portfolios. Local hotel chains are diverse in hotel types, location, and size; several hotel groups have complex strategies in diversification and brand management.

### Local Hotel Chains

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**Silks Hotel Group** is listed on the Taiwan Stock Exchange as Formosa International Hotels Group (FIHG), and its core business covers hotels and restaurants. There are currently three brands under its hotel business, Regent Taipei, Silks, and Just Sleep across 15 properties.

- The hotel still owns the trademark of **The Regent Taipei** after IHG acquired Regent Hotels from FIHG in 2018. This 569-room hotel is the flagship property of the group in Taiwan, and it targets the high-end market of both leisure and business travellers featuring an expansive food and beverage offering
- **Silks** is the group's high-end hotel and resort brand portfolio, including Silks Place, Silks Club, Wellspring by Silks, and Silks X. While Silks Place has an emphasis on local culture and unique experience, Silks Club is positioned as boutique hotel in the urban setting.
- **Just Sleep** is a mid-scale hotel brand across Taiwan, present in 4 cities and 2 tourism hotspots. More than just accommodation service, various facilities with spacious common areas are available for guests.

**LDC Hotels & Resorts** owns and operates a collection of 15 luxury hotels in Taiwan and Italy. There are currently 7 properties in Taiwan where the group introduces European interior design with crafted experiences. Overall, the company has a broad portfolio of high-end properties that also take stylistic references from their local market.

**Hotel Royal Group** is another local hotel group with 10 properties across three brands operating in Taiwan, including Hotel Royal, The Place, and Royal Inn.

- **Hotel Royal** is a full-service hotel brand with properties in Taipei, Hsinchu, Yilan and Taitung. The Taipei property, Hotel Royal Nikko Taipei, is managed by Okura Nikko Hotel Management, the first Nikko Hotel in Taiwan.
- **The Place**, on the other hand, is a design brand with three properties in Taipei, Taichung, and Tainan. The brand aims to attract younger generations with its brand image, "Fun, Fusion, Fashion," which is applied in the service design in the properties, such as unique experiences in the cities and neighbourhood.

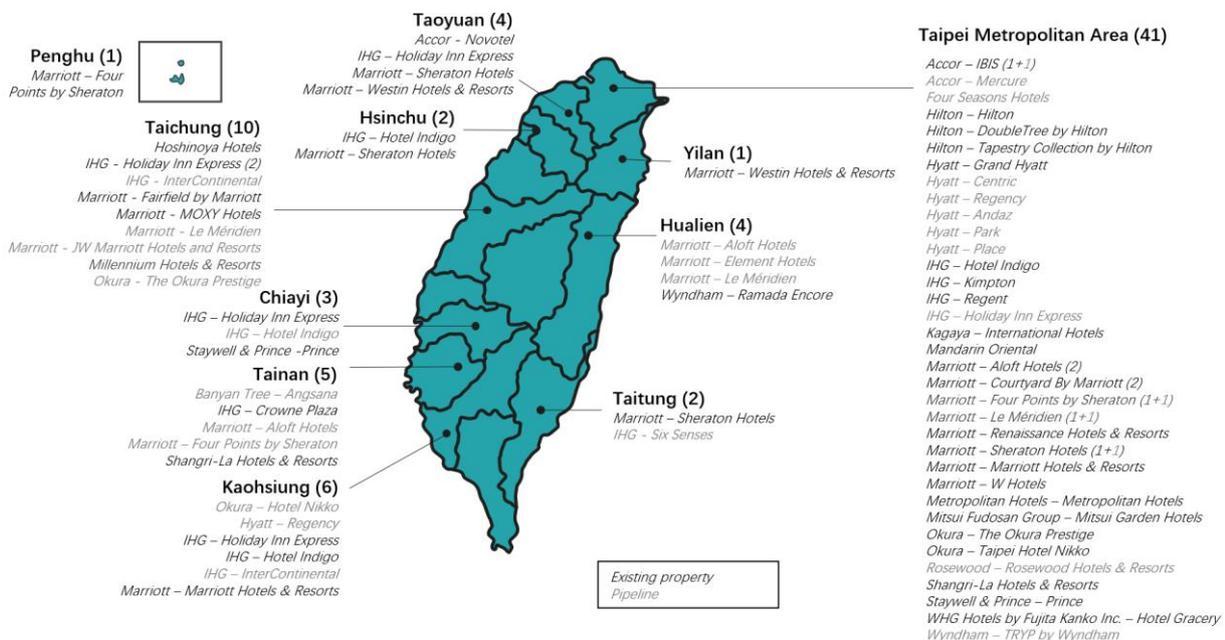
- Royal Inn** properties are usually located in the city centre and providing convenience to business travellers. Both hotels under Royal Inn are near transportation hubs, commercial and shopping districts in Taipei, and small-sized meeting facilities can be found to accommodate guests' needs.

Other hotel brands, such as Fullon Hotels, Evergreen Hotels, Caesar Hotels, and Landis Hotels, also have certain brand equity among domestic travellers. These local brands are usually positioned as full-service hotels targeting local population; and they can usually be found in larger cities or popular tourist attractions across Taiwan.

### International Chains

In general, international hotel chains have their presence in major cities. The Taipei Metropolitan Area, including Taipei City and New Taipei City, attract the most international and regional brands by number of properties. The Taipei Metropolitan Area is home to a wide array of brands across different hotel types, from luxury brands to business hotels. Several regional brands from Japan also chose Taipei as their first overseas location to expand to.

### INTERNATIONAL CHAINS ACROSS TAIWAN



Source: AP Research

Marriott and IHG are the two hotel groups with the largest number of properties in Taiwan. Marriott now has 19 hotels in operation with 10 in the pipeline, and IHG has 11 existing hotels with 5

upcoming projects. Hyatt, on the other hand, is expanding its portfolio in the Taiwanese market at the fastest pace from 1 existing property to 6 more in the pipeline. Several other international brands will debut in the market, such as Angsana by Banyan Tree, Four Seasons, and InterContinental by IHG.

Hotel markets in cities outside Taipei are receiving more attention from developers and investors as pipelines grow. Hotel markets which are currently dominated by local chains and independent operators are expected to see more internationally branded hotels open, specifically Taichung, Tainan, Kaohsiung and Hualien. Although the hotel market is heavily reliant on domestic travellers during the pandemic, new brand entries are expected to attract domestic travellers from other cities and for staycations, including from members of hotel loyalty programs.

## Hot Spring Resorts in Taiwan

Located at the convergent boundary of four tectonic plates, Taiwan features an abundance of hot spring sites across the island. Development of hot springs in Taiwan was not scaled up until the late 19<sup>th</sup> century when Japanese ruled the island for half century. The first hot spring resort, Ten Gu An, was established in Beitou, Taipei in 1896, and more hot spring sites were further developed in various locations. Until now, visitors can still find historical hot springs first established a century ago across Taiwan.

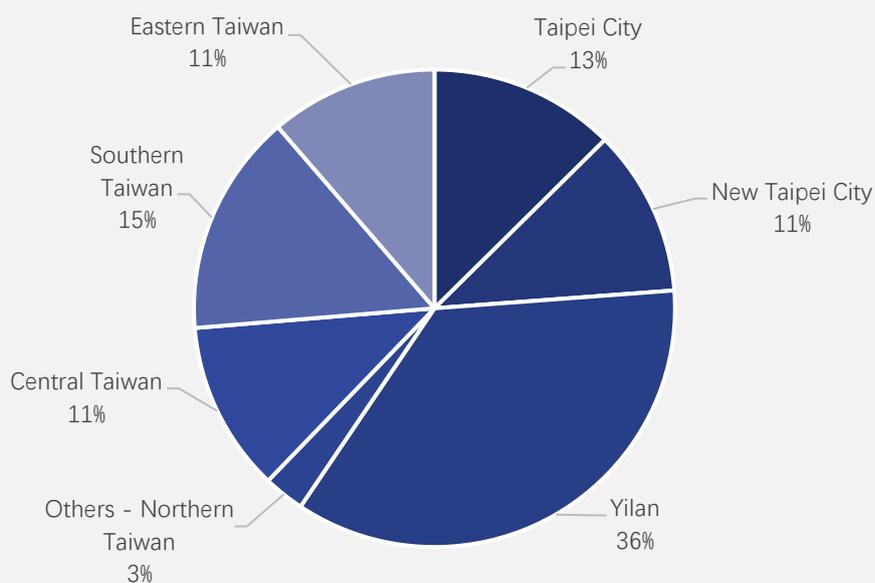
### HOT SPRINGS IN TAIWAN



Source: AP Research

Due to the unique geographic location, hot spring across the island can be classified according to distinct water qualities and properties. In the past decades, hot spring sites in Taiwan have increasingly attracted hotel developers' and operators' attention. As a result, around 400 hot spring hotels are currently operating, which can be grouped by their geographic location.

**HOT SRPING HOTELS IN TAIWAN**



Source: Taiwan Tourism Bureau

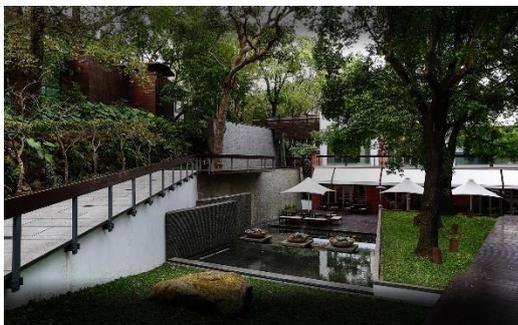
**North**

More than half of the hot spring hotels are in northern Taiwan including Taipei City, New Taipei City, and Yilan. Popular hot spring areas near Taipei are Beitou, Yanmingshan and Wulai; they are just one-hour away from Taipei city centre featuring several well-known hot spring hotels. Yilan, the other popular hot spring site in northern Taiwan, became more popular after Xueshan Tunnel opened in 2009, significantly shortening the travel time from Taipei. A variety of hot springs can be found in northern Taiwan where Su'ao features a rare cold spring, for example.



*Grand View Hotel*, Beitou opened its door with 66 rooms in 2011 and quickly became a popular resort in the Beitou area. Designed by same architect as Taipei 101, the resort aims to provide an oriental atmosphere with Taiwanese characteristics. Differentiating itself from Japanese style hotels and resorts in the neighbourhood, the hotel emphasises Taiwanese culture into its service, experience and design.

**Radium Kagaya International Hotel** took over the historical site of Ten Gu An, the very first hot spring resort in Taiwan developed by the Japanese back in 1896. The hotel continues to offer hot spring and high-end services to guests. Kagaya Hotel is a well-known resort in Japan for its hospitality and dedicated services. The 90-room property earned international recognitions since its opening, for instance, recommended by the Michelin Guide Taipei in 2018 and 2019 and has a strong following among international guests.



**Villa 32** in Beitou is part of Relais & Chateaux, a luxury hotel collection founded in France. The hotel with only five units is well-known for its hot spring and well-designed villas. The hotel was shortlisted as The Hottest Hotel by Conde Nast Traveller when it first opened in 2006, and subsequently gained popularity outside the Taiwanese market.

**Hotel Royal Chiaohsi** is one of a few full-service hot spring hotels in Yilan. Initially a member of Small Luxury Hotels of The World (SLH), this 198-room hotel gained popularity among domestic travellers and international visitors.



**Westin Yilan** is another high-end hot spring resort in northern Taiwan.

### Central

In central Taiwan, Guguan and Sun Moon Lake are two room markets for hot spring resorts which are usually full-service properties built in mountainous areas.

**Hoshinoya Guguan** is the most well-known resort for hot spring in central Taiwan.



*Fleur de Chine Hotel* at Sun Moon Lake is a 211-room hot spring resort developed by LDC Hotels & Resorts. Situated above the shores of Sun Moon Lake, the hotel enjoys scenic views and its proximity to tourist attractions in the area. Resort facilities include recreational facilities, spa, kid's playground, rock climbing, public bathhouse, and in-room hot spring.

### South

Located in southern Taiwan, Guanziling and Sichong River are both hot spring destinations developed more than a century ago, which continue to enjoy popularity among domestic tourists, especially the unique mud spring in Guanziling. However, the lodging markets in these areas are dominated by independent hot spring resorts and hotels with little brand recognition, generally of modest standing.

### East

Surrounded by mountains, eastern Taiwan features several popular hot spring sites; Rueisuei and Zhiben (Chihpen) are the two mature markets.

*Grand Cosmos Resort, Rueisuei*, is a new entry in the hotel market in Hualien. Open in 2019, this 198-room resort is designed in a European style with a wide range of facilities targeting the leisure market, from family travellers to couples. Highlights of the resort include abundant hot spring, villas, and an Angsana spa by Banyan Tree.



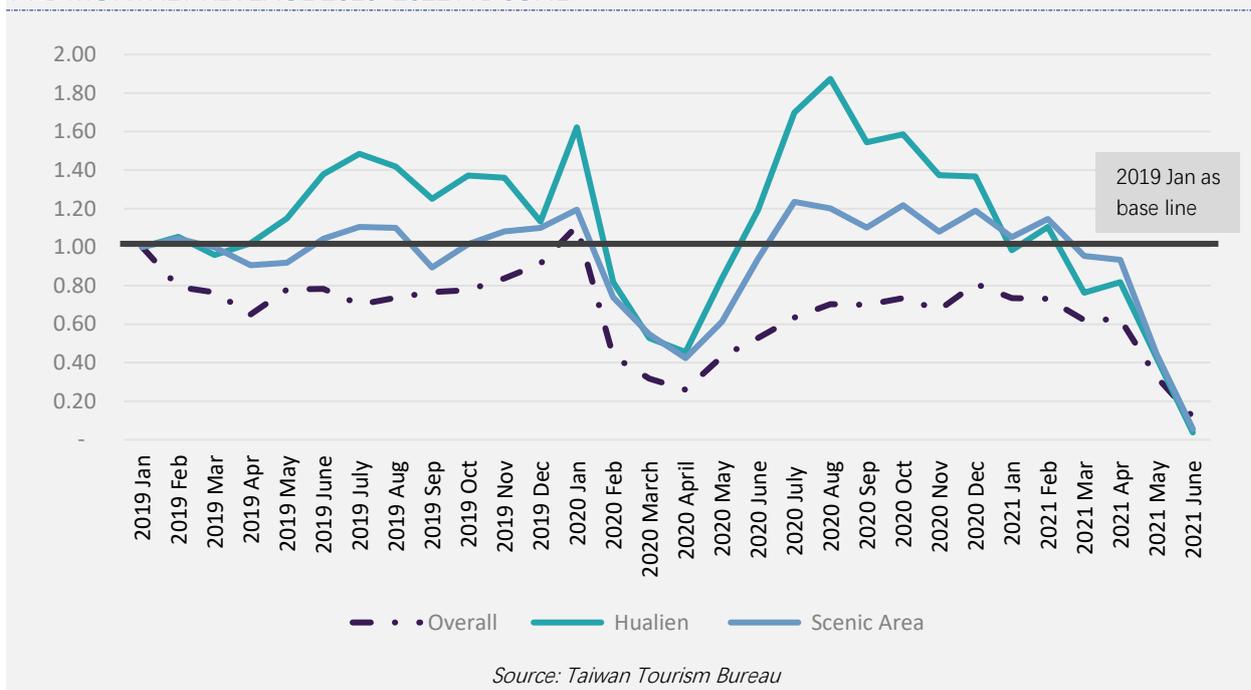
*Hotel Royal Chihpen* is a 183-room hot spring hotel under the domestic brand "Hotel Royal". Situated in one of the most famous hot spring sites, Zhiben, the hotel provides comprehensive hot spring options together with recreation rooms and a kid's zone. The hotel's design was inspired by the aboriginal culture in the area.

Hot springs in Taiwan have more than a century of history, while the current purpose is limited to leisure and recreation where demand is subject to the seasonality. It is suggested in a report by the Taiwan investigatory and auditory bureau, that hot spring in Taiwan should be further developed for wellness and potentially medical purposes in the future. Similar to countries like Japan and France, there is an opportunity to create a more sustainable economy year-round.

Additionally, hot springs are not a very popular activity among overseas visitors. According to a survey TTB from 2019 only 11% of international visitors visited a hot spring - the ratio was higher for Mainland Chinese at 17.3% and significantly lower for Japanese visitors at 4.9%. Hot springs may be well-known for visitors from Mainland China and Japan, but it is less popular among long-haul visitors. Local destination marketing organizations plan to promote hot springs more heavily to international markets. The future of hot spring tourism in Taiwan could be a more balanced business model providing opportunities for more experienced brands to enter and develop the market further. At the same time, a lack of larger resorts in southern Taiwan and stronger incorporation of holistic wellness concepts might be other opportunities for developers and investors to explore.

### Hotel F&B Revenue Trends

F&B MONTHLY REVENUE 2019-2021YTD JUNE



As a key revenue generator in hotels, Food and Beverage (F&B) revenue exhibits a pattern similar to RevPAR trends between 2019 and June 2021. Indexed to January 2019, several peaks in monthly revenues can be observed. Firstly, the overall market had better performance only in January 2020, when Chinese New Year drove F&B revenues while all other months were slower. The lockdowns in the second quarter of 2021 further depressed F&B revenues. Notably, both Hualien and the Scenic Area started posting stronger F&B revenues from May 2020 and onwards coinciding with increased RevPAR levels. F&B revenue in city hotels was more resilient than RevPAR performance, for example, F&B revenue registered an 18% decrease in July 2020 over July 2019, while room revenues dropped

75.2%. To compensate for the decline in inbound visitors due to the pandemic, hotels focused on city guests and domestic travellers to boost F&B revenues. Many city hotels also launched F&B promotions on takeaway and even delivery to compete with other dining options; which enabled them to maintain a higher share of their F&B revenues, a resilience observed in many hotels around the world.

### *Conclusion*

Faced with the COVID-19 pandemic, the hotel market in Taiwan had to switch its focus to the domestic demand to survive, similar to many other parts of the world. The changing trends not only reveal behaviours of domestic travellers and potential recovery strategies, but also provide insights for future development in the Taiwanese hotel market.

#### **1. Potential for an international branded resort.**

While resort hotels gain popularity among domestic travellers, the current supply of resorts consists mainly of local chains and independent operators. Several cities, like Kenting, Taitung and Hualien have the potential to develop resorts drawing on their natural resources, tourism attractions, and infrastructure. With the trends observed from current and future supply, opportunities for hotel investment and development lie within luxury and high-end resorts enjoying reasonable access. All-inclusive resort brands, like Club Med, could also provide opportunities for the south and east of the Island.

#### **2. Sustainable development of wellness tourism.**

Spread across the island, hot springs are popular among local travellers, especially in cooler weather. However, they are often overlooked by international visitors. Hot springs in northern and eastern Taiwan are relatively more mature, and local resort brands dominate the market. Other parts of Taiwan may have opportunities for future hot spring development. Additionally, hot springs remain exposed to strong seasonality, where a concept of holistic wellness could drive year-round demand. There may be opportunities for international hot spring operators from international markets, such as Japan and the Alps.

#### **3. Localization with global mindset.**

Both local brands and international brands are eyeing the hotel market in Taiwan, new hotels are added to the pipeline even during the pandemic. The entry of new brands from international groups, especially in cities outside Taipei, may induce demand here. Unlike international brands' comprehensive loyalty programs and strong brand equity, local hotel chains have advantages in localisation and their market presence. The future success of hotels in Taiwan would be determined by the balance of globalisation and localisation catering to different target markets. In this market environment the focus is firmly on capturing the domestic audience while seizing the opportunity from accommodating international guests is critical in the long term.



## About AP Hospitality Advisors

AP Hospitality Advisors is an advisory firm founded by Dan Voellm, MRICS in 2011 in Hong Kong has seen the opening of additional offices in Bangkok and Shenzhen. AP Hospitality Advisors serves owners, investors, developers, operators, and lenders of hospitality assets across Asia-Pacific. The team blends expertise in operations, real estate, and finance to support any critical step in the asset lifecycle.

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- Resorts
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- Serviced apartments
- Wellness
- Mixed-use & masterplans
- Gaming
- Golf

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## About the Authors



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Dan works closely with key institutional and private owners of hotel properties, financiers, developers, and investors, and has gained a strong understanding of their investment requirement and approaches to assessing market values of investment properties. Dan further advises on property and concept development and strategy as well as expert witness testimony. Dan is vice-chair of the Urban Land Institute's (ULI) Hospitality Development Council in Asia Pacific and became a Professional Member of the Royal Institute of Chartered Surveyors in 2016.

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