Tourism Investment Facilitation

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The World Bank Group
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Agenda

1. Why invest in tourism
2. Types of tourism investment
3. Understanding tourism investments
4. Tourism investment facilitation
5. Case studies
Tourism can be a sound path to economic development ....

In 2019 tourism generated:
- 1 in 10 jobs globally
- 10% of total global GDP
- US$1.46 trillion tourism receipts
- 7% of global exports (goods and services)
- 54% jobs held by women
- $120.1 b revenue for conservation

Growth in tourism arrivals and receipts is strongly correlated with economic growth, job creation, and poverty reductions in all regions

Tourism can be a powerful driver of FDI and Foreign Exchange
....but has been severely impacted by the pandemic

COVID-19 is unlike any previous crisis for travel and tourism

- International arrivals dropped 74 percent in 2020
- Tourism faces a demand and supply crisis
....and tourism will be different after COVID-19

- Recovery is being impacted by infection rates and travel restrictions in destinations and source markets

Recovery will be *uncertain and uneven*
Types of tourism investment
Tourism needs *public* and *private* investment working together for success

**The Tourism Ecosystem**

**The Public Sector**

- Provision and protection of public goods
- Overcome market failures
- Regulation, control and monitoring
- Co-ordination
- Facilitation of private investment
Tourism needs public and private investment working together for success

And investments in ....

- protection of cultural and natural assets
- skills and human resources
- marketing and promotion
- data and information
- destination management
Understanding tourism investments
## Understanding tourism investments

<table>
<thead>
<tr>
<th>Tourism investments are different</th>
<th>Tourism transactions are complex</th>
</tr>
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<tbody>
<tr>
<td>Property assets</td>
<td>High cost</td>
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<tr>
<td>High but volatile cash flows</td>
<td>Force majeure</td>
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<tr>
<td>Earnings lead time</td>
<td>Multiple players - developer, owner, operator, constructor, debt providers, equity holders</td>
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<td>Difficult to manage</td>
<td>Complex documentation</td>
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<td>High development impact</td>
<td>Several jurisdictions</td>
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<td>Low but conspicuous environmental and social impacts</td>
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Tourism investments are .......*high risk*
# Types of tourism investor

<table>
<thead>
<tr>
<th>Type</th>
<th>Motivation</th>
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| Reputational Investor| - Want to be associated with a big hotel brand as it adds to the reputation of other parts of the business  
                      | - Common motivation for local investors                                      |
| Cash Investor        | - Hotels and tourism as safe assets to invest surplus cash                  
                      | - Common amongst high-net-worth individuals                                 |
| Lifestyle Investor   | - Seeking a career or lifestyle change vs cash dividend                      
                      | - Generally smaller investors                                                |
| Financial Investor   | - Looking for long term ROI, managed risk, predictable returns, consistent cash flow, asset appreciation  
                      | - Professional approach                                                      |

Understanding *who* is investing and *why*
Who are tourism investors?

**Investment funds/private equity funds**
- Make investment into real estate or tourism companies
- Do not operate in tourism industry services or provide services to consumers

**Hotel Owners and Operators**
- Manage and operate hotels
- May own the hotels they operate depending on their strategy

**Real Estate Investment Trusts**
- Own and in some cases operate income producing real estate including hotels
- Enables multiple investors to acquire prime assets

**Property developers/constructors**
- Develop and build hotels
- Some may retain a share of ownership in the long term

**Institutional Investors**
- Seek investments through direct acquisition, M&A and via specialized funds
- Traditionally focused on higher end hotels but now also looking for select service opportunities
- Institutional investments in hotels doubled between 2014 and 2017

Tourism investment comes from *many different sources*
### Who are tourism investors?

**Leading Hotel Management Companies**

<table>
<thead>
<tr>
<th>Own, operate and sometimes work with other operators</th>
<th>Rarely own but mainly manage hotels</th>
<th>Co-invest and sometimes manage their own hotels</th>
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</thead>
<tbody>
<tr>
<td>Minor Hotels</td>
<td>Intercontinental Group</td>
<td>Wyndham Hotel Group</td>
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<tr>
<td>Santika Hotels</td>
<td>Hilton Group</td>
<td>Choice Hotels International</td>
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<tr>
<td>Prime Plaza Hotels and resorts</td>
<td>Marriott</td>
<td>Six Senses</td>
</tr>
<tr>
<td>Tazia Hotels (Indonesia)</td>
<td>Indian Hotels Company Limited (India)</td>
<td>Radisson Hotels</td>
</tr>
<tr>
<td>Jin Jiang International Holdings (China)</td>
<td>Hyatt Group</td>
<td>Best Westin Hotels</td>
</tr>
<tr>
<td>Cedar Capital Partners (UK)</td>
<td>Accor Group</td>
<td>Kempinski Hotels</td>
</tr>
<tr>
<td>Geolo Capital (USA)</td>
<td>Aerowisata Hotels</td>
<td>Centara Hotels and resorts</td>
</tr>
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</table>

Hotel *management* companies are often *not* investors.
Who are tourism investors?

Hotel Investment Funds and Trusts

**Leading funds investing in hotels**
- Blackstone Group (USA)
- Carlyle Group (USA)
- Elliot Group (USA)
- KKR (USA)
- Hamilton Hotel Investors (UK)
- Starwood Capital
- Nobel Investment Group
- Rockbridge Capital (USA)
- KHP Capital Partners (USA)
- Geolo Capital (USA)
- China Life Insurance
- Sunshine Insurance Group (China)
- Hill House (CHINA)
- Lodgis (Singapore)
- Ascendas (Singapore)

**Leading Real Estate Investment Trusts**
- Host Hotels & Resorts
- Hospitality Properties Trust
- Apple Hospitality REIT Inc
- LaSalle Hotel Properties
- Sunstone Hotel Investors
- Ryman Hospitality Properties
- RLJ Lodging Trust
- Diamond Rock Hospitality Company
- Pebble Brook Hotel Trust
- Xenia Hotels and resorts
- Chesapeake Lodging Trust
- Summit Hotels Properties
- Falco Lodging Trust
- Hersha Hospitality trust
- Chatham Lodging trust

Tourism investors are sophisticated and can be *hard to find*
Understanding tourism investor behavior

Investment and location decision making

Infrastructure and attractions
Satisfactory access? Level of development? Is there a product gap?

Research on risk/return attractiveness compared to comparable assets
Is there a demonstrated demand and history? Can I raise the capital?

Investment opportunities
Are the specific opportunities I can consider – greenfield, M&A, JVs?

Approval processes
How do I get approval? How long will it take and how much will it cost?

Data availability
Is there data at the regional level? Are industry benchmarks and cost structures available?

Attracting tourism investment requires *the right conditions*
Tourism investors need timely and reliable data

**Demand**
- Visitor numbers
- Expenditures

**Supply**
- Asset classes
- Room stock

**Performance**
- ADR
- Occupancy
- RevPAR
- Costs – capex and operating

**Investment data**
- Asset values
- Sales

Time series data

Tourism investors need the *right information* at the *right time*
Tourism investment facilitation
What is needed to attract tourism investment?

The recipe for success

✓ Clear vision for sector development, based on understanding of market demand

✓ Attractive investment climate

✓ Attractive investment opportunities

✓ Effective investment promotion

✓ Capacity to combine private sector expertise and investment with government initiation and monitoring

✓ Effective multi-agency collaboration

✓ Strategic planning and thorough implementation
A well-designed IP strategy answers three simple questions...

**What are you selling?**

- Know your product, your investment goals and how your product compares to others

**Who are you selling to?**

- Understand investment trends globally, and regionally
- Developing a set of criteria for investors that would meet the investment goals of the opportunity
- Creating a list of active investors, matching the criteria to them, and creating a ‘target-list’

**How are you selling?**

- Define the promotional approach - e.g. public announcements, or ‘exclusive’
- Evaluate responsibilities, functions, budgets, timeframes (‘activity-plan’)

What does good investment promotion practice look like?
What does good investment promotion practice look like?

Or.....from the investors’ side......

What is for sale?

Why should I buy it?

How do I buy it?

Successful Tourism Investment Promotion ensures the investor has the information to answer these questions at the key points along the investment decision pathway
What does good investment promotion practice look like?

Framework for investment facilitation

**Lead Generation**
- Competitive Positioning
- Image Building
- Create Awareness
- Investment Prospecting

**Investment Facilitation**
- Investor Handling
- Incentives
- Permits

**Post-Investment Services**
- Aftercare
- Product Development
- Supplier Development
- Monitoring and Evaluation

Successful Tourism Investment promotion needs a *sound framework* and a *structured approach*

Source: Transnational Corporations, June 2001, UNCTAD
What does good investment promotion practice look like?

Making it happen

**Value proposition**
- Investors are focused on **benefits**, not features
- What type of benefits does your value proposition for investors provide – e.g. lower costs, natural attractions, market access?
- How does the value proposition respond to the investors needs?

**Investment strategy**
- Align investment strategy with destination development strategy
- Supported by spatial planning framework
- Investment targets by value, asset class and time period

**Outreach program**
- Who to approach – databases, investment trends, key personnel?
- How to approach – direct, outsourcing, events, forums
- When to approach – timing, programming

Successful tourism investment promotion needs a **sound framework** and a **structured approach**.
What does good investment promotion practice look like?

5 key steps to successful tourism investment promotion

Backed by 3 institutional strengths

- Industry Knowledge
- Transaction Skills
- Clear Mandate
Case studies
What does good investment promotion practice look like?

Developing integrated resorts – Singapore’s strategic approach

Singapore planned to double visitors and triple revenues between 2004 and 2015. Extensive demand analysis showed Singapore needed to significantly expand its offering in integrated resorts targeted at families and MICE markets to meet the targets. Resorts World Sentosa is a world-class tropical resort that offers the whole family a top-of-mind, exciting and memorable leisure experience.
What does good investment promotion practice look like?

Developing integrated resorts – Singapore’s strategic approach

**Strong Public-Private Partnership**

The government leveraged the expertise of private companies, through constant dialogue, both formal and informal; and took the inputs to specify the objectives and requirements of the IRs, to make sure the proposed projects are delivered in the best interest of the country’s economy and its people.

**Strategic Planning and Clear Process**

Through the systematic process of informal input-gathering, a strategic Tourism Plan, Request for Concepts, Request for Proposals and constant monitoring through the IRWG, the government was able to set clear strategic positioning for IRs, balancing market demands and Singapore’s needs; and manage the implementation accordingly.

**Multi-Agency Collaboration**

Led by the Singapore Tourism Board (STB), the project’s working group comprised all relevant ministries and agencies and met regularly.
What does good investment promotion practice look like?

Portfolio Approach - Invest in Greece

1. Selection of sectors based on high yield and competitive advantages
2. Investor dialogue to assess appetite and derive criteria for selecting portfolio projects
3. Creation of network of owners – SOEs, associations, communities to generate project pipeline
4. Selection of projects against specific criteria
5. Promotion strategies developed for individual projects and portfolios of projects in line with selected sectors, project size and target investors
6. Matching meetings between owners and potential investors
What does good investment promotion practice look like?

A powerful value proposition

Investment Opportunities In Regional Australia - Tourism Investment