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Financial *focus*

April 22, 2019 | Volume 10

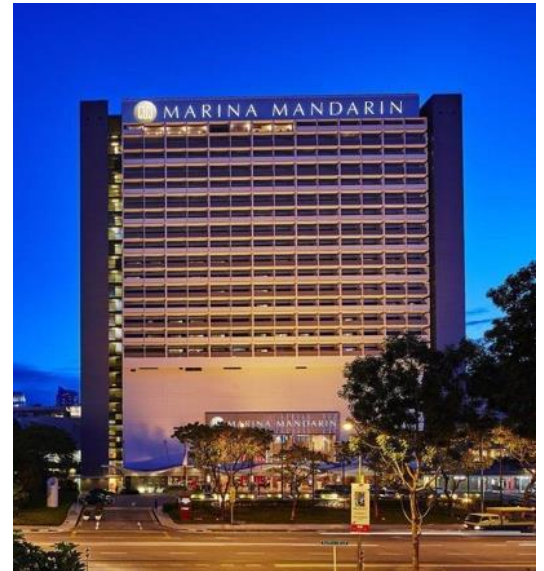
ADDRESSING THE NEEDS OF INDIVIDUAL INVESTORS AND PLANTING THE SEEDS FOR A SECURE FUTURE

This article will discuss the investment criteria for hotel assets. Besides focusing on types and location of the hotel, investors should decide on the strategy which suits their risk and return expectations.

Strategy Review: Invest in Hotels

AS the hospitality market in Singapore is booming and receiving attention from both local and foreign investors, it is important to review the strategies to maximize the profit from investing hotel assets. Besides forecasting market outlook for hotel asset in the past articles, this article will mainly focus on the key factors such as the types and location of the hotel, which would affect the hotel performance, and guiding hotel owners and investors on choosing the most suitable real estate investment strategy according to their needs.

Firstly, it is important to target specific types of hotels in high-growth markets. In Singapore, accurate and reliable statistics on the market have become readily available, giving investors directions for market forecasting and identifying target markets from the investable pool. For example, key gauges of performance for the hotel industry such as average room rate (ARR), occupancy rate as well as revenue per available room (RevPAR) are updated monthly for different categories of hotels.



Property in picture: Marina Mandarin
99-year leasehold hotel located at 2 Raffles Boulevard

Latest Transaction Highlights

Marina Mandarin Hotel

- ✚ Property type – Hotel
- ✚ Tenure – 99-year | District 6
- ✚ Transacted price – S\$190,000,000 (25% stake)
- ✚ No. of Keys – 575
- ✚ Price per key – Approx. S\$1,321,739

Chinatown Point

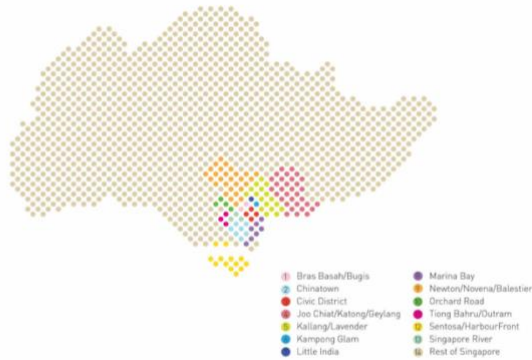
- ✚ Property type – Retail+ 4 strata office units
- ✚ Tenure – 99-year | District 1
- ✚ NLA – 212,648 sq. ft
- ✚ Transacted price – S\$520,000,000
- ✚ PSF – S\$2,450
- ✚ Number of Floors: 25 (6-storey retail podium with 2 basement level)



“What are the hotel asset investment strategies?”



MAP OF SINGAPORE



Singapore hotels location by precincts, Source: STB

Hotel Statistic 2018	Luxury	Upscale	Mid-Tier	Economy
Standard Average Occupancy Rate	87.3%	85.9%	87.3%	83.2%
Standard Average Room Rate (ARR)	\$449.0	\$263.4	\$168.4	\$106.7
Revenue Per Available Room (RevPar)	\$392.0	\$226.3	\$147.0	\$88.7

Singapore hotel atistics 2018 by segment, Source: STB

Location is as important for a hotel as any other property. The location quality of the hotel is a significant criterion for hotel investment as it is a key factor to drive demand and to ensure a high occupancy rate. For instance, luxury and upscale hotels in Singapore are located within the prime central area in proximity to famous attractions and sound infrastructures whereas the mid-tier and economy classes are spreaded outside core central area. It is necessary to have strategy location with close proximity to MRT stations and accessibility via main roads and expressways as well.

Moreover, with regards to the types and location of the assets, investors should actively review their real estate investment strategies according to their expected risk and return profile. For instance, core real estate investment suits conservative investors who seeking capital preservation with stable and consistent cash flow.

In Singapore, most high-quality hotel assets such as luxury and upscale hotels are located in the core central region with strong demand from both tourists and corporate visitors. These hotels are often well kept and require little to no improvements on behalf of the investors or owner. Thus, these type of real estate investments generally do not experience significant appreciation in value but rather provide stable, predictable cash flow with relatively low risk.

On the other hand, core plus (core+) real estate investment would create more investment value as owners or investors of such hotel assets have the ability to increase cash flows through light property improvements or asset enhancement, managing efficiencies or increase the occupancy and quality of the tenants. In Singapore, these hotel asset are well occupied as well but in need of revonation and refurbishment, and some of these assets can be found outside the core central region.

With light asset enhancement potential, core+ assets could see upward projection of net operating income (NOI) and capital value , at the same time, maintaining a lower risk compared to value-add and opportunistic real estate.

In conclusion, other than the types and location of the hotel that are closely related to the hotel performance, hotel investment strategies and asset allocation play an important role in determining the overall performance of hotel portfolios. With the most suitable strategy, the investors will be more confidence to invest in the targeted markets.



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