



FINDING THE RIGHT INVESTMENT FOR CLIENTS



INCREASING BORROWING COSTS AND INTEREST RATES, WHAT'S NEXT?



TRACKING OF INVESTORS' MOVEMENT AND BEHAVIOUR



Financial *focus*

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

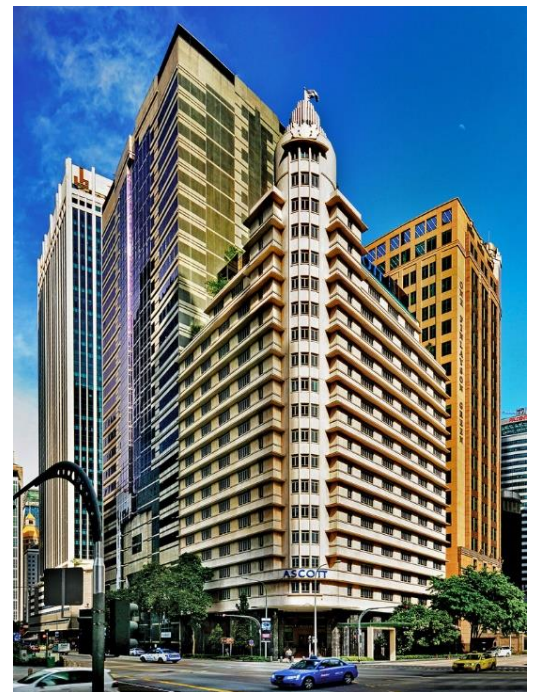
This article will analyse the hotel market in Singapore. With strong demand but weak supply, the market will continue to experience a stable growth with more investment opportunities.

The Big Boom: Singapore's Hotel Market

April 3, 2019 | Volume 9

THE HOSPITALITY industry in Singapore has received a significant boost in 2018 with a high occupancy rate and increasing Revenue Per Available room (RevPAR), which is the first upward trend in 5 years. The outstanding performance was largely due to steady demand from strong visitor arrivals, which grew by 6.2% to hit 18.5 million in a year. This was supported by stable corporate demand, additional business from ASEAN Summit meetings, and Chinese and Indian leisure travellers.

As visitor arrival is a key indicator for the hotel industry, it drove hotel revenue up by 7.4% to almost 4 billion in 2018. According to the Singapore Tourism Board (STB), International Visitor Arrivals (IVA) is expected to grow at a greater extent in 2019 and onwards. However, Singapore's new hotel supply growth is predicted to slow down from 2018 onwards and decrease dramatically to 737 rooms in 2018 and 1,425 rooms in 2019 despite upward demand.



Property in picture: Ascott Raffles Place
20-storey 999-year leasehold serviced apartment
located at 2 Finlayson Green

Latest Transaction Highlights

Boulevard 88 (20 units)

- ✚ Property type – Residential
- ✚ Tenure – Freehold | District 10
- ✚ Estimated Completion – 2022
- ✚ Total Transacted price – S\$160,000,000
- ✚ PSF – S\$3,550

Liang Court Mall

- ✚ Property type – Retail
- ✚ Tenure – 99-year | District 6
- ✚ GFA: Approx 495,140 sq. ft
- ✚ Transacted price – S\$400,000,000
- ✚ Number of Floors: 6



“Is there more investment demand for hotel assets?”



Hotel Statistic 2018	%	% increment
Standard Average Occupancy Rate	86%	1.2%
	S\$	% Increment
Total Room Revenue	\$3.996 billion	7.4%
Standard Average Room Rate (ARR)	\$168.4	0.9%
Revenue Per Available Room (RevPar)	\$147.0	2.4%

Singapore Hotel Statistics 2018, Source: STB

DC rates summary							
	MAR '16	SEPT '16	MAR '17	SEPT '17	MAR '18	SEPT '18	MAR '19
% average change over the previous revision							
Commercial	-2.4%	0.6%	1.3%	3.8%	2.7%	8.3%	9.8%
Residential							
Landed	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%
Non-Landed	-0.9%	2.7%	4.0%	13.8%	22.8%	9.8%	-5.5%
Industrial	-3.1%	0.0%	-3.7%	0.0%	0.0%	2.1%	0.0%
Hotel	-2.2%	1.4%	2.6%	0.0%	0.0%	11.8%	45.6%

Average DC rate changes as at 1 March 2019, Source: JLL Research

The shortage of hotel supply in 2018 and strong tourist arrivals gave hoteliers the confidence to increase room rates. As such, average Room rate (ARR) of the hotel has been pushed up 0.9% in 2018 with an average occupancy rate improved by 1.2%. In overall, it resulted in an increase of 2.4% in RevPAR.

The forecasted favourable rental growth and occupancy rate could also attract investors' interest in hotel assets with expanded capital appreciation potential in the upcoming years. Hotel investment transactions hit a three-year high at \$518.7m in 2018, which includes 84-key Porcelain Hotel, 41-key Wangz Hotel, and 29-key Wanderlust Hotel etc. This momentum extends into the first quarter of 2019 with large hotel investment deals such as 353.3 million Ascott Raffles Place, 562.2 million tender award for Club Street hotel site, as well as approximately 950 million Novotel and Mercure on Stevens and about 470 to 480 million Andaz Singapore on the market.

Moreover, a recent 45.6% in average surge of development charge (DC) rates for hotel in the latest revision on 1st March 2019 also implies that the hospitality industry is booming in Singapore. It is the sharpest increase of DC rates for hotels in 20 years and it shows that the government actively monitors the real estate market. On the other hand, in recent Draft Master Plan 2019 proposed by URA, the government further strengthen the supply of tourist accommodation by implementing CBD incentive Scheme to offer an increase in gross plot ratio for areas within Singapore's Central Business District (CBD) to encourage the conversion of existing office developments to hotel and residential uses. The conversion provide an opportunity for the new development to have at most 25% more gross floor area. As residential market yet to recover from the latest cooling measures, office owners and developers are likely to convert their properties to hotel, subject to favourable feasibility studies.

In overall, the hotel market is booming amid strong tourism performance. Even though the government gives incentives to alleviate the supply shortfall of hotel rooms, the new rooms will not be available in a short term so that the favourable trend will likely to persist in next 2 or 3 years.

In addition, a series of transactions in recent months suggests that the hotel assets are still in demand by investors and developers as they are confident in strong hotel performance in spite of the increased DC rates. Therefore, we could foresee more investment activities in hotels.



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