



HOSPITALITY MARKET

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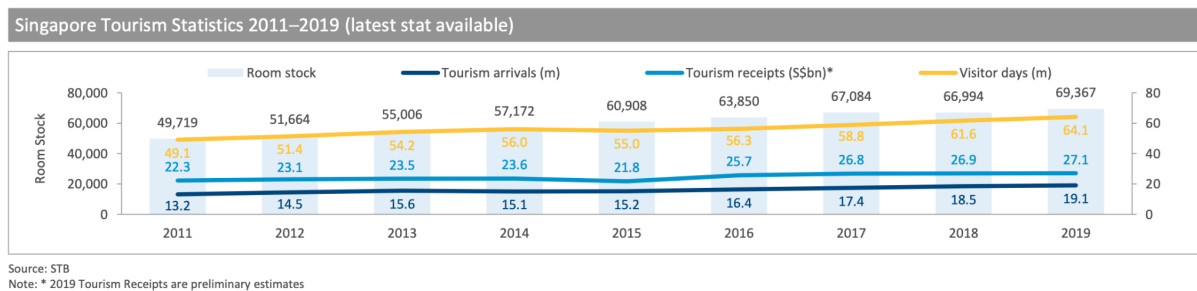
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1.0 Economy Overview

Prior to the dawn of the pandemic, Singapore's tourism market experienced tremendous growth in both visitor arrivals and tourism receipts in spite of global headwinds from 2015-2019. Tourism arrivals in Singapore increased by 3.3% to 19.1 million in 2019, attributed by an increase in visitors from North and South Asia, especially China, Indonesia and India. This resulted in a compound annual growth rate (CAGR) between 2010 to 2019 of 6.1%.

Alongside, tourism receipts grew at a 10-year CAGR of circa 8.2% to S\$27.7 billion in 2019, due to high-spending markets in the likes of China, South Korea, the United States and the United Kingdom.



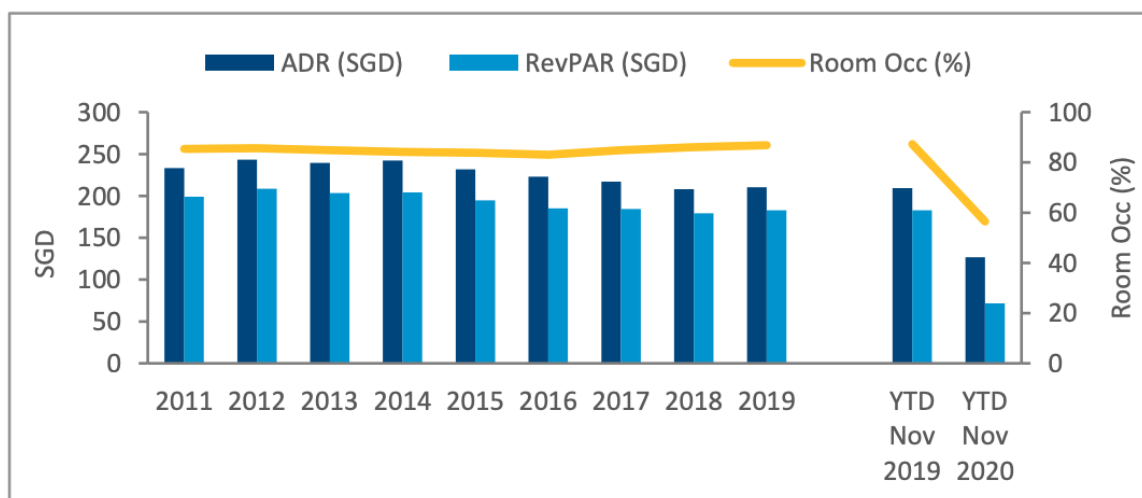
In light of the Pandemic however, 2020 experienced a sharp decrease in the number of international visitors to Singapore by 85.7% to just 2.7 million, and tourism receipts fell by 78.4% to a mere S\$4.4 billion in the first 3 quarters of 2020.

The economy contracted by 5.4% in 2020 and is slated to grow at a range of 4% to 6% in view of heightened uncertainties arising from the pandemic. Indicative of the economy's steady recovery, Singapore's Gross domestic product (GDP) grew by 1.3% year-on-year between January and March in 2021, propped up by gains in the manufacturing, finance and insurance, and wholesale trade sectors.

While Singapore's recovery garners a hopeful outlook for the hospitality market, the pandemic is unarguably one that is volatile and unpredictable. The nation has recently slipped to a resurgence of local covid-19 cases that led on to the tightening of COVID-19 measures. This marks a setback for the hospitality sector, as Singapore once again tightened border controls, including a ban on long-term pass holders and short-term visitors from India and a delay on the long awaited Singapore-Hong Kong travel bubble. Hospitality sectors are set to see further delays in recovery given the slower lifting of global travel curbs.

2.0 Hospitality market overview

Singapore Hotel KPIs 2011 - YTD Nov 2020



Source: STB

The hospitality market faces downside risks as countries around the world are experiencing recurrent waves of infections given the emergence of more transmissible strains of the virus, the easing of safety restrictions and delays in vaccinating populations. These countries include some of Singapore's major economic partners in the region in which their outlooks also affect Singapore.

3.0 Gradual recovery in Singapore

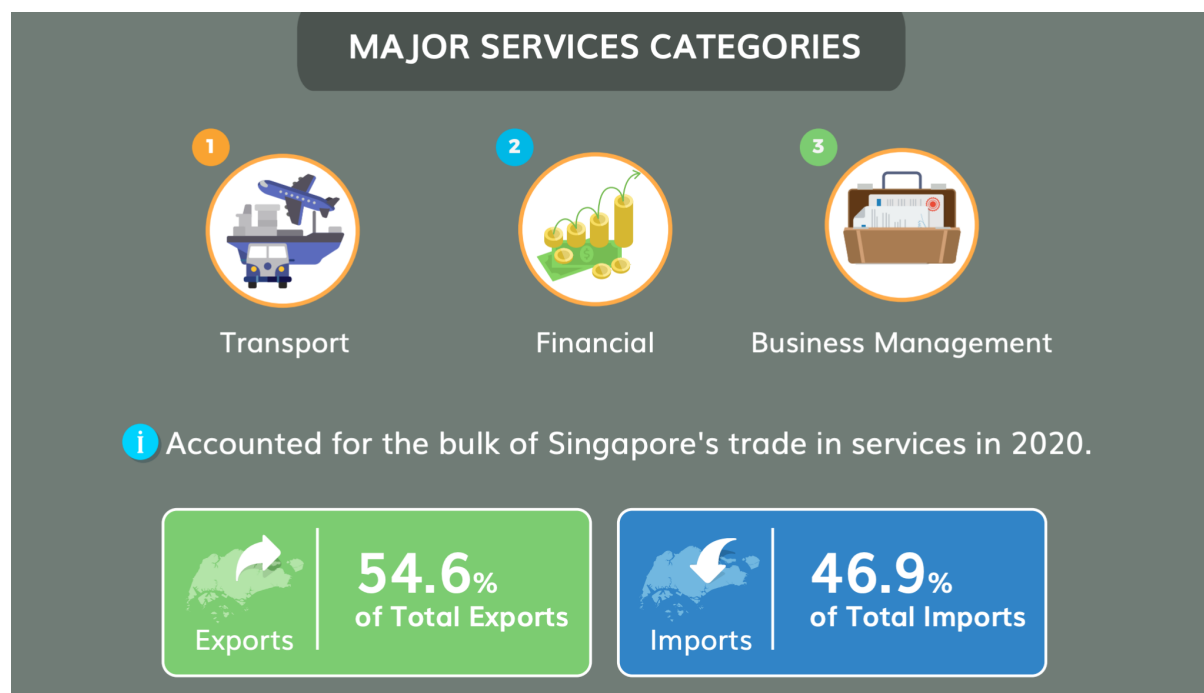
With the pandemic contained locally and access to vaccination secured, brighter prospects are expected for the local economy towards the latter half of 2021. Nonetheless, this is likely to be a slow and uneven recovery, as the global COVID-19 situation remains volatile. Meanwhile, prolonged low interest rates are poised to create a favourable real estate investment environment.

Recovery is expected as the Singapore government has been actively promoting and launching various tourism initiatives such as the business travel lane which allows corporate and diplomatic travellers skip quarantine on arrival and the launch of the "Air Travel Pass Program" which allows leisure tourists to apply to travel to Singapore without undergoing the 14-day quarantine period.

The way Singapore is dealing with the COVID-19 situation puts it on a faster track to recovery which includes the hospitality industry. As of June 2021, 1.77 million people have been fully vaccinated in Singapore, or 31% of the population. This is a notch higher than the global coverage where 5.6% of the global population has been fully vaccinated and even when compared to peer cities, Singapore comes out on top. As of May 2021, 72% of people in Singapore were willing to be vaccinated against COVID-19. This sets the stage for a greater and easier vaccination coverage of the population which then allows sectors like hospitality

to recover more quickly with lower risk of transmission due to high vaccination rates among staff and local visitors.

Internally, Singapore's position as a key business and financial hub will drive inbound corporate travel. Transport, financial and business management accounted for the bulk of Singapore's trade in services in 2020.



Source: Singstat

Also, Singapore is a leading MICE destination with prominent events held here. In 2018, Singapore was named the best MICE (Meetings, incentives, conferencing, exhibitions) City and 15% of international visits were for MICE purposes. Given Singapore's strength in the MICE industry, it is poised to be a strong attraction for business travellers in the new era of hybrid events where some events are still held physically, supported by digitalisation for an omni-experience.

The recovery of the hotel sector depends also on the situation globally. At present, there is still no cohesion amongst governments across the world in responding to COVID-19, with countries being affected to different extents at different periods. Thus, recovery is likely to be uneven, with business travel likely to recover before leisure travel.

4.0 Demand

4.1 Stay-home notice approved and designated quarantine hotels

The Straits Times reported in July 2020 that more than half of Singapore's 67,000 hotel rooms were being used for isolation and quarantine facilities and for those serving SHNs. Owing to which, hotels in Singapore enjoyed occupancy rates of

over 90% in Q3 2020. This has proved to be a godsend for participating hotels since it provided a base business, albeit at a much lower rate than usual, that allowed hotels to at least cover most of their costs.

Given Singapore's geographical size, hotels have played a big role in curbing the community spread of Covid-19 via the provision of adequate space to isolate individuals who are suspected of having the virus, or have come into contact with a confirmed case.

As Singapore slipped into a resurgence of Covid-19 cases locally in recent times, Prime Minister Lee Hsien Loong addressed in a recent update that Singapore will be isolating the whole family unit collectively whenever there is an individual who has come into close contact with a confirmed case. This initiative seeking to limit the spread of the virus efficiently will lead to an increase in demand for hotel spaces for the said purpose.

4.2 Staycations

As of 15 October 2020, approximately half of the hotels in Singapore that have been approved for quarantine have been removed from the Government booking scheme. Concurrently, Singapore's government also announced a S\$320 million program of tourism-credit vouchers for Singaporeans to spend domestically. This initiative received overwhelming response due to pent-up demand for travel.

Since its launch, more than 300,000 Singaporeans have spent their vouchers, and bookings have accounted for nearly S\$36 million (US\$27.2 million) in vouchers and payments.

Spokesperson, Fernando Gibaja, GM at Capella Singapore expressed that the hotel has seen an average of 65% to 70% occupancy since their reopening. He further added that "because international travel is not permitted yet, the next best thing closer to a vacation would be in Sentosa (Island), which provides a resort-style vibe. It is very easy to be very comfortable in maintaining social distance at Capella across 30 acres of lush greenery."

The average room rates for August 2020 had climbed to S\$143, according to latest data from the STB, up around 65% from 2020's lowest rate of S\$70 in May 2020. This is in line with an improvement in revenue per room, fuelled in part by the luxury segment, as more hotels opened up for leisure business, pushing room rates upwards.

As a clear sign of growth, hotels offering staycations have occupancies hitting 70-90% on weekends. Hotels on Sentosa, in particular, are popular among staycationers. A BT check online, based on available rooms, found that a room at The W Singapore-Sentosa Cove in early December would cost over S\$700++ for a

one-night weekend stay while a room at the Capella that same period would set one back over S\$1,000++ .

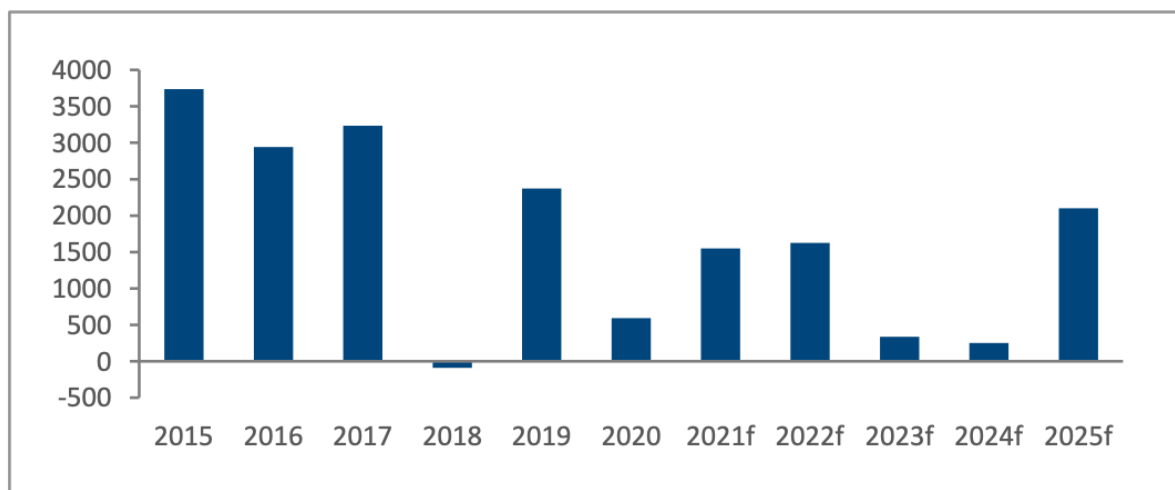
These performances, albeit tremendous improvements, still pale in comparison to the market performance during pre-covid times, especially when there is a need to adhere to strict social-management measures, hindering hotels from operating at maximum capacity.

Admittedly, Singapore's local consumption is insufficient to make up for tourist spending. A full recovery for demand for hotels will depend on the ability of Singapore to reopen its borders.

5.0 Supply

Hotel supply in Singapore is projected to increase this year in 2021. There are 2 white sites at Marina View and River Valley available on the government land sales (GLS) reserve list which can potentially accommodate an estimated 1,070 rooms, on top of another 4,765 rooms expected to be added between 2021 and 2025. In 2025, Marina Bay Sands (MBS) and Resorts World Sentosa (RWS) are expected to add around 2,100 rooms as part of their plans to expand their integrated resort (IR).

Singapore Hotel Annual Supply Increase (2015 - 2025f)



Source: STB

New hotels are still opening in Singapore despite the pandemic. A case in point is Far East Hospitality's The Clan Hotel which opened March 2021. On top of that, Far East Hospitality is already gearing up for another launch in the second half of 2021. The upcoming property, The Oasis Resort Sentosa, will mark the company's foray into the resort and spa category, forging ahead with such plans despite the

pandemic. Besides hotels, new serviced residences are also being planned for launch in 2021, such as The Ascott's 240-unit co-living serviced apartment in December 2021. Such plans reflect continued confidence among hoteliers in the Singapore market in spite of the standstill in global travel and tourism. This proposed supply is believed to be sufficient and necessary to cater to an expected increase in demand in the mid-term.

Highlights of new hotels that are scheduled to open between 2021 and 2023 in Singapore:

Hotel Name	Number of Rooms
Pullman Singapore	342
Banyan Tree Mandai	338
Mondrian Singapore	300
Artyzen Cuscaden	142
Club Street	800

Some of the upcoming hotels were planned for during pre-pandemic times. Given the onslaught of the pandemic, the hospitality market in Singapore saw a fall in investment sales in 2020 due to the restricted liquidity of the market caused by a lack of domestic tourism or travel demand. Investors are cautious where transactions in 2020 have been at its lowest levels, with transaction volume dropping by 32.6% year-on-year.

Given that there are pull factors such as the Singapore government lowering the development charge (DC) rates for hotels by an average of 7.8%, it might be an opportune time to seek out high-value quality assets in the hospitality market as capital values for Singapore hotels remain firm. Looking ahead, investment interest in hospitality assets is expected to remain, underpinned by sound hotel fundamentals. As such, we expect owners, investors and hotel operators to continue to seek out strategic hotel sites. The present bodes best for any planned new hotel supply.

The new supply comprises a range of mid-scale to luxury hotels which will appeal to travellers of different profiles and preferences. Many hoteliers have gone ahead with their plans to open new hotels as they are able to secure more time to fine-tune all areas of operations and improve their marketing of the hotels.

6.0 Forecast

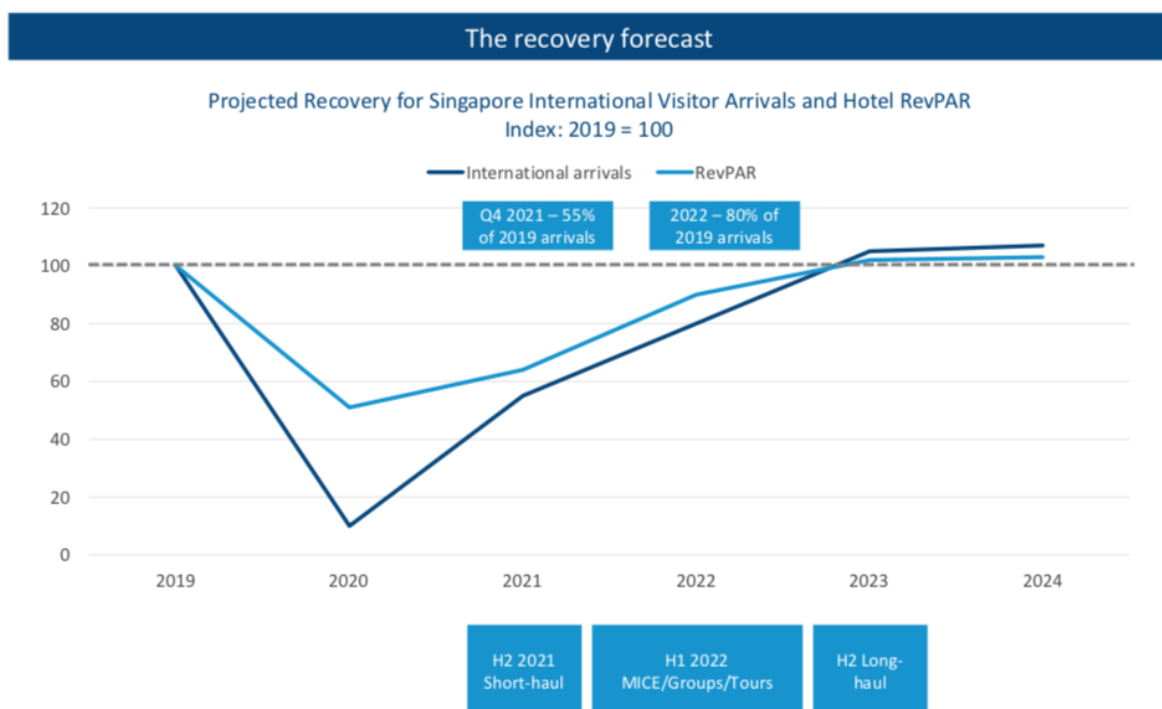
We expect a recovery in the hospitality market as the government has recently been actively promoting and launching various tourism initiatives that should drive visitation in 2021. In addition, the World Economic Forum has also recently

announced that it will be hosting its annual meeting in Singapore in August 2021. If the event takes place successfully, it will boost Singapore's MICE and hospitality sector as it will prove that the city can host large global events despite COVID-19, attracting similar events to be held in Singapore.

Furthermore, Singapore's unique position will allow it to continue to grow on a positive trajectory considering that it stands as a continued position as a key business and financial hub, which will drive inbound corporate travel, alongside its continued enhancement to the leisure and entertainment offerings and investment in tourism infrastructure.

In our view, Singapore will continue to remain a global hub, largely drawing on its largest source markets across the Asia Pacific region. The planned new attractions and infrastructure projects scheduled between 2021 and 2030 bode well for future visitation.

In a study conducted by Colliers, a 'v-shape' recovery is projected for Singapore's hospitality market, attributing it to our inherent wanderlust in each of us, relatively cheap cost of travel and pent-up demand that will potentially drive the prediction for the sector over the next 3 to 4 years.



Such a forecast spells a promising future for the hospitality market, especially when investment is in question as we expect overnight stays to gradually rebound and outstrip hotel room stock post-COVID-19 as in previous years.

7.0 Conclusion

In the short run, to ride out the pandemic and survive volatility in the hospitality industry, industry players could benefit from external and internal factors. External factors include higher vaccine coverage, more safe travel lanes comprising Green Lanes, Periodic Commuting Arrangement and Air Travel Pass with countries who have managed the pandemic situation well to eventually translate to a gradual recovery in international visitors to Singapore in the second half of 2021.

Over the medium to long term, transformation for a post-pandemic world will be key for the hospitality market to perform well, such as by setting sights on trends including technological innovation, sustainability and holistic wellness. As Singapore gears up to reposition itself for a shift in demand and new travel trends, holistic wellness will be a key strategy and benefit players providing hospitality-related services in the upper mid-tier and upscale market segment. Hotels will need to compete by embodying a larger concept in terms of precinct or proposition rather than being merely a standalone building with rooms, as traditional-styled hotels might not be sufficient to beat competition and perform well in this market. In the future, we might expect to see more innovative hospitality concepts that can better activate the area and be a draw for quality tourism.