

Intelligent Investment

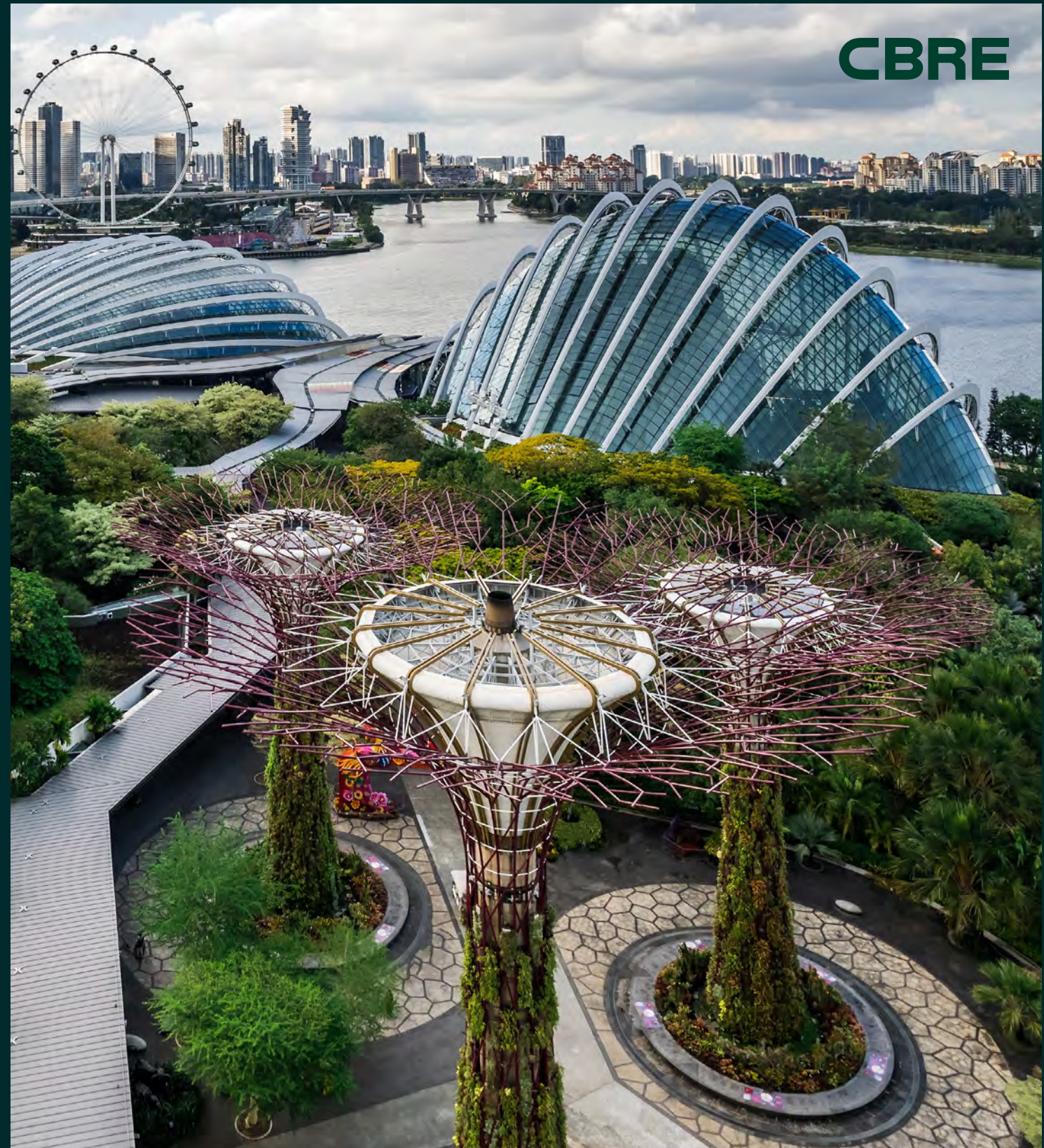
JUNE 2024

APAC Hotels & Hospitality Market Update Singapore

BRIEF

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01 Executive Summary & Outlook

Following a strong 2023, Singapore's hotel market has been buoyant since the turn of the new year, boosted by a bustling events scene and the return of mainland Chinese tourists, with May 2024 inbound arrivals from this market standing 22% below the same period of 2019.

Hotel performance has been robust, driven by a steady flow of international arrivals and a packed calendar of events. Thanks partly to the country's hosting of six Taylor Swift concerts, the hotel industry posted its highest ever Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) for the month of March, according to preliminary data from CoStar. ADR measured SGD 358.91 (+12.7% y-o-y) while revenue per available room (RevPAR) stood at SGD 284.03 (+18.5%).

Whilst occupancy remains slightly down relative to 2019, Singapore registered the highest occupancy levels in Asia Pacific as of April 2024 y-t-d. Occupancy surpassed 83.8% in March, slightly below the 84.3% observed during the same month of 2019.

Despite a significant improvement in operational performance over the past 12 months, investment activity still lags historical levels. However, expectations are that borrowing costs will begin to decline at the end of Q3 2023 or the start of Q4 2024 in tandem with interest rate cuts in the U.S., which should spur an increase in investment activity.

Private investors will continue to drive acquisitions in 2024, with luxury and upscale assets their primary focus. Investors will also look to enter the nascent co-living market, which offers prospects for growth amid the significant shortfall in residential completions over the past five years.



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Tourism



Inbound arrivals recover to ~13.6 million arrivals; Mainland China market share returns to 2019 levels

- Last year’s visitor arrivals of 13.6 million represented 71% of 2019 levels, in line with Singapore Tourism Board (STB) forecasts. The STB expects the tourism sector to continue to recover this year, supported by improved global flight connectivity and capacity as well as the implementation of mutual 30-day visa-free travel between China and Singapore.
- International visitor arrivals to Singapore are expected to reach around 15 to 16 million in 2024, generating approximately SGD 27.5 billion in tourism receipts. Visitors are spending more time in Singapore compared to before the pandemic, with the average length of stay in May 2024 reaching approximately 3.7 days, compared to 3.4 days for the same period of 2019.

Figure 1: International tourism arrivals (millions) – as of May 2024 y-t-d

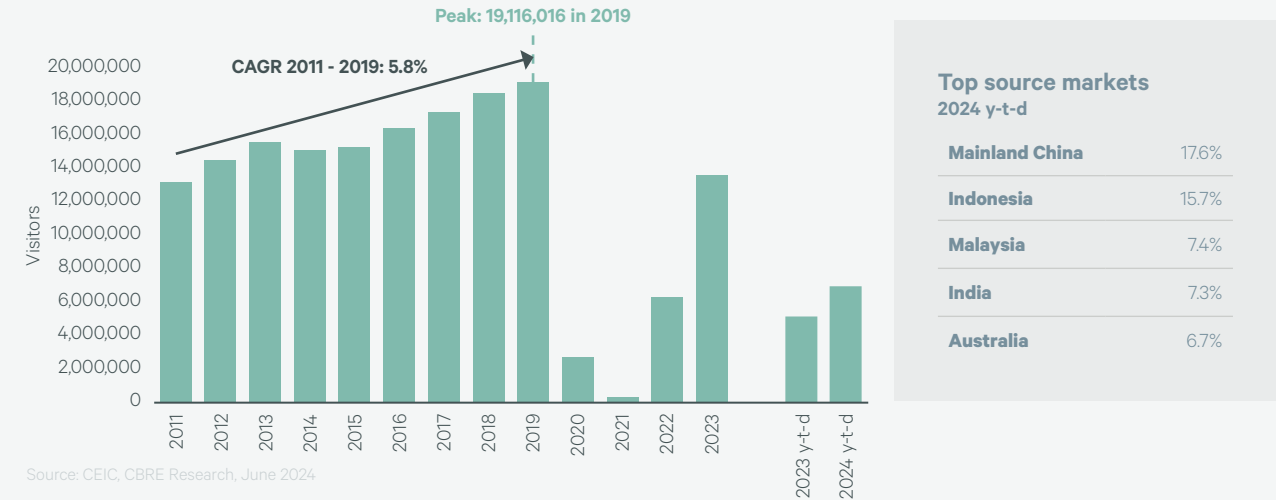
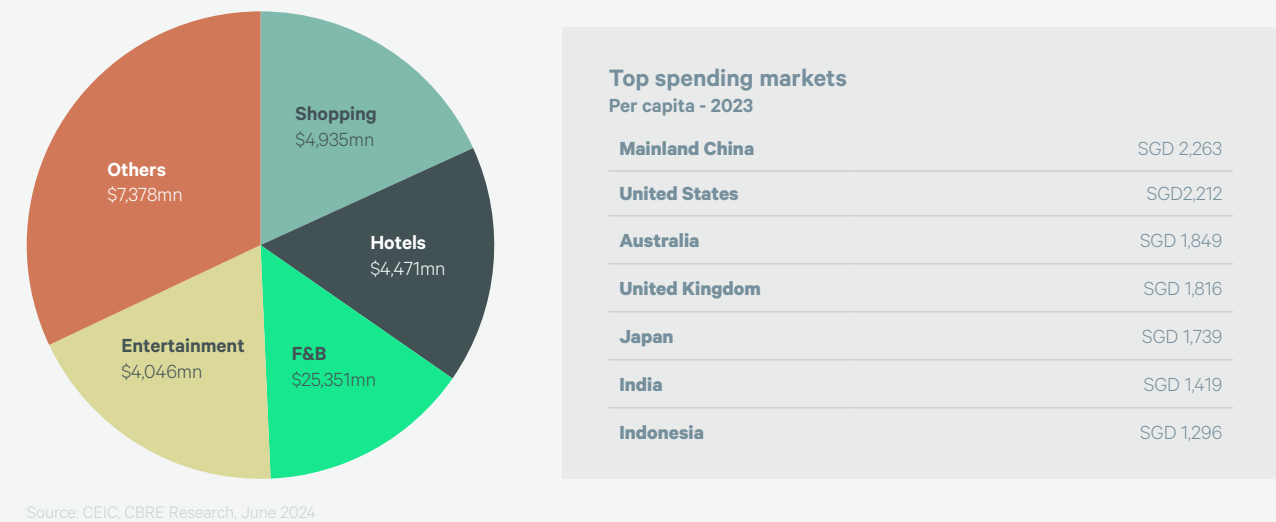


Figure 2: Overnight visitor spend – By purpose and country in SGD millions (2023)



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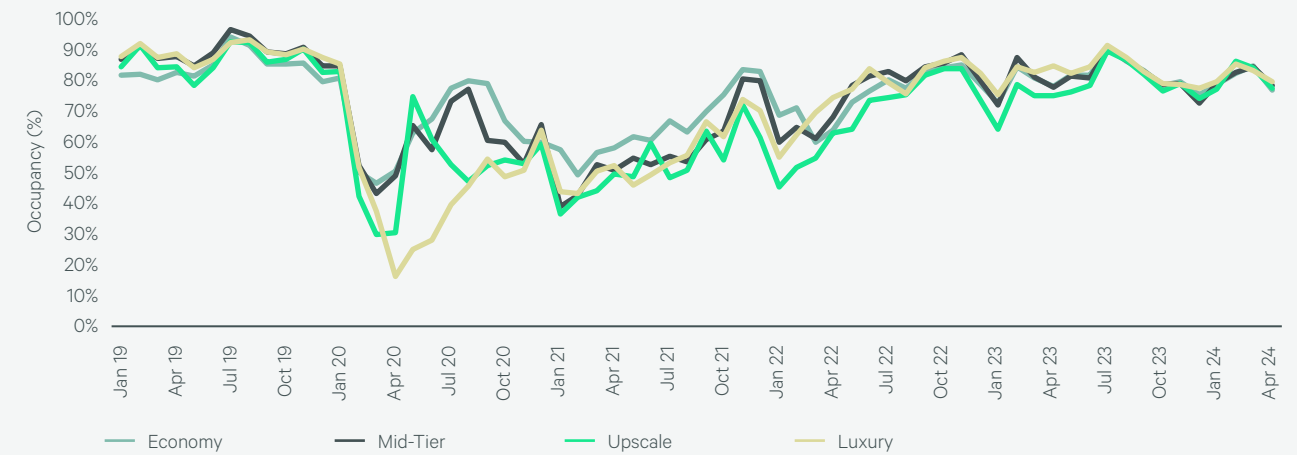
Performance



Average Daily Rates (ADRs) continue to outperform in 2024, driven by luxury segment; occupancy above 80% as of April 2019 y-t-d.

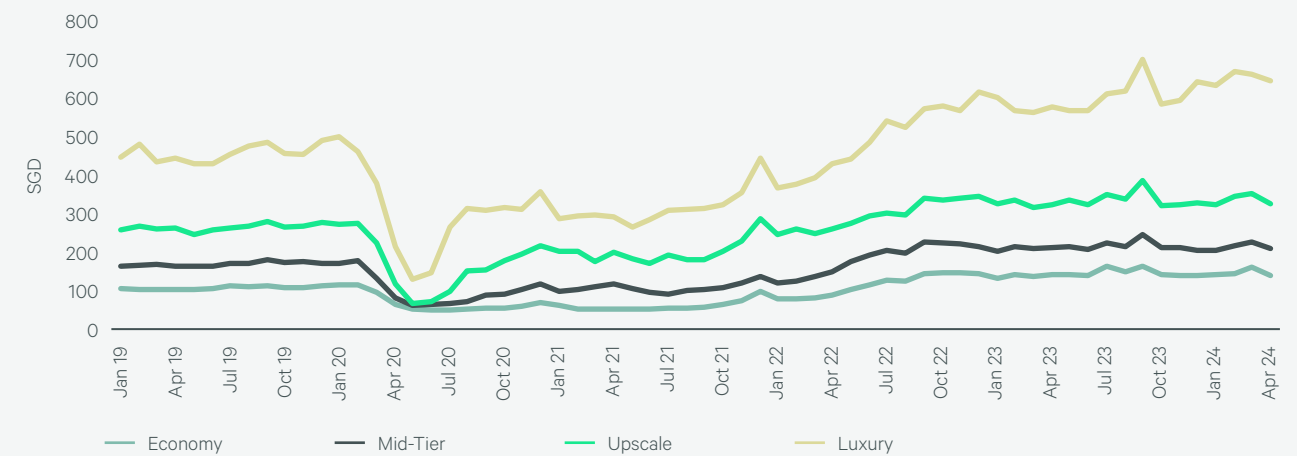
- According to the Singapore Tourism Board, the April 2024 y-t-d Average Daily Rates (ADRs) of SGD288 were 32% higher than April 2019 y-t-d, with overall RevPAR 25% above during the same period.
- With occupancy numbers still slightly down relative to 2019, Singapore is still seeing the highest occupancy levels in Asia Pacific as of April 2019 y-t-d, with March 2024 seeing occupancy surpass 83.8%, slightly below the 84.3% observed in March 2019.

Figure 3: Occupancy rate (%) by scale – As of April 2024



Source: Singapore Tourism Board, CBRE Research, May 2024

Figure 4: Average Daily Rate (ADR) by scale – As of April 2024



Source: Singapore Tourism Board, CBRE Research, May 2024

03

Performance (cont.)

Events to drive hotel performance in Singapore in 2024, headlined by the Taylor Swift Eras Tour and Formula 1.

Q1

- Singapore Motorshow
- Coldplay, Mayday, Ed Sheeran, Taylor Swift Concerts
- Seamless Asia
- 18th World Congress of Anaesthesiologists
- Art SG

Q2

- Bruno Mars Concert
- 63rd IFATCA Annual Conference
- 43rd Conference on Ocean, Offshore & Arctic Engineering
- NRF Retail's Big Show Asia Pacific

Q3

- World Business Forum Singapore
- Asia Pacific Intensive Care Symposium
- Formula 1 (F1) Singapore Airlines Singapore Grand Prix

Q4

- Worldchefs Congress & Expo
- Hotel Investment Conference Asia Pacific
- Global Sustainable Tourism Conference
- TOC Asia

Estimated impact of Taylor Swift's concert

~SGD67 mil
in ticket sales

Up to 30%
spike in hotel and airline demand around the concert dates

+SGD300 - 400 mil
to GDP: +0.2ppt of GDP in Q1

Increase
in retail and F&B sales

Built Singapore's credentials as a
vibrant event hub

Source: STB, CBRE Research

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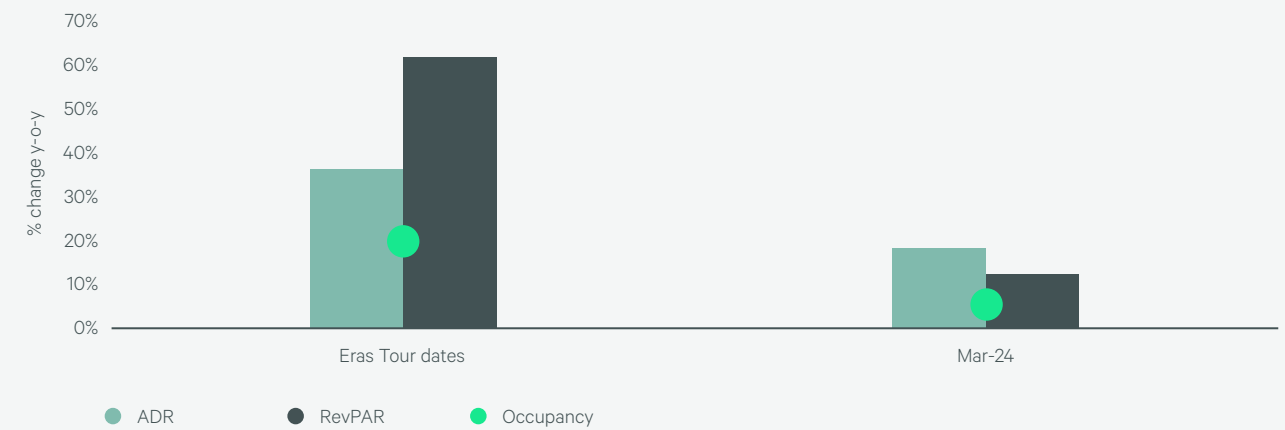
Performance (cont.)



Taylor Swift's Eras Tour led to a record month for hotel performance in March 2024, with the packed events calendar to aid the rest of 2024.

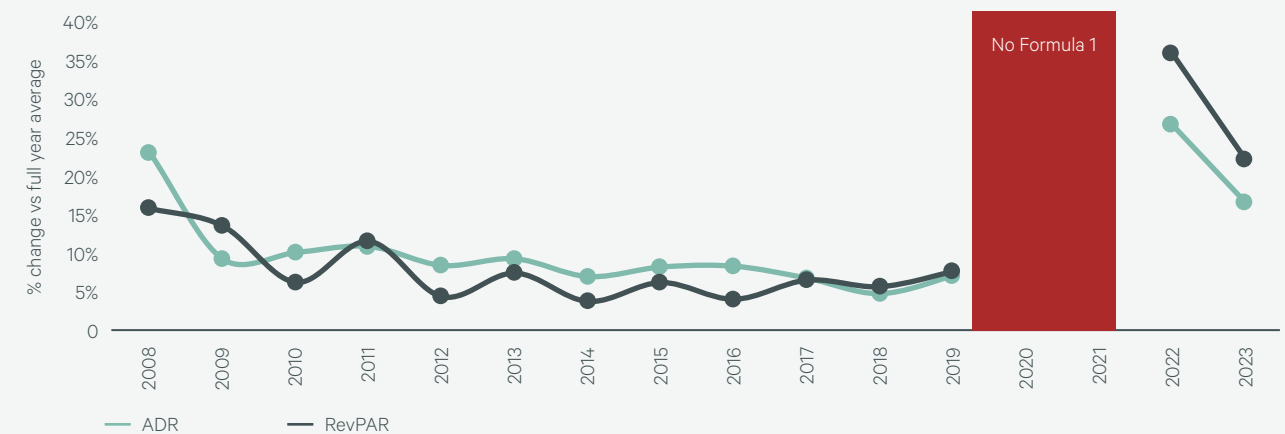
- The host of six Taylor Swift concerts, Singapore's hotel industry posted its highest March average daily rate (ADR) and revenue per available room (RevPAR) on record, according to preliminary data from CoStar. Average daily rate (ADR) measured SGD358.91 (+12.7% y-o-y), and revenue per available room (RevPAR) was measured at SGD284.03 (+18.5%).
- Likewise, the expectation is that Formula 1, slated to hit Singapore in September 2024, will outperform once again. With the event attracting in excess of 260,000 attendees in 2023, operators are expecting hotel revenues for the month to be somewhat similar to the highs seen last year at SGD492.4mn.

Figure 5: Hotel performance – Eras Tour dates (March 2024)



Note: % change y-o-y comparison vs same dates
Source: STR, CBRE Research, May 2024

Figure 6: Advertised room rates – Formula 1 months vs full year average (Singapore)



Source: STR, CBRE Research, May 2024

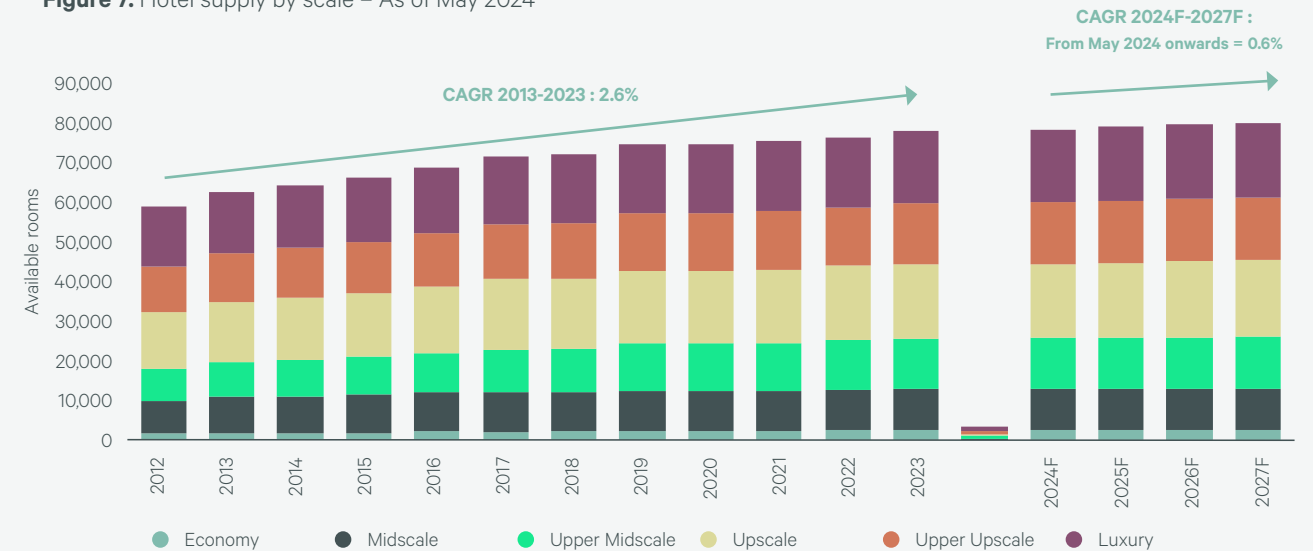
04 Supply



New supply to be extremely limited over the medium term, with an estimated 0.6% CAGR of supply growth between 2024-2027

- Total room inventory in Singapore has increased by just 4.6% over the past five years, with the bulk of new supply coming to the market (3,505 rooms) being in the Upscale+ segment.
- A large reason for this is the significant increase in construction costs in Singapore, with Turner & Townsend estimating a cumulative 25% increase in construction costs between 2022-2024F which is the highest mark in the region.
- Most new supply due to come to market comprises Upscale and Upper Upscale developments. With a lack of new hotel stock coming to market, Singapore will continue to see owners and operators reposition their assets through either rebranding, with a preference for lifestyle brands, or redevelopment into co-living or serviced residences.

Figure 7: Hotel supply by scale – As of May 2024



Source: STR, CBRE Research, May 2024

Figure 8: List of key hotel openings – Singapore

Year	Property	Class	Operator	Room Count
2024	The Standard Singapore	Upper Upscale	Standard Int.	143
	Alma House	Upper Midscale	Lo & Behold	86
2025	Tribute Portfolio Singapore	Upper Upscale	Marriott	132
	Raffles Resort & Spa Sentosa	Luxury	Accor	62
	Banyan Tree Mandai	Luxury	Banyan Tree	338
	Mama Shelter Singapore Orchard	Upper Midscale	Accor	115
2026	Somerset Clarke Quay Singapore	Upscale	Ascott	192
	Moxy CanningHill Piers*	Upscale	Marriott	460
2028	Marina Bay Sands (Tower 4)	Luxury	Independent	587

Note: * denotes serviced residences
Source: CBRE Research, May 2024

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Investment



Investment transactions remain muted as the prospect of higher for longer interest rates endure.

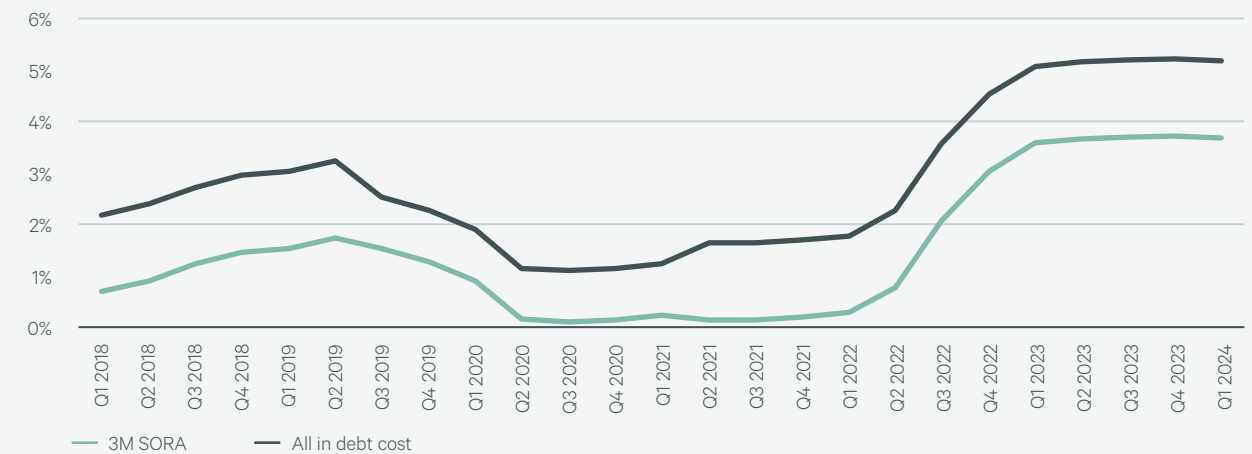
- Whilst investment for pure hotel assets remains robust, investors continue to seek opportunities that they can extract value at the asset level, such as rebranding, refurbishments and change of use.
- Singapore measures as the market with the best supply / demand dynamics across across Asia Pacific, with deep liquidity still evident. The current elevated interest rates continues to slow transaction activity, however buyer-seller expectations are narrowing.
- CBRE forecasts swap rates in Singapore to fall by ~50bps in 2024, with the first interest rate cuts to occur subsequently after the first U.S. rate cut in the latter half of the year.

Figure 9: Recent key hotel transactions – Singapore

	Park Royal on Kitchener Rd	Hotel G Singapore	Hotel Telegraph	Capri by Fraser Changi City	Citadines Mount Sophia
Location	CBD	CBD	CBD	Changi Business Park	Dhoby Ghaut
Date	Jul 2023	Nov 2023	Nov 2023	Mar 2024	Mar 2024
Price (approx. SGD)	535,000,000	235,000,000	180,000,000	170,000,000	148,000,000
Number of Rooms	542	308	134	313	134
SGD / Key (approx.)	968,365	762,987	1,343,284	543,131	961,039
Unit Price (approx.) SGD per sf	1,290	2,482	2,245	-	1,960
Vendor	UOL Group	Gaw Capital	Viva Land Investment	Frasers Property	CapitaLand Ascott
Purchaser	Worldwide Hotels	Undisclosed	Tan Family	TPG Angelo Gordon / Far East Consortium / Atelier Capital Partners	BlackRock / Weave Co-Living

Source: MSCI, CBRE Research, May 2024

Figure 10: Commercial real estate debt costs – Singapore



Note: Current as of 19th June 2024. The chart represents a general cost of debt for a stabilised CRE asset.
Source: CBRE Research, June 2024

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