

# Hotel performance remains solid across key markets



## Key Trends

- Singapore’s strong events and concerts scene, headlined by Taylor Swift and Formula 1, has ensured hotel performance remains buoyant so far in 2024. The luxury segment remains the top performer, with the strong return of mainland Chinese tourists underpinning demand. With operational costs rising, investors are looking more closely at both limited-service assets and conversion opportunities.
- Japan remains one of the world’s most popular international tourist destinations, aided partly by the weak Yen, which makes the country especially attractive from a cost perspective. Tokyo, Osaka, Kyoto, Fukuoka and Okinawa are the top destinations, with ADRs in these markets up 25%+ y-o-y. While the recent appreciation of the Yen may rein in the recent explosive growth of foreign tourism, domestic demand should offset any weakness following a period of strong wage growth, which has boosted local spending power.
- The Maldives continues to witness stable tourism inflows and hotel performance. To increase tourism, the MVIA and Hanimadhoo airports are receiving extensive upgrades to accommodate an extra 8.8 million passengers combined. With some new supply coming to the market, and a greater preference for guest houses over traditional hotels, hotel owners are increasingly considering refurbishment and rebranding exercises to enhance value.

## Singapore

### Concerts, events and MICE travel boost hotel operating performance

#### Tourism

- Singapore recorded 11.32 million visitors as of August 2024 y-t-d, an increase of 33% y-o-y and just 11% below the same period of 2019. BCD Travel data show Singapore once again ranks as one of the top business travel destinations within Asia Pacific, eclipsing Hong Kong SAR and Bangkok so far this year.

#### Transaction activity

- Hotel investment in Singapore has remained buoyant in 2024, with seven transactions completed as of the end of Q3 2024.
- With expenses across many aspects of hotel operations increasing, investors are eyeing limited-service properties as potential acquisitions, with assets including Lyf Funan Singapore and Fraser Residence River Promenade having transacted this year. Some hotels, such as Citadines Mount Sophia, have been bought for residential or co-living conversion to tap into growing residential demand.
- With Singapore having eased the 3M SORA in response to September's rate cut in the U.S., investment activity should remain steady as investors target well-managed assets and conversion opportunities.

#### Performance

- Singapore continues to offer a strong programme of live entertainment, sporting events and theatre productions, boosting its appeal as an ideal stopover for long-haul travellers. Average room rates during September's Formula 1 Grand Prix were 10% higher than when the event was held last year.
- The luxury sector continues to perform well, with both landlords and operators adopting a bullish attitude. Luxury daily rates are up ~7% y-o-y so far in 2024, with some luxury hotels achieving record RevPAR levels this year.

#### Outlook

- Limited supply in the pipeline (0.6% CAGR between 2024F to 2027F) should ensure ADRs remain consistent for the next six months. With Singapore's currency expected to weaken slightly after a prolonged period of strength, leisure travellers are set to return in greater numbers and boost occupancy rates, driving strong hotel performance.

#### SIX-MONTH OUTLOOK



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## Japan

Enduring tourism and business demand underpin the strongest performing market in Asia Pacific

### Tourism

- Japan has been the most popular tourist destination in Asia Pacific so far in 2024, with August 2024 y-t-d tourist arrivals 107% higher than the same period of 2019.
- Much of demand is focused on the four major markets of Tokyo, Kyoto, Okinawa and Osaka, where foreign overnight stays account for 40% of total overnight stays.

### Transaction activity

- Levels of hotel investment in Japan have been among the highest of any sector in 2024. Q3 2024 was one of the strongest on record, with investment totalling JPY 335.03 billion (US\$2.24 billion).
- Key transactions during the quarter included the sale of Hilton Fukuoka Sea Hawk, reflecting robust appetite for hotels in resort destinations.
- After raising interest rates to 0.25% in July, expectations are that there will be further rate hikes before the end of 2024, potentially reaching 0.50%.

### Performance

- Japan has led Asia Pacific in terms of both ADR and occupancy growth in 2024. On a local currency basis. ADRs as of August 2024 y-t-d are 17.8% above the same period last year, and occupancy up 2.5%. Tokyo, Kyoto, Nagoya and Fukuoka have logged the strongest improvements, with each of these markets seeing 25%+ growth in ADR y-o-y.

### Outlook

- Hotel performance is expected to remain robust over the next six months. While foreign tourism may fall slightly due to the stronger Yen, domestic demand should offset any losses as wage growth will drive greater spending power from locals.
- Despite interest rate increases, Japan is experiencing the highest debt-yield spread in Asia Pacific. This should continue to drive investment while other markets in Asia Pacific reprice assets and adjust interest rates.

### SIX-MONTH OUTLOOK



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# Maldives

Performance remains stable; hotels conduct refurbishment and rebranding to stay relevant

## Tourism

- After being one of the least impacted markets during the pandemic, inbound tourism into the Maldives has seen continued growth over the past few years. Russia and Germany remain among the primary geographical sources of inbound travel, while arrivals from India slowly recover after a period of geopolitical tension.
- The Maldives tourism landscape is undergoing a transformation as major projects such as the new seaplane terminal; Greater Male Connectivity Project; Maldives Floating City; and Hanimaadhoo International Airport enhance connectivity and increase airport capacity.

## Transaction activity

- Hotel investment has been subdued in 2024 after a strong 2022 and 2023. The latest transactions involved the sales of Reethi Beach Resort and Amari Havodda Maldives.

## Performance

- While the Maldives hotel market has not seen performance growth compared to other markets in Asia Pacific, it has remained stable, even throughout the pandemic.
- The steady increase in new guest house stock in recent years has led to a large uptick in guest nights, which has impacted some traditional hotels in the market.
- This, combined with the modest level of new supply coming to market, has prompted some hotel landlords to commence refurbishment and rebranding exercises to stay relevant.

## Outlook

- The Maldives' tourism sector has shown impressive resilience and recovery, with significant growth in tourist arrivals. While seasonality remains a key challenge, new infrastructure developments should promote growth, particularly in the upper upscale and luxury segments.

## SIX-MONTH OUTLOOK



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