

# Singapore Hotel MarketView

H2 2012

CBRE Global Research and Consulting



**VISITOR ARRIVALS**  
8.5% y-o-y



**ADR : \$260.30**  
7.1% y-o-y



**OCCUPANCY**  
86.5%



**REVPAR : \$225.20**  
7.2% y-o-y



**2012 INVESTMENT SALES**  
- 34%

## SINGAPORE HOTELS DELIVER RECORD PERFORMANCE IN 2012, BUT GROWTH MOMENTUM SLOWING

### Hot Topics

- Tourist arrivals were at record levels although growth rate has slowed down from 15% y-o-y in Q1 to 3% in Q3
- Hotel occupancy rates stayed robust, averaging 86.5% in the past 12 months ending November
- Demand for luxury hotels grew the most in 2012 as occupancy rose by 2.6% while RevPAR rose by 10.32%
- Over the next four years, some 11,000 rooms will enter the market, with midscale hotels supplying the most number of rooms
- Hotel investment sales moderated in 2012, with transaction volumes falling by 34% y-o-y
- Hotel operators face labour crunch and rising manpower costs which could impact profit margins.

<sup>1</sup> Q3 visitor arrivals estimated at 3.59 million (Econ. Survey of S'pore)

### Record Tourist Levels and Growing

A record 10.68<sup>1</sup> million visitors came to Singapore in the first three quarters of the year, drawn by a good number of conventions, events and attractions such as the newly-opened \$1-billion Gardens by the Bay. Tourist arrivals in the period were 8.5% higher relative to a year ago. Tourism receipts also rose 7.0% y-o-y to hit \$11.5 billion in the first half of 2012.

Although the tourism sector remains robust, growth is weakening as global uncertainties, the strong local currency and tighter corporate spending weigh on visitor arrivals and spending. Visitor growth slowed from 14.7% y-o-y in Q1 to 8.3% in Q2 and 3.1% in Q3. Nonetheless, CBRE forecasts visitor arrivals in 2012 to reach 14.4 million, in line with STB's target.

Tourism prospects for 2013 and beyond are healthy as Singapore continues to invest in infrastructure and increase more attractions such as the Marine Life Park and River Safari.

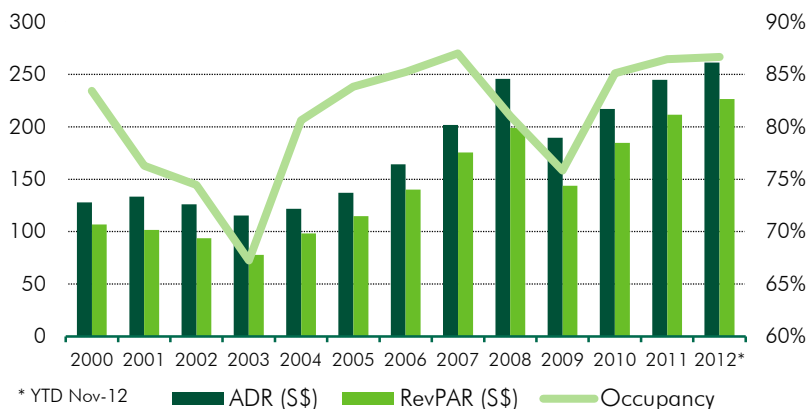
### Record Hotel Performance

Hotel occupancy for the 12-month period ending November was at a robust 86.51%, on par with last year's level. Occupancy reached as high as 90% in the month of July. Demand for luxury hotels stayed strong in 2012 as its occupancy grew by 2.59% while upscale hotel occupancy went up by a mere 0.48%. Both mid-scale and economy tiers saw occupancy drop by 1.27% and 0.86%.

In the 12-months period ending November, Average Daily Rate was \$260.27 (US\$213), up by 7.1% y-o-y. September rates hit a new high at \$281.80 (US\$230) due to the F1 event. Of the four hotel tiers, upscale hotels saw the largest growth in ADR of 8.65%, registering \$299.51 (US\$245). Economy hotels on the other hand rose by a mere 1.22% to \$110.73 (US\$91).

RevPAR of Singapore hotels rose by 7.2% to hit \$225.15 (US\$184), versus 16.1% a year ago. Luxury hotels recorded the highest rise in RevPAR of 10.32% among all tiers.

### Singapore Hotel Performance



Source: STB, CBRE

# HOTELS

## LARGE SUPPLY PIPELINE COULD MODERATE OCCUPANCY AND REVENUE GROWTH

### Higher Value-add Spending and Medical Tourism

While tourism receipts have risen over the years, spending on a per-day basis differs by source markets. The chart shows that visitors from Indonesia and Australia have reduced their spending per day, while those from China, Malaysia and India have increased in the last two years. Meanwhile, the higher value-added medical tourism sector is on the rise, with foreign patients growing by 15% per annum since 2009. Medical tourism revenue for 2012 could reach US\$3.5 billion, according to Frost & Sullivan.

### Supply Pipeline

Last year saw a net supply of 1,200 rooms, coming from eight hotels, including the Capri by Frasers at Changi City. In 2013, a further 4,000 rooms are slated to be opened in 16 new hotels. In the next four years, a total of 11,000 rooms are expected to enter the market, which represents a 25% increase from the stock of gazetted rooms as at end-2012. Of the tiers, midscale hotels will supply the most number of rooms at 4,100. In addition, hotel sites in the 1H 2013 Government Land Sales Reserve list, if triggered and sold, could add 1,800 more rooms.

The sizeable supply and slower visitor growth could lead to lower occupancy rates and slower ADR growth, resulting in very limited RevPAR growth. CBRE expects an occupancy rate of 80% - 82% and ADR growth of 3% - 5% in 2013.

### Investment Market

Two hospitality trusts, namely the Far East Hospitality Trust and Ascendas Hospitality Trust, were listed in 2012, raising \$1.49 billion and \$707 million of equity capital respectively.

Investment sales of hotel assets totalled \$1.07 billion in 2012, which was 34% lower y-o-y. Buying interest from REITs, developers and private equity firms remains, but the pricing gap between buyers and sellers' expectations has led to fewer deal closures. Transacted deals in the year include Ascott Raffles Place, Hotel Windsor, Hotel Grand Pacific and several budget hotels.

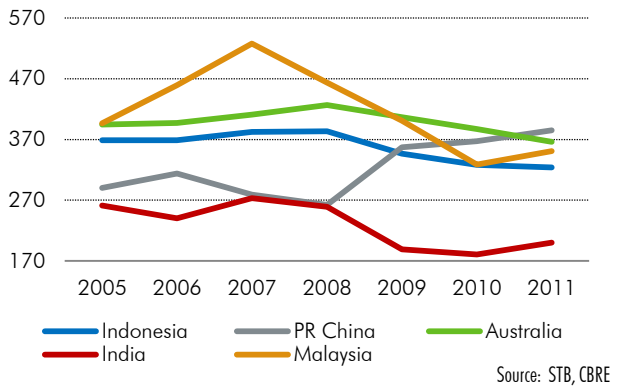
In the land market, developers with little knowledge of the sector are making a foray. Stiff competition has driven up hotel land prices accordingly.

A few major hotel deals are expected to be realized while one or two IPOs could get listed in the year ahead.

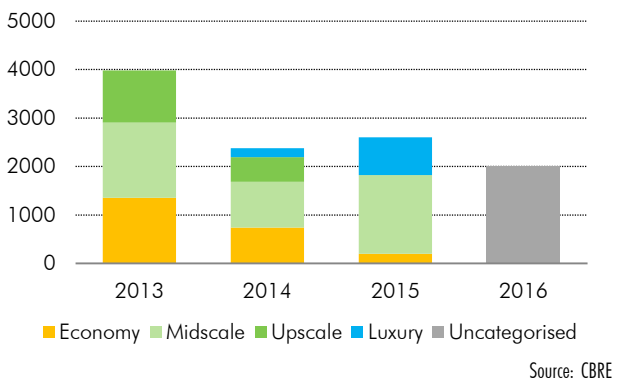
### Challenges Of Hotel Sector

The hotel industry faces the challenge of labour crunch due to reduced foreign worker quotas and unwillingness of local workers to take on certain jobs. Some hotels are adopting different business models to cope, such as scaling back F&B components, redefining job scope, outsourcing certain jobs, retaining older workers and training staff in multiple job roles. Labour shortage and manpower costs remain the main concerns for hotel operators, which if unmitigated, could impact profit margins.

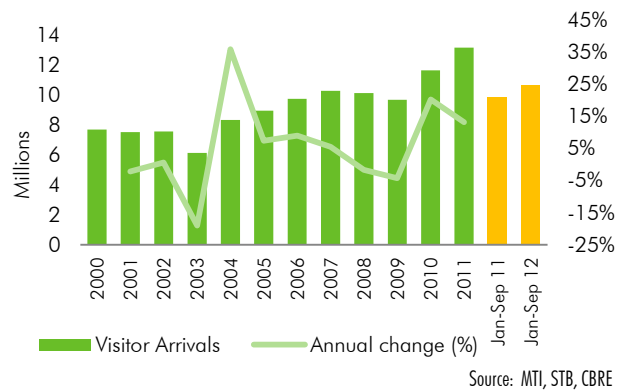
### Real Tourism Receipts per visitor per day (\$S)



### Future Room Supply (2013-2016)



### International Visitor Arrivals



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