

## REAL ESTATE SECTOR RESEARCH

## Singapore Hospitality Industry Report



## Summary

Singapore's hotel market performance showed signs of recovery in 2021 as the average room rate and revenue per available room increased despite the slight decrease in average occupancy rate. The need for Government Quarantine Facilities (GQF) & Stay-Home Notice (SHN) dedicated facilities and introduction of SingapoRediscover Vouchers (SRV) has helped to support domestic hotel demand. Domestic consumption has also been strong, as the tourism sector pivoted to develop new and innovative experiences for locals. In addition, the introduction of various travel arrangements, such as Vaccinated Travel Lanes (VTLs), has encouraged the gradual return of international travellers.

For 2022, we expect a broad based recovery for the hospitality industry as international travel recovers with countries globally achieving higher vaccination rates. This could provide greater scope for border reopening and VTL agreements with more countries, thereby supporting a more meaningful rebound in visitor arrivals. Further, the pipeline of MICE events for 2022 and the Formula 1 Grand Prix could also help to support the inflow of visitors and increase the demand for hotels.

We have summarized the latest performance indicators of the hospitality industry as shown in **Exhibit 1**.

### Exhibit 1: Latest Performance Indicators

	Average occupancy rate (%)	Average room rate (S\$)	Revenue per available room (S\$)	Hotel room revenue (S\$ million)	International visitor arrivals (in thousands)	Tourism receipts (S\$ million)
2020	57.4%	154.13	88.43	1,238.47	2,742	1,900
2021	56.2%	158.32	89.02	979.57	330	4,800

Source: STB, FPA Financial

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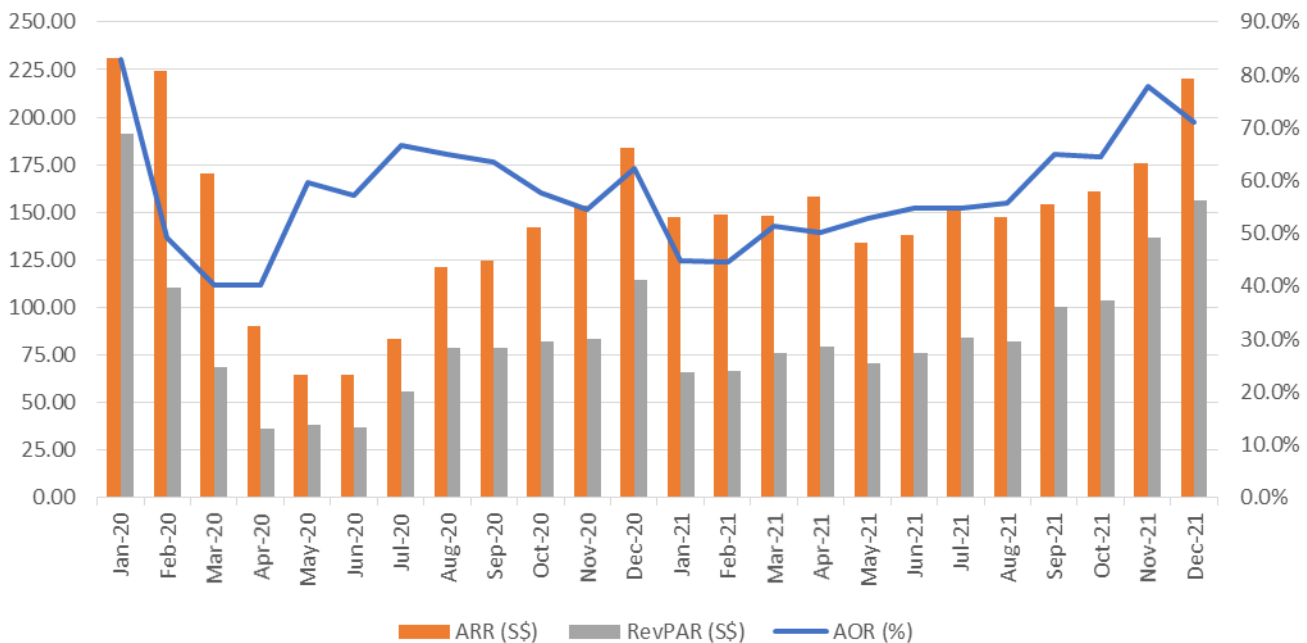
## Singapore Hospitality Market Overview

In this hospitality market overview, we will first review recent key themes surrounding the Singapore hospitality market, and then discuss the market outlook.

### (I) Hotel Performance Showed Signs of Improvement in 2021

In recent months, a moderate improvement in key hotel indicators like average occupancy rate (AOR), average room rate (ARR) and revenue per available room (RevPAR) as reflected in **Exhibit 2** suggest that Singapore’s hospitality sector remained resilient despite the challenges posted by Covid-19 and is on track for a broad-based recovery in the Singapore hotel market. We believe that the drop in AOR in December 2021 could be attributable to the emergence of the highly contagious Omicron variant which has caused the spike in Covid-19 cases in Singapore.

**Exhibit 2: Trend in Performance of Key Hotel Indicators in Singapore**



Source: STB, FPA Financial

In 2021, the overall hotel performance showed signs of improvement, as reflected by latest data from the Singapore Tourism Board (STB). During the period, Singapore’s hotel industry registered an AOR of 56.2%. This is a slight decrease of 1.1 percentage point compared to the previous year, when AOR was reinforced by strong tourism performance in the first two months of 2020. However, ARR increased by 2.7% year-on-year (yoy) to \$158.3 in from \$154.1 in 2020, while RevPAR increased by 0.7% yoy to \$89.0 in 2021 from \$88.4 in 2020 as shown in **Exhibit 3** on the next page.

**Exhibit 3: AOR, ARR and RevPAR Comparison for 2020 and 2021**

Performance indicator	2020	2021	y-o-y change
AOR (%)	57.4%	56.2%	-1.1% points
ARR (S\$)	154.13	158.32	2.7%
RevPAR (S\$)	88.43	89.02	0.7%

Source: STB

In 2021, hotel demand had been boosted in part by the need for dedicated Government Quarantine Facilities (GQF) and Stay-Home Notice (SHN) facilities, as well as hotels launching new initiatives like “Work-from-Hotel” to generate demand. Further, the demand for staycations were also boosted by the introduction of SingapoRediscover vouchers (SRV). According to STB, by the end of the SRV scheme on 31 December 2021, approximately 1.9 million Singaporeans have used their vouchers at least once, making about 2.6 million transactions. In addition, close to \$300 million in SRV transactions were recorded, comprising close to \$180 million in vouchers and about \$120 million in out-of-pocket payments for SRV bookings.

To appeal to the domestic market, hotels introduced unique staycation and guest experiences. For example, The Ritz-Carlton, Millenia Singapore launched an augmented reality (AR) hotel art tour for visitors to interact virtually with art pieces by globally-renowned artists such as Dale Chihuly and Frank Stella. The summary of hotels providing unique experiences is shown in **Exhibit 4**.

**Exhibit 4: Hotels Initiatives to Enhance Staycation Experience**

Hotel	Initiatives	Details
Ritz-Carlton, Millenia Singapore	Augmented Reality (AR) hotel art tour	Visitors can interact virtually with 10 artworks in the hotel's collection, supplemented by computer generated graphics and sound as well as written or audio narratives about the piece and artist
Swissôtel The Stamford	CoComelon-themed restaurant and staycation experience	CoComelon-themed cafe to target young family. Privilege includes guaranteed restaurant reservation during the stay, specially designed menu inspired by the characters from CoComelon, merchandise and the access to a CoComelon-themed photo wall
AMOY Boutique Hotel	Amoy Hotel Explorer Staycation	Providing cultural staycation experience. Discover hidden temples and learn about the history of Chinatown through the lens of coolies and learn the meaning behind traditional Chinese motifs
Raffles Hotel Singapore	Immersive virtual experience stay	Guests take part in an interactive treasure hunt that combines virtual and physical gameplay during their stay

Source: STB, respective hotel websites

By hotel tier, the Luxury tier recorded an average RevPAR growth of 1.5% yoy in 2021. This could be due to the fact that people are more likely to stay in higher-end hotels during staycations. The lower tiers, on the other hand, continued to bear the brunt of the Covid-19 pandemic, due to low demand from budget travelers and tight border controls. During the period, the Upscale, Mid-Tier and Economy segments recorded annual average RevPAR decline of 3.6%, 18.6% and 23.1% respectively. The breakdown of the average RevPAR for 2020 and 2021 according to hotel tiers are summarized in **Exhibit 5**.

#### **Exhibit 5: Breakdown of Average RevPAR Based on Hotel Tier**

Hotel tier	Average RevPAR (S\$)		y-o-y change
	2020	2021	
Luxury	171.80	174.31	1.5%
Upscale	104.31	100.55	-3.6%
Mid-Tier	70.02	57.00	-18.6%
Economy	46.91	36.06	-23.1%

Source: STB

Singapore's hotel revenue fell by 20.9% yoy to \$979.6 million, easing from the 70.5% yoy decrease in 2020, according to STB data. All hotel tiers, other than Luxury, recorded a decline, with the Mid-tier segment being the hardest hit and recording a 44.6% yoy decline. Conversely, the Luxury segment recorded a 6.4% yoy increase. The breakdown of hotel room revenue for 2020 and 2021 based on hotel tier are summarized in **Exhibit 6**.

#### **Exhibit 6: Breakdown of Hotel Room Revenue Based on Hotel Tier**

Hotel tier	Hotel room revenue (S\$ million)			
	2020	y-o-y change	2021	y-o-y change
Luxury	463.8	-66.7%	493.7	6.4%
Upscale	251.5	-76.6%	196.2	-22.0%
Mid-Tier	320.8	-73.8%	177.8	-44.6%
Economy	202.3	-59.9%	116.1	-42.6%
<b>Total</b>	<b>1,238.5</b>	<b>-70.5%</b>	<b>979.6</b>	<b>-20.9%</b>

Source: STB

#### **(II) MICE Events Picked Up Pace in 2021**

Since the introduction of the Safe Business Events Framework in 2020, in 2021, Singapore hosted more than 200 Meetings, Incentives, Conventions and Exhibitions (MICE) events with almost 50,000 local and international attendees, according to STB. These included pilot events to testbed new protocols, such as the Bloomberg New Economy Forum, Industrial Transformation Asia Pacific 2021, Milken Institute Asia Summit and the 50th St Gallen Symposium.

There are also a pipeline of significant MICE events for 2022 and beyond, including some multi-year events. Notable events secured in 2021 include FIND – Design Fair Asia (2022–2024), Gastech 2023, Global Health Security Conference 2022, 60th International Young Lawyers' Congress 2022, Seafood Expo 2022, SILMO Singapore (2023–2025), transport logistic and air cargo 2023, World One Health Congress 2022 and the World Congress of Dermatology 2023.

### (III) New Attractions to Meet Evolving Consumer Needs

To attract locals, the attractions industry innovated to create new experiences. For example, the Songkran Festival campaign by Wild Wild Wet whereby the waterpark was transformed into a Thai-themed attraction to provide Singaporeans the opportunity to experience the festival without having to travel. Meanwhile, Kiztopia launched a special unlimited weekday annual entry pass to drive demand.

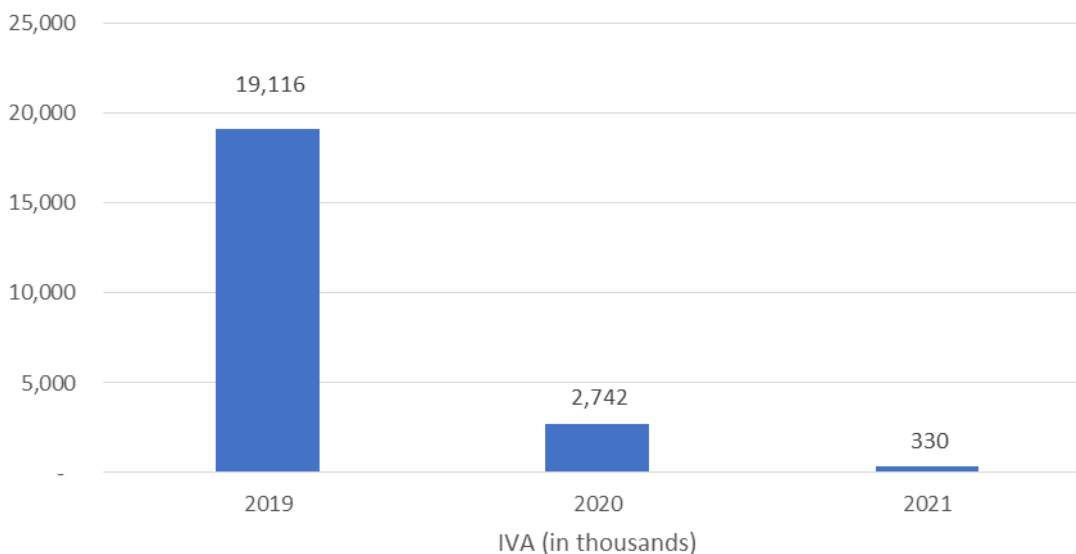
In 2021, Singapore also welcomed new attractions such as the Museum of Ice Cream and SkyHelix Sentosa. Existing attractions used this period to refresh their offerings or introduce new ones, which included Haw Par Villa's Hell's Museum, the Brickosaurs World at Singapore Zoo and River Wonders, ArtScience Museum's new permanent Virtual Reality (VR) gallery, Madame Tussaud's Singapore: Marvel Universe display, National Orchid Garden's Tropical Montane Orchidatum, and Gardens by the Bay's Orchid Haven, according to STB.

STB also noted a series of new attractions in the pipeline. For example, the Jewel-rassic Quest, a ticketed AR experience at Jewel Changi Airport's Canopy Park and Shiseido Forest Valley, is slated to launch in 2022. Other new attractions include Slingshot at Clarke Quay and the new attraction at the vacant site between Somerset Skate Park and Killiney Road, as part of a plan to test-bed new concepts in Orchard Road.

### (IV) Muted Visitor Arrivals in 2021 but Recent Tourism Performance Shows Signs of Recovery

In 2021, international visitor arrivals (IVA) totalled 330,000, a 88.0% drop from the 2.7 million IVAs in 2020, according to STB data. Compared to pre-Covid times, IVA in 2021 was only 1.7% of the 19.1 million visitor arrivals recorded in 2019, as shown in **Exhibit 7**.

#### **Exhibit 7: International Visitor Arrivals in 2019-2021 (in thousands)**



Source: STB, FPA Financial

However, we note that even though Singapore's tourism sector recorded overall year-on-year declines in IVA, it was due to stronger Q1 performance in 2020. In Q1 2021, IVA decreased by 97.4% yoy to 68,700 thousands from 2.7 million in Q1 2020 as shown in **Exhibit 8**. STB attributed the decline to stronger performance in the first 2 months of 2020, before international travel was disrupted.

At the same time, we note that IVA has improved year-on-year in the last 3 quarter of 2021 as Singapore recorded a yoy increase of 1,214.3%, 111.4% and 201.8% in Q2, Q3 and Q4 respectively in 2021 as shown in **Exhibit 8**.

**Exhibit 8: Quarterly IVA for 2020 and 2021 (in thousands)**

	International visitor arrivals (thousands)				
	Q1	Q2	Q3	Q4	Full year
2020	2,661.1	3.8	25.3	52.3	2,742.4
2021	68.7	50.0	53.4	157.9	330.0
Yoy change	-97.4%	1,214.3%	111.4%	201.8%	-88.0%

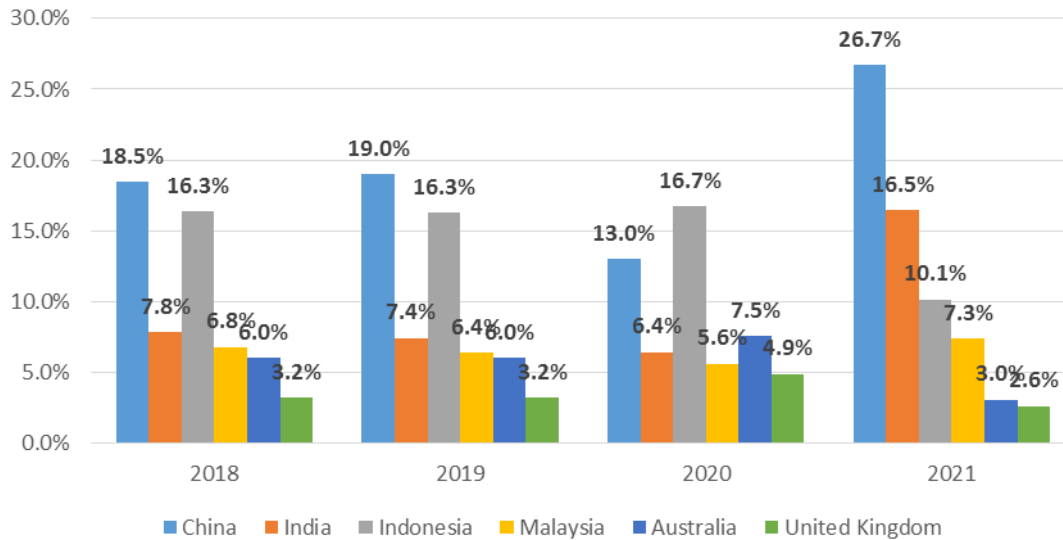
Source: STB, FPA Financial

We believe that the introduction of the new Vaccinated Travel Lanes (VTLs) scheme in September, as part of border reopening, has encouraged the gradual return of international travellers. Under the VTL, fully vaccinated travellers from VTL countries may enter Singapore without quarantine and would only need to undergo COVID-19 testing. Currently, according to Immigration and Checkpoints Authority (ICA), the active VTL (Air) Countries/ Regions include Australia, Brunei Darussalam, Cambodia, Canada, Denmark, Fiji, Finland, France, Germany, India, Indonesia, Italy, Malaysia, Maldives, the Netherlands, the Republic of Korea, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

The STB reported that there has been healthy demand from VTL markets since the introduction of VTLs. From September to December 2021, more than 100,000 Vaccinated Travel passes (VTP) have been issued for short-term entry to Singapore by air and approximately two-thirds of these applicants travelled to Singapore by 31 December 2021. India, Malaysia, Indonesia Australia and the United Kingdom were the top source markets by applications.

In addition, Singapore's vaccination rate has remained high which might suggest that there is a possibility that the VTLs could be further extended to more countries without comprising public health. As at 14 February 2022, 92% of the total population received at least one dose, 90% of the total population completed the full regimen and 64% of the total population received booster shots.

Looking at historical IVA figures, we note that visitor arrivals from the top 5 markets by VTP (Air) namely India, Malaysia, Indonesia, Australia and United Kingdom have on average made up approximately 9.5%, 6.5%, 14.9%, 5.6% and 3.5% of the total IVA from 2018-2021 respectively, as shown in **Exhibit 9** on the next page. In 2021, India, Malaysia, Indonesia, Australia and United Kingdom were ranked 2nd, 4th, 3rd, 9th and 10th in terms of IVA. Comparatively, the top market, China, contributed about 19.3% on average over the 4-year period as shown in **Exhibit 9** on the next page.

**Exhibit 9: Proportion of total IVA from 2018-2021**

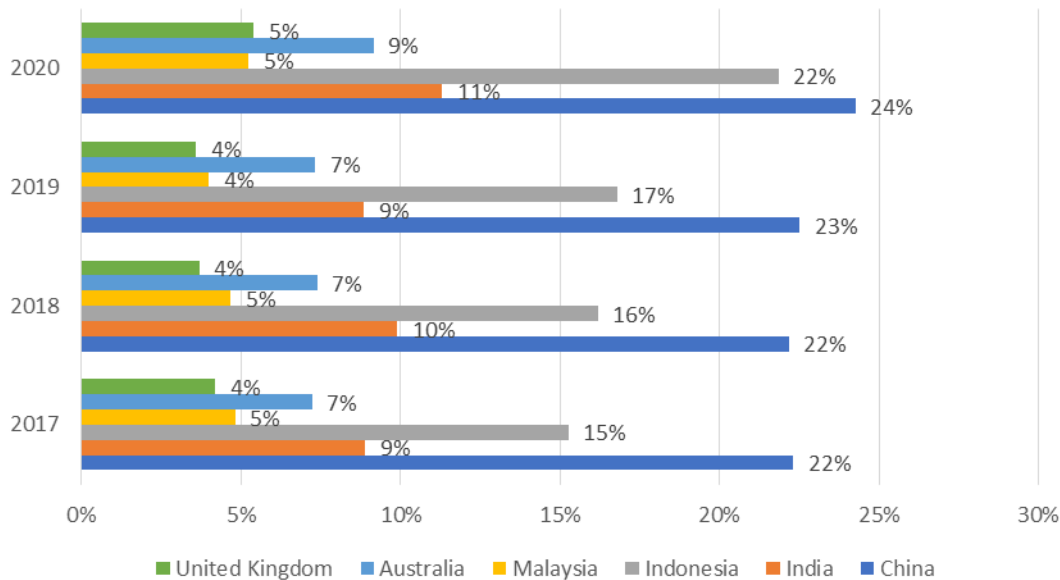
Source: STB, FPA Financial

We note that while China is not under the VTL scheme, it is part of the 4 countries currently under Air Travel Pass (ATP) scheme. The other 3 countries include Hong Kong, Macao and Taiwan. The ATP enables foreigners who are short-term visitors departing from the 4 countries to seek entry into Singapore.

In terms of spending, we note that tourism receipts decreased by 60.4% yoy in 2021 to S1.9 billion, according to preliminary estimates released by STB. In contrast, Singapore had recorded about \$4.8 billion in tourism receipts in 2020, and \$27.7 billion in 2019, before the Covid-19 pandemic began. The decline coincided with a continued drop in international arrivals, according to STB, which noted that tourism sector stayed pivoted towards domestic consumption.

Meanwhile, we note that the top 5 VTL markets contributed on average 44% of the tourism receipts (excluding Sightseeing, Entertainment & Gaming expenditure) from 2017 to 2020. At the same time, China contributed 23% on average over the four-year period as shown in **Exhibit 10** on the next page.



**Exhibit 10: Proportion of Tourism Receipts <sup>(1)</sup> from 2017-2020**

(1) Excluding Sightseeing, Entertainment & Gaming expenditure due to commercial sensitivity  
Source: STB, FPA Financial

Overall, considering the historical contribution of IVA and tourism receipts by the top 5 VTL market source and the ATP from China, it may suggest that there could be improvement to the Singapore hospitality industry in 2022. It was also reported on Business Times that Keith Tan, chief executive of the STB said that it will step up efforts in 2022 to reach out to international audiences, especially in markets with VTL flights and two-way quarantine-free travel, which will bode well for the hospitality industry.

**(V) Singapore Formula 1 Grand Prix Night Race Could Reinvigorate Tourism**

On 27 January 2022, STB announced that Singapore will continue to host the Formula 1 Singapore Grand Prix as part of the FIA Formula One World Championship for another seven years, from 2022 to 2028. This is the fourth contract renewal for Singapore, and the seven-year extension is the longest for the race to date. This will give Singapore a longer runway to capture pent-up demand as international travel recovers. It also allows STB, Formula 1, Singapore GP Pte Ltd (SGP) and industry partners to develop new experiences to meet the evolving interests of locals and visitors. Since its debut in 2008, the race has generated more than \$1.5 billion in incremental tourism receipts and attracted more than 550,000 unique international visitors.

S Iswaran, Minister for Transport, said that the Singapore F1 race will continue to be a strong focal point for tourists, global events and business meetings. The renewal will help sustain Singapore's reputation as a global city with a vibrant lifestyle, attracting international visitors as travel rebounds, and generating business revenue and jobs for Singaporeans.

However, we do note that while STB did not mention whether safe-distancing measures will result in a significant reduction in the number of spectators who will be able to attend this year's event, we believe that the number of spectators allowed would not be able to reach the 268,000 spectators recorded in 2019, before the Covid-19 pandemic. Further, the number of spectators could also be limited by the restrictions of the VTL scheme.

**(VI) Well-Managed Pipeline of hotels suggest a positive long-term outlook**

CBRE expects to see a well-managed pipeline of hotels growing at a Compound Annual Growth Rate <sup>(1)</sup> (CAGR) of 2.3% between 2021 and 2025, a moderate growth compared to historical CAGR growth of 4.3% between 2014 and 2019. CBRE also highlighted that the well-managed pipeline is expected to help alleviate the adverse impact from Covid-19. We note that a number of hotels are scheduled to open in 2022 namely Raffles Sentosa Resort & Spa, Maxwell Reserve, Artyzen Cuscaden, Citadine ConnectCity Centre Singapore and the Singapore Edition while the Pan Pacific Orchard is scheduled to open in 2023. These additions complement existing hotels that used this period to refresh or rebrand their properties, such as Pullman Singapore Orchard, Hilton Singapore (reopening as voco Orchard Singapore in 2022) and Mandarin Orchard (reopening as Hilton Singapore Orchard in 2022). A summary of the details of these hotels is shown in **Exhibit 11**.

**Exhibit 11: Details of Pipeline of Hotels**

Name of hotel	Location	No. of rooms	Scheduled opening
Voco Orchard <sup>(1)</sup>	Orchard	423	Jan-2022
Raffles Sentosa Resort & Spa	Sentosa	62	Early-2022 <sup>(4)</sup>
Pullman Singapore Orchard <sup>(2)</sup>	Orchard	308	Early-2022 <sup>(4)</sup>
Hilton Singapore Orchard <sup>(3)</sup>	Orchard	1080	Mar-2022
Maxwell Reserve	2 Cook Street	120	May-2022
Artyzen Cuscaden	Cuscaden Road	142	2022
Citadines Connect City Centre Singapore	Clemenceau Avenue	172	2022
The Singapore Edition	Orchard	190	2022
Pan Pacific Orchard	Orchard	350	Mar-2023

(1) Previously known as Hilton Singapore

(2) Rebrand and refurbish

(3) Previously known as Mandarin Orchard

(4) Reported on [hospitalitynet.org](http://hospitalitynet.org)

Source: Business Times, Respective hotel websites, [Hospitalitynet.org](http://Hospitalitynet.org)

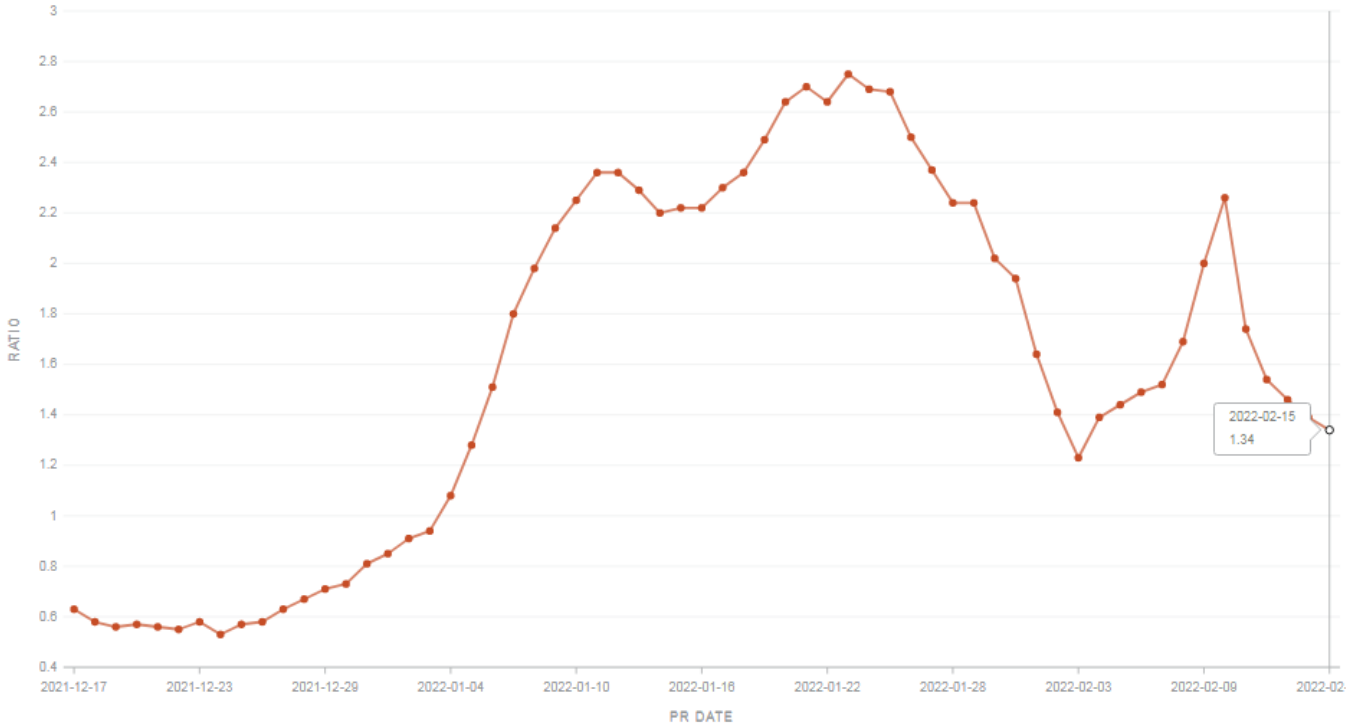
**(VII) Covid-19 Could Derail the Recovery in Singapore's Hospitality Industry**

Currently, many parts of Asia, including Singapore's top tourism markets such as China, Indonesia and India are dealing with an increase in Covid-19 cases related to the Omicron variant's spread. As at 15 February 2022, China, Indonesia and India reported 107,196, 57,049 and 30,615 new Covid cases respectively. Similarly, the Omicron variant has caused virus resurgences in other parts of the world, including the United States (US) and Europe. Further, the World Health Organisation announced on 21 January 2022 that based on the currently available evidence, the overall risk related to Omicron remains very high.

Domestically, despite Singapore's high vaccination rate, Singapore reported 19,420 new Covid-19 cases on 15 February 2022, its highest number of new infections reported in a day. The previous high was 13,208 cases, reported on 4 February 2022. In addition, according to the Ministry of Health (MOH), as at 15 February 2022, the weekly growth rate of Covid-19 infections in Singapore was 1.34 as shown in **Exhibit 12** on the next page. A number above 1 indicates that the number of new weekly COVID-19 cases is rising.

<sup>(1)</sup> CAGR is the measure of the annual growth rate over time while taking into account the effect of compounding

**Exhibit 12: Singapore's COVID-19 Weekly Infection Growth Rate**



Source: Data.gov.sg

In its latest projections, Ministry of Trade and Industry (MTI) expects the recovery of the aviation-and tourism-related sectors (e.g., air transport and accommodation) to be slow as recurring COVID-19 outbreaks and potential virus mutations could delay the lifting of travel restrictions globally, and travel demand is also likely to take time to recover. Moreover, the accommodation sector will be weighed down by a projected fall in domestic demand as government demand for hotel rooms to serve as quarantine facilities decreases, and staycation demand drops with the relaxation of travel restrictions. Overall, activity in these sectors is expected to remain below pre-COVID levels even by the end of 2022, according to MTI.

## Singapore Hospitality Market Outlook

Singapore's hotel market performance showed signs of recovery in 2021 as the average room rate and revenue per available room increased despite the slight decrease in average occupancy rate. The need for GQF and SHN dedicated facilities has helped to support domestic hotel demand. The introduction of the SRV also boosted demand for staycations. However, hotels in the Luxury segment were more well-positioned to benefit from this initiative as consumers were more likely to select high-end options for staycations. Domestic consumption has also been strong, as the tourism sector pivoted to develop new and innovative experiences for locals. The introduction of various travel arrangements, such as Vaccinated Travel Lanes (VTLs), has encouraged the gradual return of international travellers. Hence, we believe that the Economy and Mid-Tier hotels should see a moderate recovery in performance with the improvement in budget travellers' demand.

For 2022, we expect a broad based recovery for the hospitality industry as international travel recovers with countries globally achieving higher vaccination rates. This could provide greater scope for border reopening and VTL agreements with more countries, thereby supporting a more meaningful rebound in visitor arrivals. Consequently, a stronger inflow of international arrivals could help to uplift the overall performance of the hotel industry. In addition, the pipeline of MICE events for 2022 and the Formula 1 Grand Prix could also help to support the inflow of visitors, increase the demand for hotels and benefit Singapore's hospitality industry. We note that with the expiration of the SRV on 31 December 2021, Singapore has to start pivoting back towards international market and to increase its efforts and deepen engagement with other countries to inspire and encourage visitors to travel to Singapore. However, despite the high vaccination rate, in the recent months, there has been a spike in the number of Covid-19 cases owing to the Omicron variant. This may derail Singapore's plans for more VTL agreements. Further, the ongoing virus uncertainty around the world may also limit the scope of such an initiative's implementation.

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