



Hotels Recovery Guide

Maldives

JLL's Hotels & Hospitality Group | September 2020



Maldives



Pre-COVID-19 trend

Marketwide RevPAR achieved a -6.9% compound annual growth rate (CAGR) over the past five-year period (2014-2019). This was weighed down by the -5.5% CAGR of ADR, which was largely attributed to the influx of new supply during the period. Total visitor arrivals registered a CAGR of 7.2% during the same five-year period analysed, whilst resort supply registered a quicker growth pace of a 8.0% CAGR.

In 2019, marketwide resorts RevPAR remained broadly unchanged YOY at USD 356, as the decline in ADR was offset by the increase in occupancy. Future supply is expected to moderate in the next two years, increasing by 4.2% annually from 2020 to 2022.

USD 430 Million

Hotel investment volume in Maldives, 2019

More than USD 430 million worth of hotel assets were transacted in the Maldives in 2019, the highest ever on record.

A record transaction volume exceeding USD 430 million was achieved in 2019, more than four times the transaction volume in the preceding year.

The sale of the 151-key Conrad Maldives Rangali Island resort during the year is a testimony of how the Maldives is now attracting capital from outside Asia Pacific, a departure from the usual domination by Asian investors. It was sold to global private equity fund Blackstone and was amongst the top 20 largest deals in 2019. In November, the private equity fund also picked up a portfolio of three Anantara Maldivian resorts. Another notable cross-border deal during the year included the 125-key Finolhu Baa Atoll, sold to German-based Seaside Collection for around USD 84 million.

Notable hotel transactions in Maldives

Year	Property Name	Keys	Price	Price per Key
2019	Conrad Maldives Rangali Island	151	Confidential	Confidential
2019	Anantara Maldives Portfolio	197	Confidential	Confidential
2019	Finolhu, Baa Atoll	125	USD 84M	USD 669K

JLL: Transacted by JLL

Source: JLL, Industry Sources

COVID-19 impact

MARKETWIDE RESORTS

YTD August 2020 (year-on-year)

-52.2% **36.9%** **-34.5%**
Occ ADR* RevPAR*

*USD currency
Source: STR

Following the COVID-19 outbreak in January, Maldives experienced a wave of cancellations after its largest visitor source market, China, announced the suspension of group and package trips on 26 January. The month-on-month (MOM) decline in RevPAR further accelerated in March and April, after Maldives declared a state of emergency on 12 March. The MOM decline in RevPAR has since reversed in July, after the Maldives reopened its international borders on 15 July, showing early green shoots of the recovery.

ADR registered a YOY increase during the YTD August period, mainly because resorts that remained open during the period were in the ultra-luxury segment. According to the Maldives Marketing & Public Relations Corporation (MMPRC), 146 resorts (94%) will reopen by end-October 2020.

#2 Best Beaches in the World
Behind Fiji but ahead of Bali and Phuket
Best Vacations Rankings, U.S. News & World Report

+14.7% YOY
1.7 Million
Total International Visitor Arrivals to Maldives in 2019

49%
Visitors from Europe in 2019

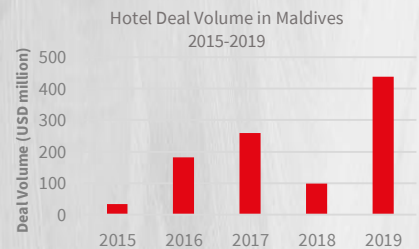
+14.7% YOY
18,286
Rooms as at end-2019

Notable recent openings:
InterContinental Maamunagau Resort, JW Marriott Maldives Resort & Spa, LUX* North Male Atoll

Existing Supply
Luxury: 14%
Upscale: 32%
Midscale: 54%

8.0 to 9.0%

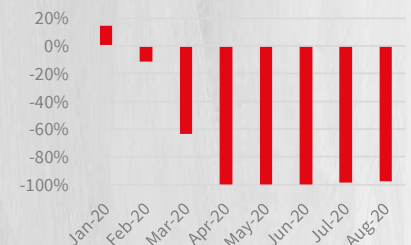
Maldives Hotel Yields (Pre-COVID-19)



Source: JLL

COVID-19 IMPACT

Annual Change in Monthly International Visitor Arrivals to Maldives



Source: Ministry of Tourism, Maldives

Apr
2020

In April, the Ministry of Finance announced details of the COVID-19 Economic Relief Package offered by the government. The package includes a moratorium on interest and repayments for loans issued by the Bank of Maldives; working capital loans to tourist resorts of up to USD 500,000; subsidies for electricity and water bills; and unemployment allowance for employees who have lost their jobs due to COVID-19.

May-
Jun
2020

The lockdown restrictions first imposed in April were extended until 28 May. In May, the government announced that lease payments for resorts will be deferred for the upcoming six months, as part of the relief measure to fight COVID-19.

Tourism Maldives submits guidelines for the Maldives to reopen its borders from 15 July.

Jul-
Aug
2020

Maldives reopened its international borders on 15 July and tourists have to adhere to a set of proposed measures. However, as most countries still have travel advisories in place, most airlines have yet to resume services even though the Maldives has reopened for tourism.

As of 13 August, 31 airline companies have planned operational flights to the Maldives. Most airlines are planning to restart operations from 1 November before the peak season.

The MMPRC continues to promote travel to the Maldives, including marketing campaigns such as Facebook Live event, "Maldives, The Sun Will Shine Again", and online event "Dream to Travel Festival".



Strong appeal to trophy hunters and strategic owner-operators

Maldives Hotels

Mounting distress in the market

Whilst the Maldives has reopened its borders in July, demand remains broadly muted as borders remain closed in most countries. The relatively slower pace of recovery, limited government support, as well as high operational and borrowing costs are putting mounting pressure on owners. Distress is expected to continue to build until travel confidence resumes.

Limited availability of debt

Obtaining non-recourse offshore lending was a challenge pre-COVID-19, with only a handful of largely relationship-led lenders active in the market. With current market conditions, debt funding of new developments and acquisitions has become even more difficult, with these conditions expected to continue into the medium-term.

Maldives an "on radar" investment destination for investors

Despite a challenging short- to medium-term outlook, the Maldives continues to appeal to trophy hunters and strategic owner-operators looking to expand their Indian Ocean footprint. Distressed buyers who remain optimistic about the long-term fundamentals of the archipelago are also expected to remain active.



Calculate hotel's breakeven point: Island destinations have many variable costs which ultimately become fixed costs as soon as operations resume, and cost reductions alone will not be sufficient; occupancies and rates are more paramount than ever in calculating your breakeven point. This will also be the most vital exercise in determining your optimal time for opening.



Forecast: We have witnessed constant change in rules and restrictions through borders reopening, airline-imposed restrictions and outbound government travel to the Maldives in very short time periods. It is vital to keep open communications with tour operators, airlines, the Ministry of Tourism and your direct marketing channels to ensure up to date knowledge that will allow you to re-forecast constantly.



Undertake zero-based manning budgeting: Factor in gradual demand ramp up, with sensitivities around market demand and pick up.



Critically analyse hotel positioning, segmentation and geographical mix: Take into account the return of international inbound destinations both from inbound government restrictions and airlift. Sales and Marketing tactics and more importantly, where Sales and Marketing Dollars are spent, will have to be scrutinised and invested wisely.



Ensure hotel facilities are ready for post-COVID-19 travel*: Embrace the restrictions and set up health and safety protocols for the reopening. Follow safety guidelines released by the Ministry, and secure local and/or international (e.g. Bureau Veritas) health and safety certifications to instil guest confidence.



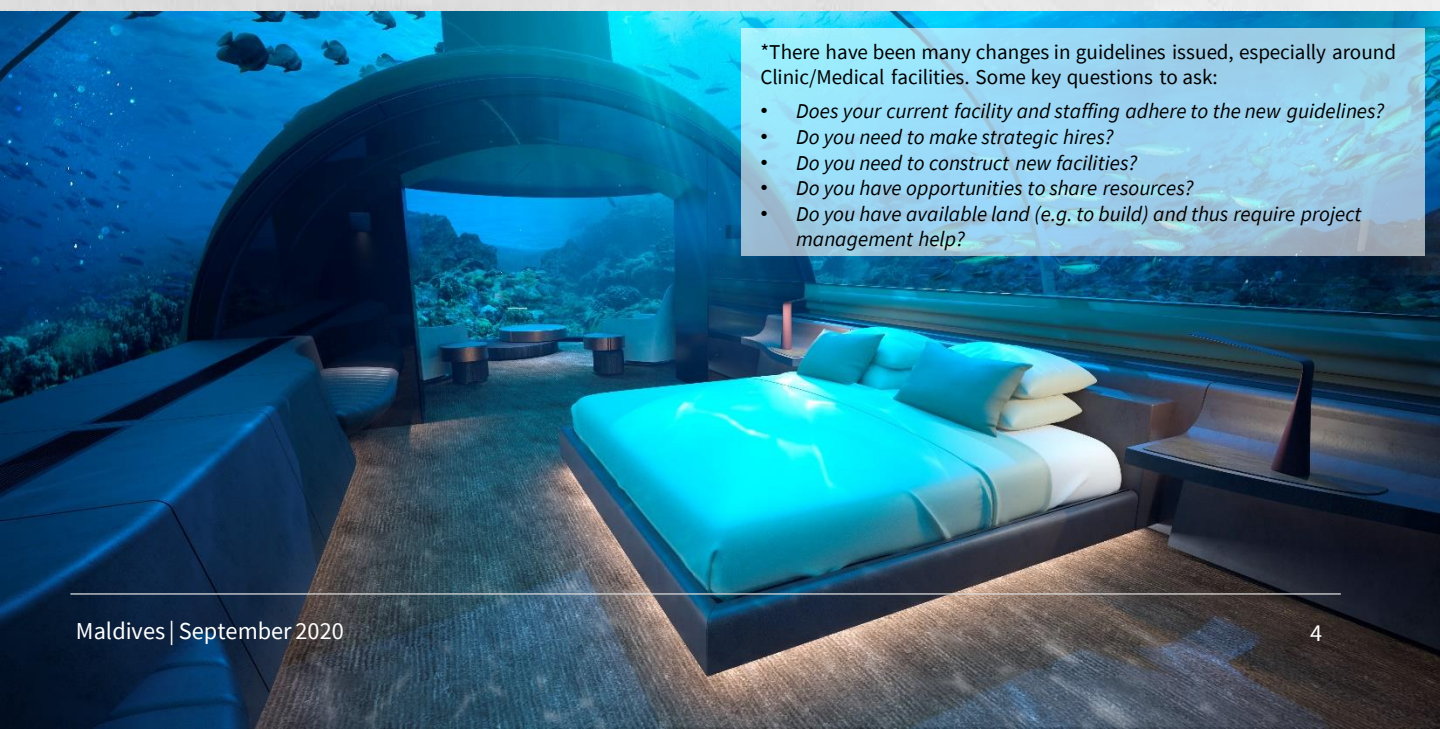
Consider book direct marketing campaigns: Identify a targeted list of repeat customers, and offer attractive packages and rate flexibility via the "book now, stay later" option.



Ensure regular and constructive dialogue with your operations team and Brand operator: Ensure synergy in opening plans and cohesion of Brand logistical, operational and financial requirements and support.



Conduct comprehensive review of hotel operations: Keeping in mind future supply and current products in the market, utilise the lull period to conduct a comprehensive review of operations (e.g. Sales and Marketing strategies, F&B concepts, etc.) and the property (e.g. maintenance and CapEx) to review opportunities and implement action plans. Also take the opportunity to consider clustering or outsourcing certain functions to reduce operational cost.



*There have been many changes in guidelines issued, especially around Clinic/Medical facilities. Some key questions to ask:

- Does your current facility and staffing adhere to the new guidelines?
- Do you need to make strategic hires?
- Do you need to construct new facilities?
- Do you have opportunities to share resources?
- Do you have available land (e.g. to build) and thus require project management help?

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