Q1 2022

Research

South East Asia leads recovery by welcoming back international tourists

Asia Pacific Hotel Digest

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Outlook for Major Economies

Major Economies	Real GDP (y-o-y change) 2021	2022F	2022 Outlook
Australia	▲ 4.7	▲ 4.1	Strong labour market to bolster consumption. Private investment should show strength while exports benefit from high commodity prices
Hong Kong	▼ 6.4	▼ 1.0	Fifth COVID-19 wave and tightened restrictions a major drag on growth but domestic demand momentum to pick up from 2Q onwards as restrictions ease
India	▼ 8.1	▼ 7.3	Household spending recovery expected to persist, but higher import prices may start to drag on manufacturers and consumers
Indonesia	▲ 3.7	▼ 5.7	Household spending and fixed investment should remain above trend, but softening foreign demand could weaken contribution from exports
Japan	▲ 1.7	▼ 2.2	Gradual pick up in consumption as pent-up demand released but elevated inflation may weigh on recovery. Exports expected to hold up but face headwinds from slowing global trade
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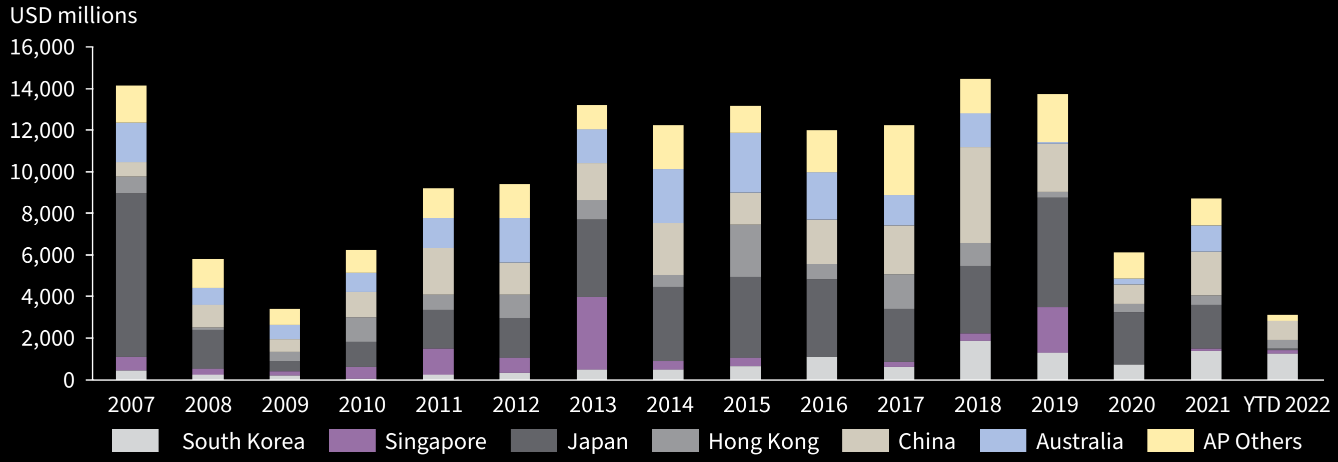
South Korea	▲ 4.0	▼ 2.8	Resilient labour market to be supportive of consumption growth. External environment challenges could dampen export strength

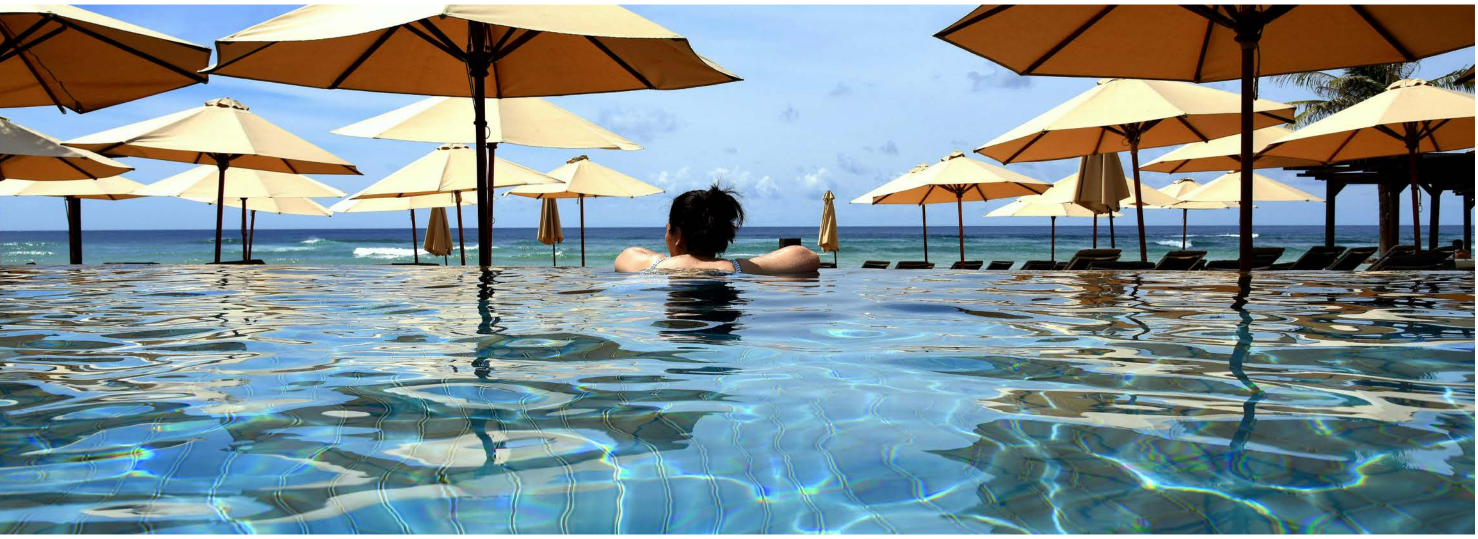
Source: Oxford Economics, April 2022

Hotel Investment Volume



Source: JLL, 1Q22
Figures refer to transactions over USD 5 million

Hotel Market Insights



An uneven pace of tourism recovery, with Southeast Asia ahead of the reopening

Countries that have started to ease their restrictions related to COVID-19 at the end of 2021 have maintained the momentum in the first quarter 2022. Singapore extended quarantine-free travels to visitors from other countries such as Hong Kong, Malaysia, Saudi Arabia, while Thailand, Vietnam and Malaysia have continued to lift restrictions within the country, allowing normal life to gradually resume. Conversely, Mainland China and Hong Kong are still pursuing the 'Dynamic zero-COVID' policy, keeping the border restrictions in place and limiting the number of inbound tourists. The Omicron variant has also forced Japan to maintain its 'state of emergency', and Korea to remain cautious in its reopening plans.

New hotels mainly located in reopened countries

Following the trend at the end of 2021, new supply continued to be generally limited and delayed in most destinations in Asia Pacific. New openings in the first quarter 2022 included rebranded Singapore hotels (voco Orchard Singapore, Hilton Singapore Orchard), and five hotels in Bangkok, anticipating tourism arrivals when travel restrictions are relaxed. The Shanghai hotel landscape also counted a new upscale hotel: the 246-room Artyzen Habitat Qiantan Shanghai.

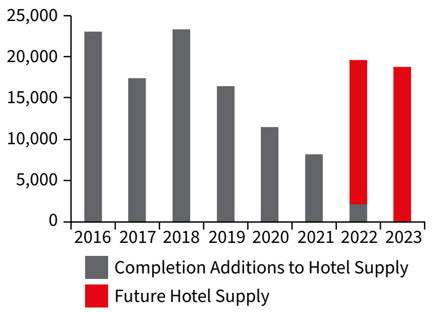
Domestic tourism remains the key driver while the region observes green shoots of international arrivals

Tourism in the region continues to be driven by the domestic demand, especially in countries where restrictions are maintained. In destinations with less movement control measures, staycations still accounted for the bulk of the activity, but international tourists are slowly returning, fuelled by a strong desire to travel again. Although business travel leads the way, leisure tourism is gradually resuming, especially in destinations such as Singapore and Bangkok.

The continued easing of restrictions supports the improvement in trading performance

In the first three months of 2022, the hotel sector registered notable improvements in trading performance across all destinations in Asia Pacific, encouraged by the gradual easing of restrictions. Outstanding occupancy levels have enabled hotels to register an impressive jump in RevPAR on average. The first half of the year should record higher performance for hotels when compared with last year, with the return of international tourists in opened countries coupled with a strong domestic demand in other parts of the region.

Major additions to hotel supply in APAC* (no. of rooms)



* Major additions to hotel supply in the following destinations: Bangkok, Beijing, Hong Kong, Jakarta, Kuala Lumpur, Shanghai, Singapore, Sydney and Tokyo.

Source: Industry sources, JLL

Mike Batchelor
CEO, JLL Hotels and Hospitality Group Asia Pacific
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Hong Kong

"Visitation is expected to remain subdued until mandatory quarantine upon arrival is lifted."

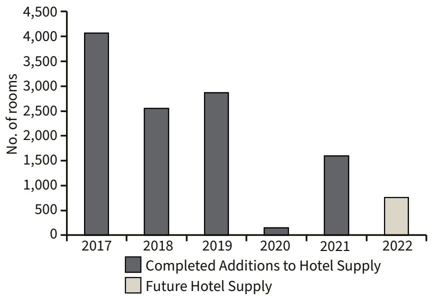
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
0.0%

YTD RevPAR March
HKD 526

Stage in RevPAR Cycle
RevPAR Stable

Major Additions to Hotel Supply



Source: Industry sources, JLL

Inbound travel in 1Q22 remains muted due to quarantine

- As at YTD February 2022, overall visitor arrivals contracted by 1.8% y-o-y to a total of 9,690 arrivals due to the ongoing COVID-19 pandemic and continued border restrictions.
- However, Mainland China, Hong Kong's top source market, grew by 13.8% y-o-y in February 2022, totalling 7,691 arrivals and accounting for 78.4% of all inbound arrivals, thanks to the implementation of the 'Come2HK' scheme which allows non-Hong Kong residents coming from Guangdong Province or Macau to enter Hong Kong without being subject to a quarantine period.

Supply pipeline slowing below long-term historical growth rate

- There were no notable openings in 1Q22, due to continued local restrictions across Hong Kong. Some other scheduled openings such as The Silveri, MGallery by Sofitel has been delayed until later in 2022.
- There were several hotel transactions in Hong Kong in 2021, and in the first quarter of 2022, leading to a reduction in existing room supply as the purchased hotels will be converted to co-living space.

Staycations remain the main source of demand

- Revenue per available room (RevPAR) of luxury hotels remained the same at HKD 526, marking a stable trend as at YTD March 2022. Occupancy grew by 0.33 ppts to 21.8% whilst average daily rate (ADR) was down by 1.5% to HKD 2,418, as hotels continued to provide discounts to lure in local demand due to the lack of international demand.
- Luxury hotels registered an ADR of HKD 2,185 in March, declining by 7.7% against the same time last year due to tight border restrictions combined with social distancing restrictions that prevented locals from utilising public facilities and dining in, resulting in larger discounts on rates.

Outlook: Recovery expected to be delayed further due to border controls

- Due to the new Omicron variant, Mainland China appears to be reluctant in terms of opening the border with Hong Kong. While Hong Kong has now opened to other countries, the one-week quarantine requirement will likely hinder visitors from entering. As such, hotel performance is anticipated to be muted until Mainland Chinese tourists return and when all quarantine measures are completely lifted.
- Given Hong Kong's relatively huge reliance on a single market and people's travel sentiment, we expect that a full recovery to pre-COVID-19 levels will take at least two to three years.

Note: Hong Kong Hotels refers to Hong Kong's luxury hotel market.

Beijing

"Post-Olympics demand will mainly depend on short-distance travel."

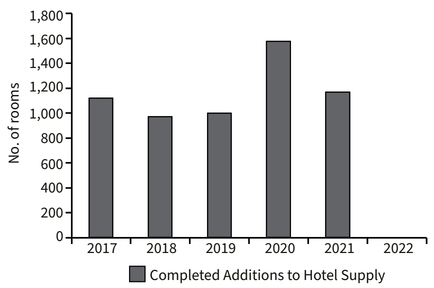
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
35.7%

YTD RevPAR March
RMB 405

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Growing demand in Suburbs and Winter Olympics venues

- Due to repeated outbreaks, local leisure demand is concentrated in the Suburbs of Beijing. According to the data from Beijing Municipal People's Government Information Office, Beijing's leisure agriculture and rural tourism received RMB 630 million of tourism revenue in the first quarter, representing a 24.7% y-o-y increase and returning to the pre-epidemic level.
- Based on STR, the Winter Olympics attracted incremental demand to the Beijing upscale hotel market between 4-20 February, especially for the hotels with Olympics-related group contracts. Following the closing ceremony, some of the Olympics venues, such as Shougang Park, have become new tourism demand generators in the city.

No new supply added in 1Q, further delays expected

- No new supply completed in the first three months of 2022.
- The Sheraton Beijing Huairou Hotel, which was expected to open in February 2022, has been delayed to 2023.

Control policies and outbreaks impact Beijing hotel performance

- As control policies continued, the occupancy of Beijing's upscale hotel market remained under 40% in the first quarter. As of March 2022, the average daily rate (ADR) and occupancy were RMB 1,109 and 36.5%, respectively. As a result, revenue per available room (RevPAR) stood at RMB 405, an increase of 35.7% from the same time in 2021, representing around 55% of the same period in 2019.
- Although the Winter Olympics were only opened to a select group of invited spectators, from the week before the Winter Olympics to the week after the closing of Beijing's key submarkets (Beijing North Olympic Park, Yansha, CBD, and Wangfujing) have surpassed the 2019 level in RevPAR.

Outlook: Short-distance travel will become a new normal

- The government is firmly committed to the dynamic zero-COVID-19 policy. It is expected that Beijing's entry and exit policies will not be eased before the new round of Omicron outbreak comes to an end. However, the leisure demand from Beijing citizens will bring opportunities for Urban staycations and city-surrounding hotels.
- The long-term performance of Beijing upscale hotels is expected to maintain a good recovery trend with increasing tourist attractions in the city, on the back of a strong local demand.

Note: Beijing Hotels refers to Beijing's upscale hotel market.

Shanghai

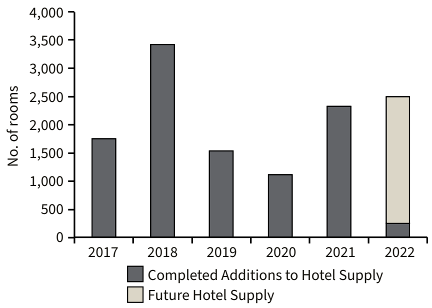
> "Property developers continue to offload hotel assets to improve their cashflow position."
>
> **Mike Batchelor, CEO - Hotels & Hospitality Group, Asia**

RevPAR Growth Y-O-Y
-9.3%

YTD RevPAR March
RMB 347.6

Stage in RevPAR Cycle
RevPAR Falling

Major Additions to Hotel Supply



Source: Industry sources, JLL

Hotel demand greatly disturbed by COVID-19 resurgence

- Under the staycation trend, Shanghai upscale hotel market witnessed a rise in occupancy by local residents during the Spring festival. The occupancy in February hit 49.6%, which was up approximately 17 percentage points from February 2021 and the highest occupancy rate since 2020. The market ADR remained at 920 RMB, same level as last year.
- The hotel demand in Shanghai has been significantly impacted following the virus outbreaks across China, including Suzhou and Hangzhou outbreaks in February and the lockdown in Shanghai from end of March. As a consequence, the occupancy in March dropped by 20 percentage points from March 2021.

One hotel opens in Q1, while 2,246 rooms are scheduled for 2022

- Artyzen Habitat Qiantan Shanghai with 246 rooms opened in the first quarter of 2022. This is the second hotel by the brand in Shanghai.
- A total of 2,246 rooms are slated to open later this year. The notable ones are the rebranded projects, such as the Sofitel Jiulong in the North Bund area with 384 rooms, and HUALUXE Changfeng Park with 312 rooms.

Challenges and uncertainty trigger hotel transactions

- As of YTD March 2022, revenue per available room (RevPAR) decreased by 9.3% to RMB 348, due to a drop of 5.5 percentage points in occupancy, whereas ADR maintained its level at RMB 883, recording a y-o-y growth of 3.3%.
- Shanghai has recorded the largest share of China's hotel transactions in 1Q22, accounting for 80% of the total transaction volume. This is largely attributed to the sale of the Hyatt on the Bund, which was sold to Shanghai Land Group by Shimao.

Outlook: Expected market recovery strengthens transaction pipeline

- Since early March, Shanghai reported numerous confirmed and asymptomatic COVID-19 cases. The city has been in lockdown for weeks, which suppresses the business and leisure demand. A pent-up demand and recovering hotel performance are expected when the virus is well-contained, and the travel restrictions are lifted.
- Property developers are expected to continue offloading their hotel assets in order to improve their cashflow position, the pricing expectation gap is expected to narrow between buyers and sellers. Hotels suitable for conversion into rental housing continue to be highly sought-after by investors.

Note: Shanghai Hotels refers to Shanghai's upscale and luxury hotel market.

Tokyo

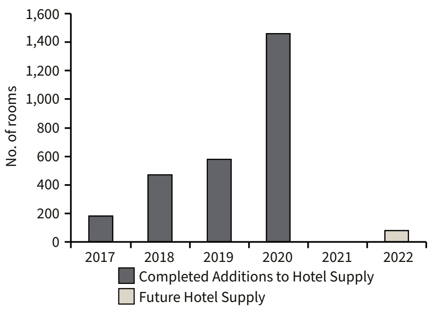
> "'Quasi-state of emergency' put breaks on the recovery trends."
>
> **Takahiro Tsujikawa, Senior Managing Director - Hotels & Hospitality Group, Japan**

RevPAR Growth Y-O-Y
-54.4

YTD RevPAR March
JPY 12,707

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Accommodation demand decreases due to the Omicron variant

- Due to the Omicron variant outbreak, Tokyo was placed under a 'quasi-state of emergency' for the majority of days in 1Q22 (from January 21 to March 22). According to the latest statistics, the total accommodation demand in Tokyo in January 2022 showed a decrease of 30% from the previous month, illustrating the negative impact from the quasi-state of emergency.
- The total number of international visitor arrivals showed an increase of 52.0% y-o-y as of YTD March 2022, though it still shows a decrease of 97.4% as compared to YTD March 2020. Since the borders remained closed to international tourists since April 2020, the number of international visitor arrivals mainly represent business travellers and a full recovery is expected to take a while.

No supply of four- or five-star hotels added in 1Q22

- There were originally no plans to open any luxury hotels in 1Q22. The opening of Edition Hotel Ginza, which was scheduled for the spring of 2021 but was postponed to the second half of 2021, and further delayed to 2022, though the opening date is yet to be announced.
- As for the future supply, the second Edition property in Ginza is scheduled to open in 2022 as noted above, and Bulgari Hotel and Aman's Janu are scheduled to open in 2023, indicating a rebound in the supply of internationally branded luxury hotels in Tokyo.

Performance improves y-o-y despite continued challenges

- Tokyo's luxury hotel revenue per available room (RevPAR) marked an increase of 54.4% y-o-y to JPY 12,700 in 1Q22, though it shows a decrease of 17% from the previous quarter.
- With regards to the hotel investment market, a stronger investment momentum began to be seen in the quarter, supported by the improving hotel trading performance and expectations of COVID-19 convergence, therefore large-scale hotel transactions are accelerating.

Outlook: A gradual market recovery is expected

- The declaration of 'quasi-state of emergency' was fully lifted in March 2022, and it is expected that the demand for accommodation will notably increase. The declining tendency toward self-restraint and the shift of demand from overseas travel to domestic travel are expected to enhance the further improvement in trading performance.
- Large-scale or portfolio hotel transactions are anticipated in 2022 onwards in light of the increase of hotel assets in the transaction market that meet the investment criteria in terms of size or quality. It is expected that hotel transactions will be more active in the next 12 months.

Note: Tokyo Hotels refers to Tokyo's luxury hotel market.

Seoul

"Reopening of borders and pent-up demand will drive speedy recovery."

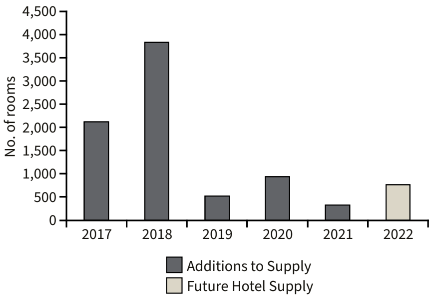
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
59.1%

YTD RevPAR March
KRW 105,930

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Visitation is recovering and domestic demand remains strong

- As South Korea resumed travel without quarantine in April, we anticipate international visitation to quickly recover; however, with the delayed return of visitation from Mainland China - one of the most important source markets for Korea — we anticipate full recovery to pre-COVID-19 levels to be prolonged.
- Domestic travel demand has also remained strong, driven by pent-up leisure demand. While demand remains well below pre-COVID-19 levels, the South Korean government has eased quarantine requirements, group restrictions, and the mask mandate in outdoor settings, signalling the start of a post-COVID-19 recovery.

Subdued pipeline will create a favourable supply-demand dynamic

- Hotel supply growth has slowed in recent years, as most hotels transacted in 2020 and 2021 are taken off the market for redevelopment or alternative-use conversions. Further, new hotels opening in 2022 remain limited, with few notable openings MGallery by Sofitel Mapo, Voco Seoul Gangnam, and Moxy & Le Meridien Myeongdong.
- The subdued supply growth and recovering demand are anticipated to create a favourable supply and demand dynamic in the near term, further expediting a recovery of the hospitality sector.

Luxury hotels outpace midscale hotels in recovery

- Revenue per available room (RevPAR) of luxury & upper-upscale hotels in Seoul recovered to KRW 105,930 as of YTD March 2022, a 59.1% increase from the same time last year.
- The rapid recovery is driven by strong average daily rate (ADR) growth, as ADR has increased by 11.3%. Occupancy has also recovered to 38.8%, implying 11.4 percentage points growth compared to 2021 levels.

Outlook: Global interest to fuel recovery

- The industry's resiliency has enabled a 'reset' which will poise the sector for a strong recovery. The pent-up demand and rising popularity of Hallyu is anticipated to attract visitors from more diverse source markets.
- The favorable supply and demand balance created by the reduction in supply through alternative-use conversion during COVID-19, along with the recovery of international visitation and corporate travel is anticipated to fuel South Korea's post-COVID-19 recovery.

Note: Seoul Hotels refers to Seoul's luxury and upper upscale hotel market.

Singapore

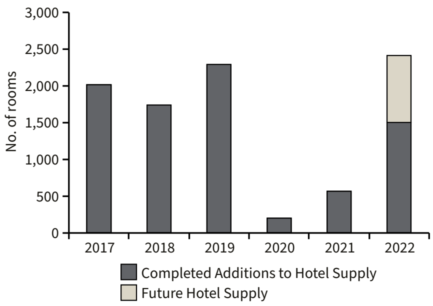
> "Singapore hotels are set for a steady rebound."
>
> **Mike Batchelor, CEO - Hotels & Hospitality Group, Asia**

RevPAR Growth Y-O-Y
63.9%

YTD RevPAR March
SGD 138

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Visitor arrivals begin to grow as the country opens up

- International visitor arrivals registered 258% y-o-y growth as of YTD March 2022 to 246,121 arrivals. The growth is mainly facilitated by the relaxed border restrictions. From 26 April 2022, all fully vaccinated travellers and non-fully vaccinated children aged 12 and below are permitted to enter Singapore, without entry approvals or taking Vaccinated Travel Lane (VTL) transport.
- As of YTD March 2022, the top five source markets are India (22.2%), Indonesia (10.7%), Malaysia (8.2%), Australia (6.6%) and Bangladesh (6.4%). The evolvement of the geographic mix is related to each country's border restrictions.

Several rebranded hotels open in the first quarter of 2022

- As of YTD March 2022, two hotels with 1,503 rooms re-entered the market. However, they are not new developments but conversions. The two hotels are the 1,080-room Hilton Orchard Singapore (formerly Mandarin Orchard) and the 423-room voco Orchard Singapore (formerly Hilton Singapore).
- The number of new developments in the next three to five years remains muted. However, conversions, refurbishment and redevelopment have been active. In early April, The Swissotel Merchant Court Singapore has announced plans of deflagging. It will be transformed to The Paradox. Later in April, Resort World Sentosa confirmed that their three hotels will start phased refurbishment from 3Q22.

RevPAR recovery led by ADR increase

- As at YTD March 2022, revenue per available room (RevPAR) of luxury hotels increased by 63.9% y-o-y in 2021 to SGD 138. Occupancy fell to 37.5% from 46.3% from the same time last year, while average daily rate (ADR) grew 103% y-o-y to SGD 369. The ADR has returned to 92% of the pre-COVID-19 level (around SGD 400).
- At the end of 2021, a couple of luxury hotels exited the GQF/SHN programme and resumed normal operation. Hence, occupancy as at YTD March 2022 is lower than that of the same time last year. The ADR rebound is supported by the extension of SRVs, public holidays, such as Chinese New Year, and school holidays in March.

Outlook: Border reopening is expected to drive hotel market recovery

- Looking ahead, we expect steady and robust growth for the luxury hotels. As Singapore further opens up and lives with COVID-19, we have seen the return and strong interest from international tourists, particularly corporate travellers.
- Internationally branded luxury hotels are more likely to capture this demand, while continuing leveraging on local staycation. However, the recent labour crunch might also limit the revenue potential. Therefore, luxury hotels are likely to control capacity while yielding on rate and maintaining service quality. Hence, ADR is likely to return to pre-COVID-19 levels before occupancy.

Note: Singapore Hotels refers to Singapore's luxury hotel market.

Bangkok

"In 1Q22, hotel performance keeps improving through increasing arrivals and loosening restrictions."

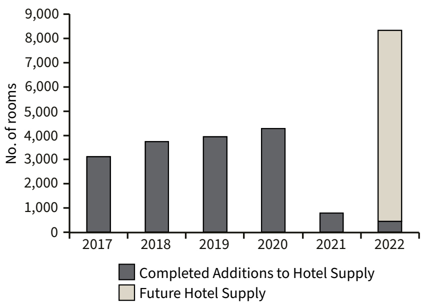
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
177.7%

YTD RevPAR March
THB 1,463

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Arrivals show slow but steady recovery as at YTD March 2022

- According to Airports of Thailand (AoT), Suvarnabhumi and Don Mueang airports welcomed approximately 237,000 international passengers and 1.6 million domestic passengers as at YTD February 2022, registering y-o-y increases of 336.4% and 92.2%, respectively. As a result, the total number of passenger arrivals improved by 107.5% as YTD February 2022 when compared to the same period in 2021.
- Following the reopening of the country in November together with the beginning of the high season, foreign arrivals to Bangkok continued to register positive pick-ups in January and February 2022 with 108,000 and 129,000 visitors, respectively. Nevertheless, the gap with pre-COVID-19 arrival levels remained large with 2019 recording an average of 3.3 million arrivals on a monthly basis.

Bangkok welcomes five additional hotels in 1Q22

- During the first quarter of 2022, Bangkok saw the addition of five properties, accounting for nearly 500 keys, with notable openings including the 94-key Quartier Hotel Bangkok by Compass Hospitality, the 136-key Shama Yen-Akat Bangkok and the 90-key Quarter On Nut by UHG.
- Due to the large number of projects postponed from initial opening in 2020 and 2021, a significant hotel supply is slated to start operating during the remaining of 2022, with nearly 30 additional properties representing over 7,000 keys. While a considerable number of hotels will enter the market in 2022, it is also expected that multiple developments may either be delayed or abandoned.

As at 1Q22, RevPAR of luxury hotels improves by 177.7% y-o-y

- As at YTD March 2022, luxury hotels in Bangkok registered a y-o-y improvement in performance, with revenue per available room (RevPAR) increasing by 177.7% y-o-y to THB 1,463. This can primarily be attributed to growths in both occupancy and average daily rate (ADR) rising by 15.9 percentage points to 30.1% and 30.9% to THB 4,864, respectively, during the same period.
- Similarly, midscale and upscale hotels in Bangkok experienced a y-o-y increase in RevPAR of 73.4% to THB 490 and 77.5% to THB 779, respectively, as at YTD March 2022.

Outlook: Ongoing easing of restrictions to bode well for industry revival

- Hoteliers have seen positive pick-ups in international business rebalancing recent demand primarily driven by the local market. As as result, both occupancy and ADR showed signs of improvement during the first quarter of 2022.
- As at end of April, the Government considers removing requirements imposed by Test & Go program, including the pre- and upon arrival tests, which would allow vaccinated travellers to freely enter the country. With the recovery taking place, hotel performance will continue to gradually close the gap with pre-COVID-19 levels throughout 2022.

Note: Bangkok Hotels refers to Bangkok's luxury hotel market.

Jakarta

"Ongoing RevPAR recovery is set to be boosted by the reopening of international borders."

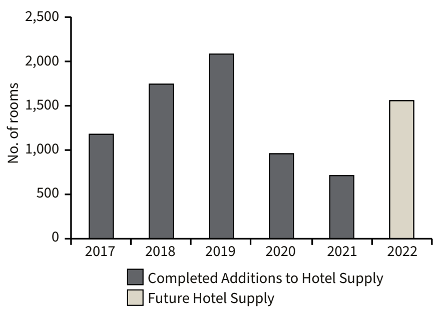
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
84.1%

YTD RevPAR March
IDR 970,408

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Domestic demand continues to recover, with international to follow

- International visitors reached a record low in 2021, totalling just 119,419 which was around 5% of 2019 levels amid continued border closures. While figures are still significantly below pre-pandemic era, the 308.9% y-o-y growth in YTD February 2022 suggest that recovery was already on the mend even prior to the full reopening of international borders.
- Domestic demand has been the major demand driver for hotels in Jakarta since the COVID-19 pandemic, and is likely to remain the key driver for most of 2022. However, with the recent full reopening of borders, international demand is likely to pick up for the rest of 2022 which bodes well for luxury hotels that rely heavily on foreign corporate demand.

No new major openings in 1Q22

- Hotel openings have remained limited since the COVID-19 pandemic, as most planned openings throughout the last two years have been shelved due to limited demand. This has remained the case in 1Q22, with no new major hotel opening in the city.
- For the rest of 2022, eight lodging properties offering around 1,550 rooms are slated to enter the market, all of which except one property are located within the Golden Triangle of Jakarta. Serviced apartments will account for around 41% of total incoming room supply.

Ongoing RevPAR recovery likely to accelerate

- Revenue per available room (RevPAR) rose by 84.1% y-o-y as of YTD March 2022, driven by growth in occupancy which rose 11.2 ppts to 47%, while average daily rate (ADR) rose 40.6% to IDR 2.0 million. Sustained improvement in occupancy rates driven primarily by domestic demand has given confidence for hotels to gradually increase rate levels again.
- The recent reopening of borders is expected to facilitate the gradual return of higher-spending international corporate guests, which should help boost overall ADR levels. Occupancy is also expected to recover as both international and domestic visitation improves.

Outlook: Regional reopening likely to bolster Jakarta's hotel recovery

- Recent full reopening of borders in neighbouring countries, namely Singapore and Malaysia, is expected to provide a major boost to regional travel, especially for corporates. Jakarta is expected to benefit greatly from the reopening of both markets given that both countries were amongst the top source markets to the city pre-pandemic.
- Full recovery, however, will likely take some time as demand from other major markets from North Asia will likely remain muted in the near term due to continued COVID-19 restrictions. Further, the current geopolitical and inflationary environment may result in the curtailment of corporate demand which will weigh on the recovery.

Note: Jakarta Hotels refers to Jakarta's luxury hotel market.

Kuala Lumpur

"Trading performance is poised to rebound as borders reopen and COVID-19 measures are further eased."

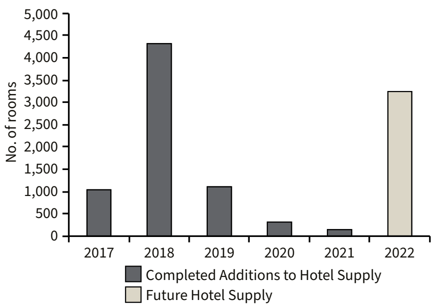
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
103.5%

YTD RevPAR March
MYR 132

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Demand set to pick up in 2022 after a subdued 2021

- International visitation reached a historic low in 2021, totalling just 134,728 which is a mere 0.5% of 2019 levels due to continued border closures. This was partially offset by a sustained pick-up in domestic demand since October 2021 when Malaysia officially lifted its interstate domestic travel ban. High vaccination rates also encouraged domestic travel despite the recent Omicron wave.
- Despite a dismal 2021, there is growing optimism for a strong rebound in Malaysia's tourism industry. This follows the recent reopening of international borders, since April 1st, 2022. Malaysia's recent decision to remove COVID-19 testing for all inbound, fully vaccinated travelers is likely to provide a further boost to recovery in visitation.

No new major opening in 1Q22

- Hotel openings have remained largely muted over the last two years due to delays in ongoing developments and postponement of planned openings amid uncertain demand due to the COVID-19 pandemic. This remained the case in 1Q22, with no new major openings in the city.
- A total of 2,240 keys are expected to enter the market for the rest of 2022, with the significant increase attributed to the backlog of openings from the last two years. Key upcoming openings include the 535-room PARKROYAL COLLECTION Kuala Lumpur, 210-room Pan Pacific Serviced Suites and 271-room Ascott Star KLCC Kuala Lumpur.

RevPAR expected to see a strong rebound from 2021 lows

- Revenue per available room (RevPAR) reached a record low of MYR 89 in 2021, which was just 21% of 2019 levels. As of YTD March 2022, however, RevPAR increased by 103.5% y-o-y to MYR 132, albeit the significant growth was also from a low base in 2021. Growth was driven by occupancy rates, which almost doubled from same time last year.
- On a month-on-month basis, RevPAR has been trending upwards since October 2021 when the interstate travel bans were lifted. With the reopening of borders and further easing of COVID-19 restrictions, we anticipate the rebound in international visitation to further drive the recovery in trading performance.

Outlook: Regional countries and domestic guests to drive recovery

- Malaysia is anticipating two million international visitors and up to MYR 8.6 billion in tourism revenue in 2022 following the reopening of borders. The 1.6 billion MYR allocated for tourism initiatives under Budget 2022 is expected to help key tourism stakeholders cope with the expected rebound in visitation.
- Initial recovery in 2022 will likely be driven by domestic guests and visitors from neighbouring countries, such as Singapore and Indonesia. The recent depreciation of the ringgit against major currencies has also improved travel affordability for international visitors, allowing Malaysia to better compete with other regional destinations, which have also reopened in recent months.

Note: Kuala Lumpur Hotels refers to Kuala Lumpur's luxury and upscale hotel market.

Sydney

"Market conditions are now improving with positive RevPAR growth as expected."

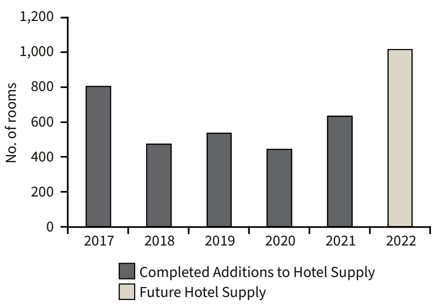
Anthony Corbett, Joint Head - Hotels & Hospitality Valuations Advisory, Australia

RevPAR Growth Y-O-Y
30.8%

YTD RevPAR March
AUD 106

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Momentum of corporate recovery continues

- With the easing of restrictions, strong growth in demand was evident in 1Q22. A progressive recovery is anticipated to continue, assisted by the free movement of travel interstate and open international borders. Market recovery is predicted to fall in line with improved domestic air capacity over the short to medium term and international air capacity over the medium to longer term.
- Occupancy as at YTD March 2022 improved to 40.5% y-o-y versus 37.4% y-o-y for the same period last year. However, the market continued to be materially affected by the ongoing impact of COVID-19, illustrated by a pre-COVID-19 occupancy rate of 88.1% for the same period in 2019.

No new hotels scheduled for opening in 1Q22

- Eight properties are currently under construction representing an increase of 8.8% on existing stock. 2022 openings are anticipated to add 1,017 rooms (4.6%).
- A further 666 rooms are anticipated to be added, increasing total room stock by 3.1% in 2023; and 220 rooms are too be added in 2024, increasing total room stock further by 1%.

EBITDA begins to improve

- With revenue improving and significant cost savings being achieved by owners over the last 2 years, we are seeing EBITDA recover.
- Whilst the sector post COVID-19 has improved operating efficiency, the downside of this is a labour shortage and anticipated upward pressure on payroll costs.

Outlook: Progressive recovery continues to be anticipated

- Trading conditions will continue to be constrained over the near term.
- Investors continue to seek acquisition opportunities for quality assets and transactional activity has been increasing, signalling confidence in a medium to longer-term recovery. Some transactions of non-performing assets are occurring for alternate use/ redevelopment and we expect this trend to continue whilst the sub-optimal trading conditions exist.

Note: Sydney Hotels refers to all grades of accommodation and includes both hotels and serviced apartments.

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