Q2 2022

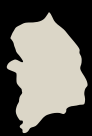
Research

Recovery continues as travel restrictions ease further

Asia Pacific Hotel Digest

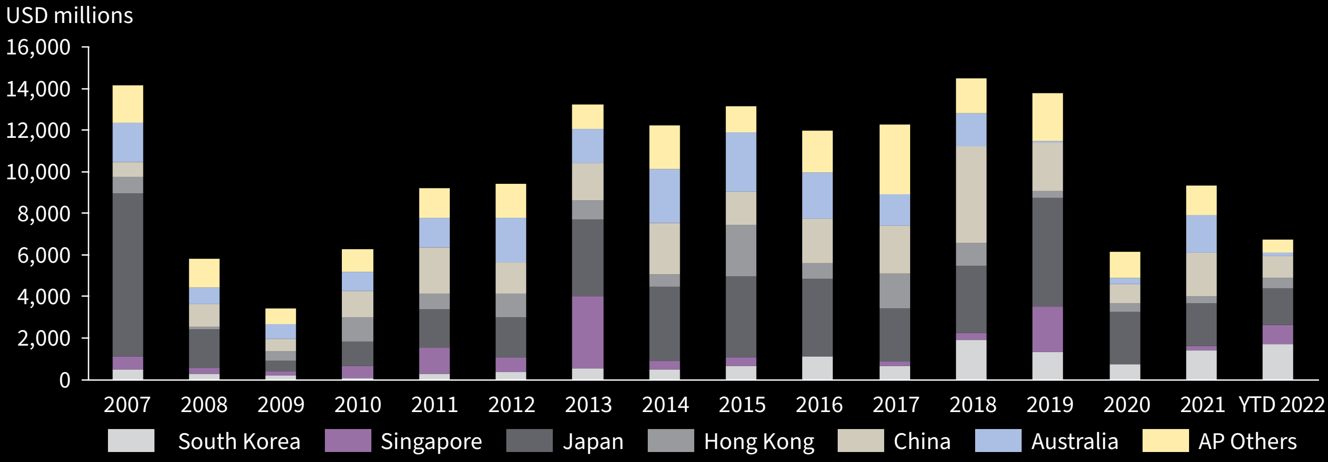
Contents

Outlook for Major Economies

	Major Economies	Real GDP (y-o-y change) 2021	Real GDP (y-o-y change) 2022F	2022 Outlook
	**Australia**	▲ 4.8	▼ 3.8	Tight labour market to drive wage growth and support consumption, albeit rising interest rates may dampen momentum. Weaker global growth could soften export demand
	**Hong Kong**	▼ 6.3	▼ 0.1	Eased COVID rules and government voucher scheme to aid consumption. However, external factors to weigh on domestic sentiment and economic performance
	**India**	▲ 8.3	▼ 6.8	Elevated inflation and monetary tightening to see more measured consumption recovery. Price pressures also likely to hit business confidence; government announced measures to ease inflation burden
	**Indonesia**	▲ 3.7	▼ 5.7	Private consumption and investment growth to hold up, but downside pressure from elevated inflation and challenging global backdrop could start to weigh on the pace of recovery
	**Japan**	▲ 1.7	▼ 2.1	Easing COVID restrictions should bolster consumption, but inflation could squeeze households. Weaker global growth could begin to weigh more heavily on externally-oriented industries
	**Mainland China**	▲ 8.1	▼ 4.0	Gradual recovery post-Shanghai lockdown to persist but uncertainty stemming from zero-COVID strategy to remain a drag. Further policy easing will play a role in boosting growth
	**Singapore**	▲ 7.6	▼ 3.2	Private consumption growth to slow as reopening boost fades and financial conditions tighten. Softer foreign demand may hit goods exports but return of tourists to bolster services exports
	**South Korea**	▲ 4.2	▼ 2.5	Loosened pandemic curbs and labour market strength to underpin services consumption growth. Tightening monetary conditions, inflation and weakening external demand may cool growth

Source: Oxford Economics, July 2022

Hotel Investment Volume



Source: JLL, 2Q22
Figures refer to transactions over USD 5 million

Hotel Market Insights

Strong tourism demand rising amid current macroeconomic and geopolitical headwinds

Markets in Asia Pacific (AP) have continued easing border restrictions as global demand for tourism strengthens. Most have recorded significant increases in visitors as border restrictions and quarantine requirements were scrapped. For instance, Thailand lifted the 'Test & Go' requirement and the Sandbox programmes. In Japan, domestic demand continued to lead recovery, taking advantage of public holidays without travel restrictions. However emerging macroeconomic and geopolitical challenges are slowing the pace of tourism recovery in AP.

Limited new supply enters markets in 2Q22

In AP, limited new supply has entered the markets, with countries delaying future openings to 2H22 and 2023. Continuous tight border controls in Hong Kong have led to reduced hotel supply as past hotel transactions were driven by conversions into alternative accommodation like co-living products. The conversion of existing hotels was also noteworthy in Seoul, resulting in a favourable supply-demand situation.

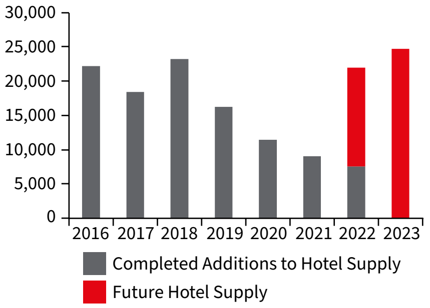
Significant rise in trading performance since the beginning of the pandemic

Further easing of restrictions has unleashed pent-up tourism demand in AP, translating into significant growth in hotel trading performance. In Bangkok (BK), Kuala Lumpur (KL) and Singapore (SG), hotels have registered triple -digit growth in 1H22, with KL reaching a pandemic high since January 2020. The return of international corporate travellers and the MICE industry in BK and SG have led to a y-o-y RevPAR increase, boosted by an ADR rise in SG. Sydney also registered rising trading performance due to the improving market conditions. Control policies due to outbreaks heavily impacted trading performance in Beijing and Shanghai in early-2Q22.

Lifting of remaining border control measures expected to support significant rise in AP hotel performance

With border control measures removed in most AP markets, the hotel industry is expected to improve significantly in 2H22. More in-person MICE activity is expected, likely boosting tourism, especially in destinations like Australia, Korea, Singapore and Thailand. Malaysia tourism will likely be driven largely by domestic demand and visitation from neighbouring countries. For China, short-distance suburban and urban staycations are growing in demand.

Major additions to hotel supply in AP* (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

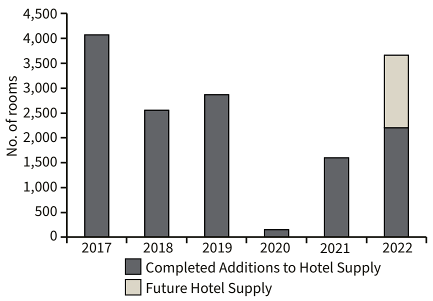
> "Inbound travel is expected to remain subdued until mandatory quarantine upon arrival lifts."
>
> **Mike Batchelor, CEO - Hotels & Hospitality Group, Asia**

RevPAR Growth Y-O-Y
21.3%

YTD RevPAR
June
HKD 763

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Inbound travel remains muted due to quarantine restrictions

- As at YTD May 2022, overall visitor arrivals have contracted by 22.0% y-o-y to a total of 21,487, due to the ongoing COVID-19 pandemic and continued border restrictions.
- The number of visitors from Mainland China, Hong Kong's top source market, totalling 16,103 and accounting for 74.9% of all inbound arrivals, declined by 1.79% y-o-y as of May 2022. This was due to tightened COVID-19 restrictions in Mainland China, which limited cross-border and domestic travel.

Supply pipeline slows below long-term historical growth rate

- Notable openings in 2Q22 consisted of The Silveri, MGallery by Sofitel and the soft opening of the Hong Kong Ocean Park Fullerton Hotel.
- There were several hotel transactions in the second quarter of 2022, leading to a reduction in existing room supply as the purchased hotels will all be converted to co-living spaces.

Staycations remain the main source of demand

- Revenue per available room (RevPAR) of luxury hotels remained the same at HKD 763, marking a stable trend as at YTD June 2022. Occupancy grew by 4.43 ppts to 30.3%, with average daily rate (ADR) up by 3.6% to HKD 2,514, driven by the continued demand for staycations as Hong Kong's social distancing restrictions were relaxed.
- Luxury hotels registered an ADR of HKD 2,729 in the month of June, increasing by 12.4% against the same time last year despite continued border restrictions. This was largely due to relaxed social distancing restrictions, that had been hindering locals from utilising public facilities and dining in. With the easing of restrictions, hotels have marked corresponding increases in rates.

Outlook: Further delays in recovery expected due to border controls

- Mainland China does not appear likely to open its border with Hong Kong in the near future. While Hong Kong has now opened its borders to other countries, the current quarantine requirements will likely continue to hinder visitors from entering. As such, hotel performance is anticipated to be muted until Mainland Chinese tourists return and until all quarantine measures are completely lifted.
- Given Hong Kong's relatively huge reliance on a single market and travel sentiment, a full recovery to pre-COVID-19 levels is expected to take at least two to three years.

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

Beijing

"Beijing hotel performance is expected to recover steadily with support from short-distance travel."

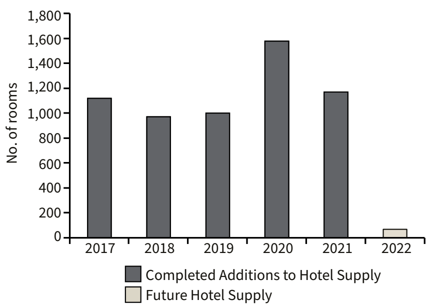
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
-34.8%

YTD RevPAR
June
RMB 293

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Short-distance travel drives demand

- Due to the pandemic outbreak in major cities in April and May, demand from both business and MICE industries in Beijing has decreased sharply. Beijing's strict entry policy has influenced business travels substantially, with only one conference being held in 2Q22.
- Leisure demand was mainly supported by short-distance travel. According to Ctrip, during the Qingming Festival, Beijing became the largest source of suburban travel. Although there were three public holidays in 2Q22, the number of tourist arrivals during each public holiday decreased by 8.9%, 63.7%, and 57.6%, respectively, compared to the same period in 2021.

No new supply added in 2Q22

- No new supply completed in 2Q22.
- Beijing Wild Goose & Pine Hotels and Resorts is expected to open in the second half of the year, adding 67 new rooms to the market. Located on the north shore of Yanqi Lake, Beijing Wild Goose & Pine Hotels and Resorts is one of the key projects for expanding and enhancing the area's status as a key venue for international conferences, according to the Huairou District People's Government.

Control policies in 2Q22 impact Beijing hotel performance

- Due to the pandemic outbreak in major cities in 2Q22, the occupancy of Beijing's upscale hotel market remained under 30%. As at YTD June 2022, the average daily rate (ADR) and occupancy rate were RMB 1,035 and 28.3%, respectively. As a result, revenue per available room (RevPAR) was RMB 293, which declined y-o-y by 34.8%, representing around 36.5% of the same period in 2019.
- As the pandemic in Beijing stabilised in June, the performance of upscale hotels in the city demonstrated a moderate increase. Based on the data from STR, occupancy in June was 22.9%, representing a m-o-m increase of 6.3%, while ADR in June was RMB 854, almost unchanged compared to that in May, leading to a m-o-m RevPAR increase of 39.2%.

Outlook: Hotel performance is expected to recover steadily

- In the context of a normalised epidemic prevention stance, short-distance travel has potentially become one of the growth points for market demand. The current environment creates ideal conditions for the development of the suburban travel and urban staycation economies, and the recovery of the hotel market is expected to gain momentum.
- With the pandemic in major cities stabilising and the summer vacation period approaching, the Beijing hotel market is expected to recover at a steady speed. However, it is likely challenging for hotels to recover to pre-COVID-19 levels in the short run.

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

Shanghai

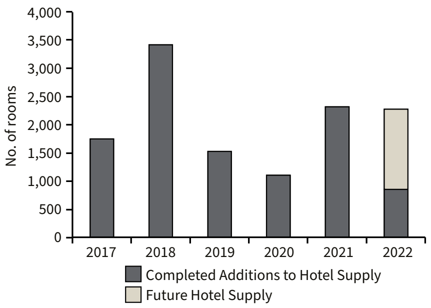
> "City-wide lockdowns severely impact market performance."
>
> **Mike Batchelor, CEO - Hotels & Hospitality Group, Asia**

RevPAR Growth Y-O-Y
-40.2%

YTD RevPAR
June
RMB 304.2

Stage in RevPAR Cycle
RevPAR Slowing

Major Additions to Hotel Supply



Source: Industry sources, JLL

Shanghai imposes a two-month lockdown

- As at YTD June 2022, international visitor arrivals decreased by 48.3% y-o-y to a total of 265,700 arrivals, due to the ongoing COVID-19 pandemic and continued border restrictions.
- Shanghai eased COVID-19 curbs in end-May, after a two-month lockdown. However, demand from the business, tourism and MICE industries in Shanghai is expected to take some time to recover.

Three upscale hotels open in 2Q22

- In the first half of 2022, new stock, accounting for a total of 853 keys, entered the market. The properties are Artyzen Habitat Qiantan Shanghai (246 keys), Hilton Shanghai Fengxian Resort (401 keys) and Ascott Sunland Shanghai (206 keys).
- Moving forward, a total of 1,423 rooms are slated to open later in 2022. Over 80% of hotels in the pipeline will be located in Puxi.

Market performance plummets due to the two-month lockdown

- During the lockdown, many hotels were earmarked for quarantine use, contributing to the average occupancy rates for the upscale hotel market, which was 52.3% in April and 49.8% in May. However, the occupancy rate in June was 19.6%, reflecting the actual softer travel demand.
- Since the early March outbreak of the COVID-19 pandemic in Shanghai, the zero-COVID policy and border control measures have impacted hotel demand in Shanghai severely. As of June 2022, the market occupancy rate was at 39.6%, down by 16.8 ppts y-o-y, and market average daily rate (ADR) dropped to RMB 768.3, down by 14.8% y-o-y. The resulting RevPAR was only RMB 304.2, down by 40.2% y-o-y.

Outlook: Lifting travel restrictions may foster recovery

- The State Council relaxed travel restrictions for travellers coming from non-high-and-medium risk areas, and also announced the cessation of marking cities with COVID-positive cases in China's travel code. However the high transmissibility of recent COVID-19 variants such as BA.5 will likely impact the domestic travel market.
- In addition, high-net-worth individuals and institutional investors are the most active players in the market, seeking quality, distressed hotel acquisition opportunities. China's state-owned-enterprises (SOEs) are also actively looking to acquire strategic hotel assets held by distressed developers.

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

Tokyo

"Recovery in domestic demand drives hotel trading performance."

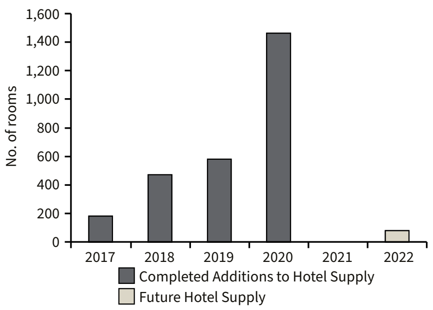
Takahiro Tsujikawa, Senior Managing Director - Hotels & Hospitality Group, Japan

RevPAR Growth Y-O-Y
78.0

YTD RevPAR
June
JPY 15,310

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Domestic demand continues to recover in 2Q22

- This quarter marked the first spring break and Golden Week holidays in three years without any travel restrictions. The total accommodation demand in Tokyo showed m-o-m increase for two consecutive months in April. As of YTD April 2022, inbound travellers have not yet returned, and demand from domestic travellers increased by 4.9%, driving the recovery to pre-COVID levels of 65%.
- The number of international visitor arrivals increased more than three times y-o-y as of YTD May 2022, although still 97% lower as compared to YTD May 2019. The Japanese government began easing the border policies from 1 June, doubling the number of international arrivals per day, followed by further deregulation to boost tourism starting from 10 June.

No supply of four- or five-star hotels to be added in 2Q22

- There were originally no plans to open any luxury hotels in 2Q22. The opening of Edition Hotel Ginza, which was originally scheduled for the spring of 2021 was first postponed to the second half of 2021, then a second time to 2022, though the opening date is yet to be announced.
- With regard to the upcoming supply, besides the second Edition property that is scheduled to open in 2022, two international branded luxury hotels, Bulgari Hotel and Aman's Janu, are scheduled to open in 2023 along with several luxury hotels by domestic hotel operators, indicating a rebound in the supply of luxury hotels in Tokyo.

Uplift in occupancy improves trading performance

- Tokyo's luxury hotel revenue per available room (RevPAR) recorded an increase of 78.0% y-o-y to JPY 15,310 in 2Q22. Although average daily rate (ADR) is still awaiting a full recovery, improved occupancy rate has contributed to the improvement of RevPAR.
- With regard to the hotel investment market, a stronger investment momentum continues to be seen, supported by the enhanced hotel trading performance and clearer expectations for the post-COVID-19 outlook. Large-scale hotel transactions, mainly driven by global investment funds, are also accelerating.

Outlook: Trading performance remains uncertain

- Despite expectations for an increase in demand during the summer holidays, the hotel industry environment has become more uncertain since new cases of COVID-19 started surging in July. As the government had announced the postponement of the nationwide travel subsidiary program, similar to "Go-To-Travel" in 2020, a rapid short-term recovery is not expected.
- Several large-scale or portfolio hotel transactions are expected in 2022 onwards, in light of the increase in hotel assets in the transaction market that meet investment strategy criteria in terms of size or quality, and it is anticipated that hotel transactions will show increased activity in the next 12 months.

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

Seoul

"Steady recovery of hotel performance with the return of international arrivals."

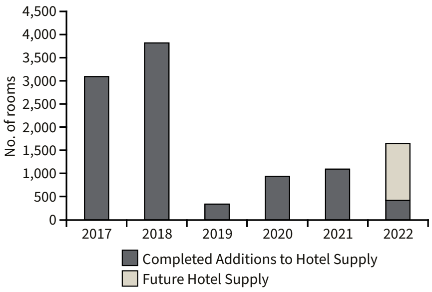
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
67.1%

YTD RevPAR
June
KRW 128,898

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Arrivals slow but show steady recovery

- International visitor arrivals registered 69.7% y-o-y growth as of YTD May 2022 with 582,459 arrivals. The growth is mainly driven by the easing of border restrictions and social distancing regulations. With the popularisation of Korean culture and K-pop, South Korea will likely draw visitors from diverse source markets along with increasing numbers of business visitors.
- During the COVID-19 pandemic and amid travelling restrictions, the Seoul hotel market has benefited from domestic travellers, which is likely to remain the key driver for 2022. With the increasing demand for staycations, luxury hotels have kept a high profile and are easing into recovery.

Conversion of existing supply with the opening of upscale hotels

- Hotel openings have remained limited over the past two years due to pandemic uncertainty. This will likely continue to moderate supply growth, while recovery is expected to be led primarily by upper upscale and luxury hotels, such as Voco Seoul Gangnam.
- The conversion and redevelopment of hotels have decreased existing stock, resulting in a favourable supply and demand dynamic. Prima Hotel and GLAD Live Gangnam Hotel were transacted in the second quarter of 2022 for alternative use.

Strong recovery of midscale hotels followed by luxury hotels

- Revenue per available room (RevPAR) of midscale and economy hotels in Seoul recovered to KRW 29,845 as of YTD June 2022, a 123.7% increase from the same quarter last year. In addition, the RevPAR of luxury and upper upscale hotels has increased to KRW 128,898, recovering to 82.8% when compared to 2019 levels.
- The rapid recovery is driven by strong occupancy growth, with occupancy for midscale and economy hotels increasing by 68.5%, and by 50.1% for luxury and upper upscale hotels. The average daily rates (ADRs) have also recovered to KRW 60,650 and KRW 277,883 respectively, showing growth of 32.8% and 11.3% when compared to 2021 levels.

Outlook: Recovery expected with the easing of restrictions

- As of June 2022, the government has exempted travellers visiting South Korea from quarantine regardless of vaccination status. With the easing of social restrictions and the increasing interest to visit for both leisure and business purposes, South Korea is anticipating a consistent recovery throughout the year.
- Both occupancy and ADR have showed signs of improvement during 2Q22. Recovery is anticipated to be driven by domestic visitors, arrivals from neighbouring countries and the United States. Full recovery, however, will likely take some time as demand from Mainland China remains uncertain due to its zero-COVID policy.

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

Singapore

"Strong and steady tourism growth with the reopening of international borders."

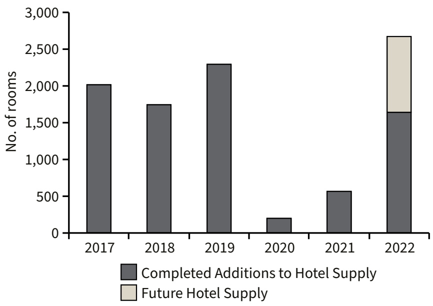
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
123.7%

YTD RevPAR June
SGD 193

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Robust growth in international arrivals in 2Q22

- As at YTD June 2022, the number of international visitor arrivals recorded 1.5 million, registering a y-o-y growth of 1166%. At the end of March 2022, Singapore announced the reopening of borders to all fully vaccinated travellers. Since then, visitor arrivals have shown strong monthly growth. The country is projected to welcome 4 to 6 million visitors in 2022, exceeding the 2.7 million in 2020.
- The top five source markets in 1H22 include Indonesia (18.7%), India (14.6%), Malaysia (9.2%), Australia (8.3%) and Philippines (5.4%). Together, the five countries accounted for over 50% of visitor arrivals. The average length of stay for visitors more than doubled in 1H22 to 7.1 days, up from 3.4 days pre-COVID-19.

Only one rebranded hotel reopens in the second quarter

- Only one hotel, The Maxwell Reserve Hotel, Autograph Collection, entered the market in the quarter. The 138-room hotel was rebranded from the former Six Senses Maxwell. Therefore, the total number of hotel rooms as at YTD June 2022 stood at 62,037.
- Five more hotels with 1,031 rooms are expected to enter the market in 2H22. These include the Pullman Singapore Orchard (326 rooms) and Vibe Singapore Orchard (256 rooms), which are rebranding projects. The other three hotels are Citadines Connect City Centre (172 rooms), Artyzen Cuscaden (142 rooms) and Citadines Connect Rochester Commons (135 rooms).

Strong growth in ADR leads the growth of RevPAR

- As at YTD June 2022, the revenue per available room (RevPAR) of luxury hotels recorded SGD 193, a y-o-y growth of 123.7%. Occupancy marginally fell to 46.3% y-o-y, from 48.6% during the same time last year. In contrast, average daily rate (ADR) recorded a 134.6% growth y-o-y, compensating for the fall in occupancy. As a result, YTD ADR stood at SGD 416, 3.3% higher than the 2019 level.
- Most luxury hotels have exited the government quarantine programme in 1H22. The return of international travellers, particularly corporate travellers, has led the growth in ADR. At the same time, labour shortage constraints are driving hotels to set occupancy caps and push for ADR growth.

Outlook: Market to continue recovering despite economic challenges

- With relaxed COVID-19 measures and border restrictions, the number of tourists visiting Singapore is expected to grow. A relatively balanced geographical and market segmentation mix have established a strong foundation for the industry to rebound. However, a full recovery is anticipated to take another two to three years.
- Although the industry is facing broader economic challenges such as a labour crunch and inflation-driven supply issues, the Singapore hotel market has adapted quickly and shown resilience, putting in place measures such as adjusting cleaning frequencies. Despite challenges, the strong tourism outlook and limited supply growth should continue to drive the recovery of the Singapore hotel market.

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

Bangkok

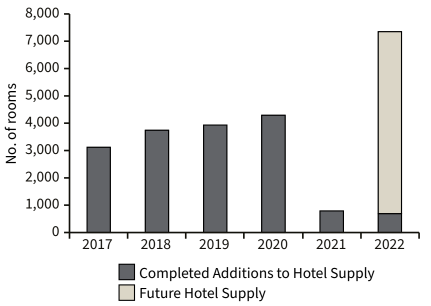
> "Trading performance sharply increases due to rising arrivals and the easing of restrictions."
>
> **Mike Batchelor, CEO - Hotels & Hospitality Group, Asia**

RevPAR Growth Y-O-Y
355.4%

YTD RevPAR
June
THB 2,086

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Arrivals show signs of steady recovery as at YTD June 2022

- According to the Ministry of Sports and Tourism, Thailand welcomed more than 1.58 million international tourists in 2Q22, an increase of 7408% y-o-y. As at YTD June 2022, international arrivals increased by 5,042% to 2,079,950, from 40,447 in 2021.
- This was largely spurred by the removal of the 'Test & Go' requirements in 2Q22. The three largest source markets for Thailand as at YTD June 2022 are India, Malaysia, and Singapore respectively. More specifically, the number of international visitors Bangkok received has increased by 652% y-o-y, reaching 1,996,002.

Bangkok welcomes two new Ramada by Wyndham hotels in 2Q22

- During the second quarter of 2022, Bangkok saw the addition of two properties in April 2022. The upscale 48-key Ramada Plaza by Wyndham Sukhumvit 48 is located in Middle Sukhumvit, and the midscale Ramada by Wyndham Sukhumvit 87 is located in Upper Sukhumvit.
- Four properties expected to complete in 2Q22 have been delayed to the end of 2022. Anticipated openings include The Standard at Mahanakorn, which would debut as Bangkok's tallest building. Other future openings in 2022 include the 587-key Chatrium Grand Siam, the 617-key Courtyard by Marriot Suvarnabhumi, and the 250-key Intercontinental Thonglor.

As at 2Q22, RevPAR of luxury hotels improves by 355% y-o-y

- As of June 2022, luxury hotels have recorded y-o-y improvement in performance. YTD June 2022 average daily rate (ADR) has improved by 50% to THB 5,437 from THB 3,618 in 2021. Occupancy has also increased y-o-y, reaching 38.4% for the first half of 2022, from 12.7% as at YTD June 2021. This has spurred the increase in revenue per available room (RevPAR) by 355% y-o-y to THB 2,086.
- Following the positive trend of the luxury segment, midscale and upscale hotels in Bangkok registered a y-o-y improvement in RevPAR by 141% to THB 643 as at YTD June 2022, and 156% to THB 1,065, respectively.

Outlook: Tourism picks up notably with lifted restrictions

- Hotel trading performance has seen significant improvement in 2Q22, and as the government relaxes their COVID-19 related restrictions, the upward trend is expected to continue into the second half of 2022, and finish the year strong.
- As of 1st July 2022, Thailand has removed the Thailand pass registration requirements and the USD 10,000 compulsory health insurance. Visitors are only required to show vaccination certificates or a negative RT-PCR test result within 72 hours of travelling. Mask requirements are advised, but no longer compulsory.

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

Jakarta

"Trading performance continues to improve on the back of ADR growth fuelled by stabilising occupancy."

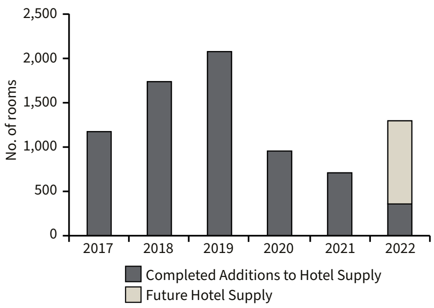
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
51.3%

YTD RevPAR
June
IDR 1,033,592

Stage in RevPAR Cycle
RevPAR Stable

Major Additions to Hotel Supply



Source: Industry sources, JLL

Upward trend in international visitation as borders reopen

- International visitation is seeing a strong pick-up since borders reopened in April 2022, following two years of subdued performance. As at YTD June 2022, international visitors totalled 146,720, which represented a 221% y-o-y increase. Despite the strong rebound, international visitation remains muted at 15% of pre-COVID-19 levels.
- Domestic demand is likely to remain the key demand driver for luxury hotels in the near term as international visitation continues to recover. On a positive note, the earlier-than-expected reopening of borders both in Indonesia and the wider Asia Pacific region is expected to fuel a rebound in demand from key source markets.

Hotel openings expected to pick up in 2H22

- Hotel openings remain limited so far in 2022, compared to historical years. The only hotel that opened in 2Q22 was the 231-room Citadines Sudirman Jakarta. Several planned openings in 1H22 have either been delayed to the second half of 2022 or deferred indefinitely.
- Six lodging properties offering around 937 rooms are slated to open for the rest of 2022, a substantial pick-up from the last two years due to a spillover of delayed openings since the onset of the COVID-19 pandemic. Serviced apartments are expected to account for around 43% of upcoming rooms that are slated to open in 2H22.

RevPAR recovery is driven by ADR growth as occupancy stabilises

- Revenue per available room (RevPAR) rose by 51.3% y-o-y to IDR 1.0 million as at YTD June 2022, driven by a 33.9% growth in average daily rate (ADR) to IDR 2.1 million, as hotels continue to increase rates and occupancy rates show sign of stabilisation. Occupancy rate rose by 5.6 ppts y-o-y to 48.8%.
- Luxury RevPAR in June 2022 was IDR 1.3 million, which marked one of the highest monthly RevPAR performance since the start of the COVID-19 pandemic. Monthly RevPAR was also in line with June's 2019 performance, which suggests that trading performance may soon recover and reach pre-pandemic levels again.

Outlook: Rebound in international visitation to drive trading recovery

- While domestic tourism will likely continue to drive demand for luxury hotels in the near term, the quicker-than-expected reopening of borders, both in the country and regionally, is expected to fuel the rebound in higher-paying international visitors. This should facilitate a recovery in trading performance, particularly for ADR.
- As international visitation ramps up, The Ministry of Tourism and Creative Economy (MoTCE) is taking steps to ensure seat capacity is available to accommodate the anticipated pent-up demand of travellers. The MoTCE will likely also focus its marketing and promotional efforts on Australia, Singapore, France, the UK and the US, which are key markets to Indonesia.

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

Kuala Lumpur

"Trading performance continues its upward trend, boosted by occupancy growth as borders reopen."

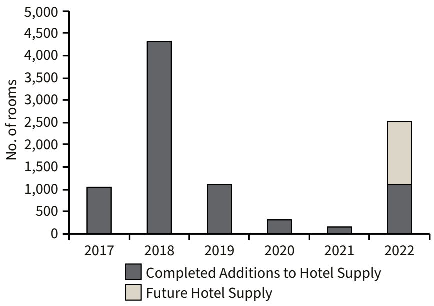
Mike Batchelor, CEO - Hotels & Hospitality Group, Asia

RevPAR Growth Y-O-Y
197.7%

YTD RevPAR June
MYR 190

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Demand set to pick up following reopening of borders

- International visitation surged by 288% y-o-y to 98,053 visitors as at YTD March 2022, driven by all top source markets which saw substantial y-o-y growth, albeit from a significantly low base in 2021. Singapore was the top source market comprising 29.7% of total arrivals, followed by Thailand and Indonesia with 23.5% and 7.1% market share respectively.
- Despite a dismal 2021, there is growing optimism for a strong rebound in Malaysia's tourism industry. The recovery in international visitation is anticipated to further accelerate for the rest of 2022, particularly after the reopening of international borders from April 2022.

Three new major openings in 2Q22

- While hotel openings have remained muted over the last two years on account of construction delays and uncertainties in demand due to COVID-19, improvement is expected in 2022 as travel confidence gradually picks up. There were three notable hotel openings in 2Q22, namely the 271-room Ascott Star KLCC, the 535-room PARKROYAL Collection Kuala Lumpur and the 300-room Le Meridien Petaling Jaya.
- A total of 1,931 keys are expected to enter the market in the second half of 2022, with the luxury segment accounting for just over half of the incoming room supply. Key upcoming openings include the 252-room Amari Kuala Lumpur, the 210-room Pan Pacific Serviced Suites and the 544-room Conrad Kuala Lumpur.

RevPAR expected to see continued strong growth 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 at YTD June 2022 however, RevPAR increased by 197.7% y-o-y to MYR 190, continuing an upward recovery trend. Growth was primarily driven by occupancy rates, which almost tripled to 35.3%.
- On a month-on-month basis, RevPAR has been trending upwards since October 2021 when the interstate travel bans were lifted. It has further increased since May 2022 after international borders were fully reopened. Monthly RevPAR reached a pandemic high of MYR 305 in June 2022, the highest since January 2020.

Outlook: Earlier reopening is expected to drive quicker recovery

- Malaysia recently revised and doubled its full year target to four million international visitors for 2022, after achieving its initial target in just over two months when borders fully reopened in April 2022. The reopening of neighbouring borders and wider reopening in the Asia Pacific region is expected to drive a quicker rebound in international visitation.
- Recovery for the rest of 2022 is expected to be driven by domestic travellers and visitors from neighbouring countries. 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 continue to improve primarily through ADR growth."

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

RevPAR Growth Y-O-Y
49.9

YTD RevPAR June
AUD 144

Stage in RevPAR Cycle
RevPAR Rising

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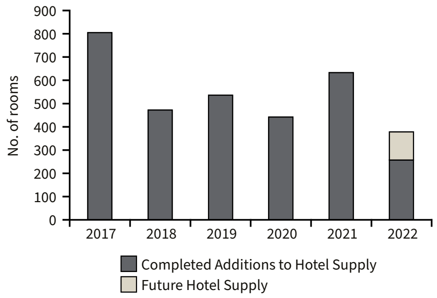

Source: Industry sources, JLL

Corporate and international recovery continues to gain momentum

- With the easing of restrictions, strong growth in demand was evident in 2Q22, assisted by the free movement of travel interstate and the open international borders. Improving domestic and international air capacity, as well as major events like Vivid, have resulted in significant YTD ADR growth of 25.6% compared to the same period in 2021.
- Occupancy as at YTD June 2022 improved to 52.6% y-o-y versus 44.0% y-o-y for the same period last year. Despite this, market occupancy has continued to be materially affected by the ongoing impact of the pandemic, illustrated by a pre-COVID-19 occupancy rate of 85.7% for the same period in 2019.

One new hotel opens in 2Q22

- The Ace Hotel Sydney recently opened its doors to the market, marking the first new hotel opening of the year. The upper upscale 257-room hotel is situated in Surry Hills. For the second half of the year, one other property, the 121-room The Porter House Hotel-MGallery by Sofitel, is scheduled for opening in 3Q22.
- Eight properties are currently under construction in Sydney and the surrounding fringe suburbs, representing a net increase of 1,619 rooms or 7.5% of existing stock. It is expected that new development activity will remain constrained over the near term, as feasibility and development finance challenges arise.

EBITDA continues to improve

- With revenue now improving and significant cost savings being achieved by owners over the last 2 years, EBITDA is likely to continue its recovery.
- While the direct impact of COVID-19 circumstances are now moderating, indirect effects are now emerging and are of concern. Examples include the disruption to global supply chains and production, labour shortages, escalating costs (i.e. inflation), as well as an increasing cost of debt (i.e. rising interest rate).

Outlook: Progressive recovery is anticipated to continue

- Trading conditions are expected to remain somewhat constrained over the near term, as the Sydney market is likely to take time to normalise given its strong reliance on international and corporate/MICE demand. Despite this, strong ADR growth and recovering demand are anticipated to continue driving recovery.
- Investors remain readily eager to acquire quality trophy assets or non-performing assets with upside potential, especially whilst sub-optimal trading conditions exist. Given the limited opportunities for large-scale investment grade products, the majority of transactional activity is expected to occur in the mid-market space.

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

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