Hotels Research

Asia Pacific | Q3 2022

Sustained growth in hotel trading performance

JLL SEE A BRIGHTER WAY

Contents

Hotel Market Insights

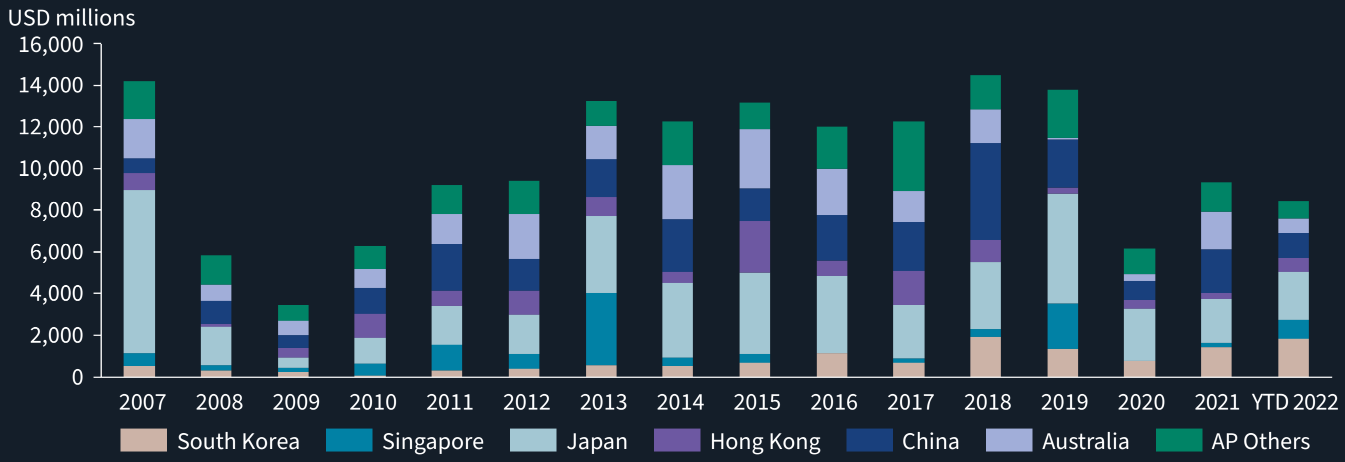
Hotel markets

Outlook for Major Economies

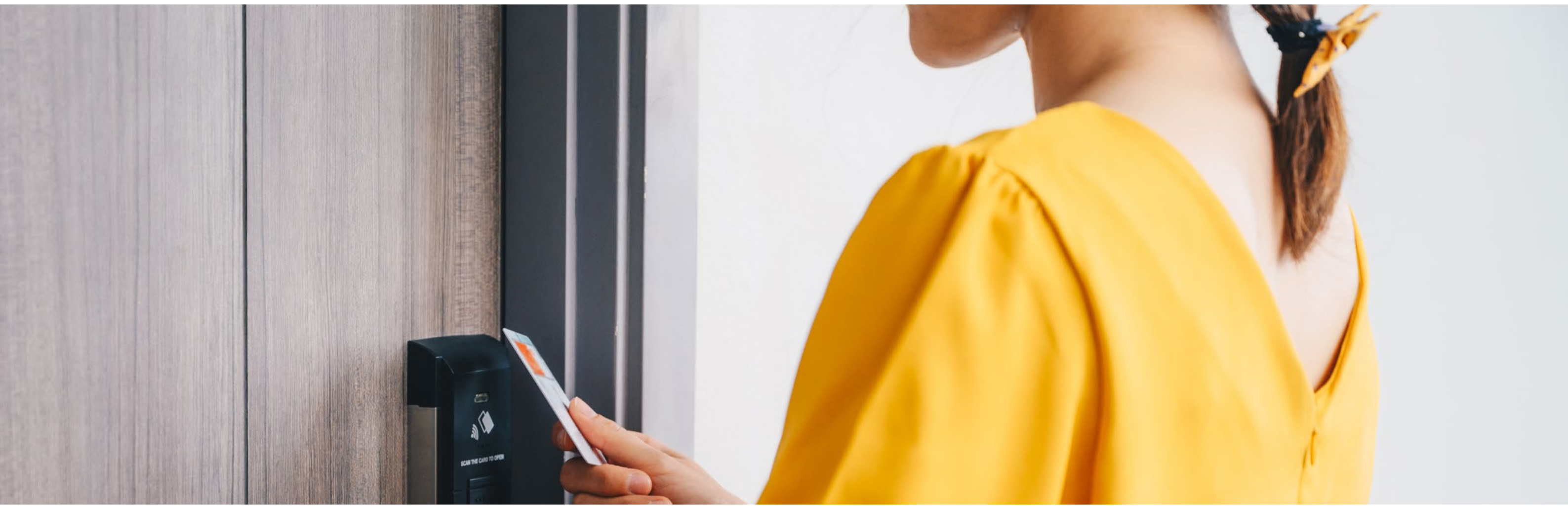
Major Economies	Real GDP (y-o-y change) 2022F	2023F	2023 Outlook
Australia	▼ 3.8	▼ 1.7	Cost-of-living pressures are expected to see household consumption growth slow, while the higher-cost environment coupled with material and labour shortages may also drag on business investment
Hong Kong	▼ -0.9	▲ 3.0	Reopening should provide support to domestic demand, but rising interest rates are likely to have a somewhat dampening effect on private consumption. Worsening global outlook is expected to continue to challenge export performance
India	▼ 7.0	▼ 4.4	Price pressures and the lagged impact of monetary policy tightening are likely to see more muted consumption growth, while external demand should soften amidst gloomy prospects for advanced economies
Indonesia	▲ 5.5	▼ 4.7	Greater inflationary pressures following a recent fuel subsidy cut and tighter financial conditions are anticipated to drag on household and business spending. Softened global demand is also expected to temper export performance
Japan	▼ 1.6	▼ 1.4	Global slowdown is expected to result in sluggish export performance and lead to more cautious business investment. Release of pent-up demand should still provide some support for consumption
Mainland China	▼ 3.2	▼ 4.9	Zero-COVID uncertainty and real estate sector challenges to see uneven performance persist. Policy measures and infrastructure spending to provide impetus to growth
Singapore	▼ 3.6	▼ 1.3	Global headwinds to see domestic export weakness persist. Domestic demand is likely to be resilient but should still face pressure from inflation and tighter financial conditions
South Korea	▼ 2.7	▼ 1.3	Deteriorating global demand to see export momentum slow, while consumer spending is likely to be sluggish against the backdrop of rising interest rates and softening real income growth

Source: Oxford Economics, October 2022

Hotel Investment Volume



Source: JLL, 3Q22
Figures refer to transactions over USD 5 million



Hotel Market Insights

More international travellers returning amid a predominance of domestic tourists

In the third quarter of the year, destinations in Asia Pacific have benefitted from the summer holiday period. Tourism flows have continued to increase with more easing of travel restrictions. Additionally, with corporate demand picking up in September, the region has welcomed more corporate visitors. Markets like Bangkok, Singapore, Jakarta, Kuala Lumpur and Sydney, that have lifted border control measures earlier this year, were able to welcome more international visitors than other destinations as airlift has continued to improve. However, domestic tourism continued to be predominant in Asia Pacific.

Increasing number of new hotels opens during the third quarter

With the delays in hotel openings towards the second half of 2022, the region counted a higher number of new hotels than in the previous quarter. In Q3, some markets have welcomed major brands such as the 155-room The Standard in Bangkok, the 220-room Park Hyatt in Jakarta and the 312-room HUALUXE Changfeng Park in Shanghai. No new supply entered the market in Beijing, Singapore and Sydney. However, more supply is expected to complete by the end of 2022. In South Korea specifically, the majority of new hotels in the pipeline are concentrated in satellite cities of Seoul and regional markets.

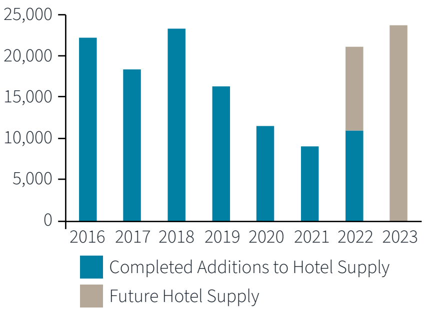
Continued momentum in hotel trading performance in opened markets

Hotels have continued to register improved trading performance on the back of significant growth in tourism arrivals. In most destinations in the region, with the summer holidays in June and July and corporates travelling during the month of September, hotels were able to record higher occupancy rates than during the first half of the year, supporting the continued growth in average daily rate (ADR). Singapore stood out from the crowd as the labour shortage has limited hotels from operating at full capacity. As a result, the occupancy rate in the city-state has decreased, however this has been offset by a significant jump in ADR which in turn has enabled revenue per available room (RevPAR) to increase. Mainland China was the only country in the region which registered declining performance y-o-y by maintaining strict lockdown measures with their zero-COVID policy.

Tourism activity in the year-end 2022 expected to strongly pick up with more countries reopening

With the announcements in September that major destinations such as Japan and Hong Kong will reopen to international travellers, Asia Pacific is poised for a quick rebound towards the end of the year. Major global and regional events organised in Q4 should draw more interest from corporates and MICE and this should balance the current domestic-led trend. However, with mainland China still pursuing a zero-COVID policy, the absence of Chinese tourists in 2022 will continue to limit the growth of tourists in the region, especially in markets heavily reliant on mainland China.

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

"Full recovery to be largely reliant on the reopening of mainland China's border with Hong Kong."

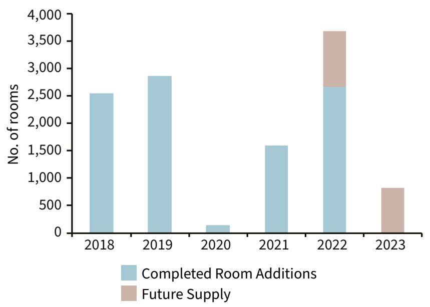
Mike Batchelor
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
26.4%

YTD RevPAR September
HKD 917

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Inbound travel picking up as borders reopen

- As at YTD August 2022, overall visitor arrivals increased by 245.1% y-o-y to a total of 183,662 arrivals, due to the easing of requirements to enter the city.
- Arrivals from mainland China, Hong Kong's top source market, increased by 284.5% y-o-y as at August 2022, totalling 150,309 and accounting for 81.8% of all inbound arrivals.

Supply pipeline continues to be low

- Notable openings in the quarter consisted of AKI Hong Kong - MGallery and China Rich Hotel, both situated in Wan Chai.
- Transaction volumes in Hong Kong remained subdued in the quarter. However, the transactions in the first nine months of 2022 have resulted in a reduction in existing room supply as the acquired hotels will all be converted to co-living spaces.

Travel is slowly returning to the city

- As at YTD September 2022, revenue per available room (RevPAR) of luxury hotels increased to HKD 917, a 26.4% increase y-o-y. Similarly, occupancy grew by 5.3 percentage points (ppts) y-o-y to 34.8%, and average daily rate (ADR) by 7.3% to HKD 2,638, driven by an increased volume of people travelling to the city as border restrictions ease.
- Luxury hotels registered an ADR of HKD 2,793 in the month of September, increasing by 9.9% against the same time last year. This was largely due to relaxed social distancing restrictions and increased international demand as the border reopened.

Outlook: Full recovery to rely on the reopening of mainland China

- While Hong Kong has now opened to other countries, the '0+3' self-monitoring requirement will likely continue to hinder short-term leisure visitors from entering. As such, hotel performance is anticipated to be slow until mainland Chinese tourists return and when all entry requirements have been completely lifted.
- Given Hong Kong's strong reliance on a single market and the current sentiment about travel, a full recovery to pre-COVID-19 levels is expected to take at least three years.

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

Beijing

"Leisure demand thrives in Q3, while other segments are expected to start recovering by mid-Q4."

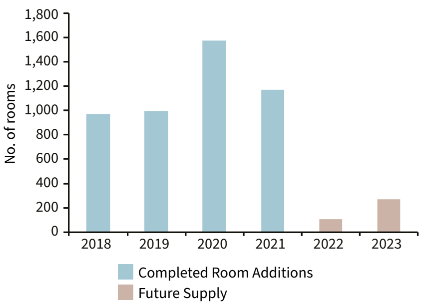
Mike Batchelor
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
-25.4%

YTD RevPAR September
RMB 359

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Leisure demand thrives; MICE demand continues to be sluggish

- Beijing witnessed a strong rebound in leisure demand in Q3, benefitting from the summer holiday and the Mid-Autumn Festival. According to the data from the Beijing Municipal Bureau of Culture and Tourism, the city's 199 key tourist attractions welcomed approximately 3.8 million tourists during the Mid-Autumn Festival holiday, creating a 24% arrival increase y-o-y.
- Due to strict regulations on gatherings and visitor controls, demand from MICE and corporate travellers remained sluggish in Q3 2022. Only five large conferences were held in Q3, and this contributed to a y-o-y decrease of over 80%.

No new supply in Q3; two luxury hotels pre-open

- No new supply entered the market in the quarter.
- Two luxury hotels, Xitan Beijing and Beijing Wild Goose & Pine Hotel and Resort, entered the pre-opening stage. These properties will add 38 and 67 rooms to the market respectively. It is noteworthy that Xitan Beijing is under the renowned Relais & Chateaux group and will provide a series of wellness facilities and activities.

Performance in Q3 2022 is driven by the summer holidays

- Benefitting from the summer holidays, the average daily rate (ADR) in August stood at RMB 991, and occupancy reached 64.3%, leading to a revenue per available room (RevPAR) of RMB 637, and making August the best-performing month of the year. In September, ADR and occupancy fell by 5.6% and 21.7 percentage points (ppts), respectively, leading to a m-o-m RevPAR decrease of 37.4%.
- In the first nine months of 2022, Beijing hotels recorded RMB 1,005 and 35.7% in ADR and occupancy, respectively, resulting in an increased RevPAR compared to the end of Q2, due to stronger demand during the holiday. However, due to the sluggish performance in the first half of the year, the YTD September RevPAR declined y-o-y by 25.4%, representing around 43.4% of the same period in 2019.

Outlook: Hotel demand is expected to start improving by mid-Q4

- During the 20th National Congress, mainland China reconfirmed the general policy of "dynamic zero". The increased understanding of the virus should give rise to more effective and science-based prevention and control strategies, and it is expected that the adjustment of the epidemic prevention strategy will improve the convenience of entering and leaving Beijing.
- Multiple conferences and exhibitions in 2022 were delayed and rescheduled to either Q4 or early 2023. Once the epidemic prevention restrictions have eased, the postponed conferences will be a further opportunity for MICE demand to recover in Beijing.

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

Shanghai

"RevPAR recovery stagnates due to weakening demand amid sporadic outbreaks."

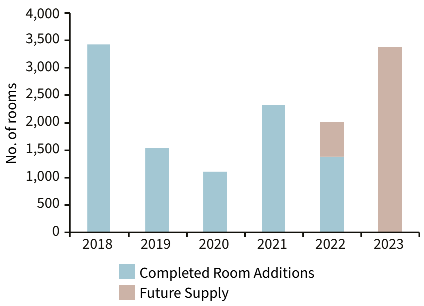
Mike Batchelor
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
-37.0%

YTD RevPAR September
RMB 322

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Summer travel demand aids recovery

- As at YTD August 2022, international visitor arrivals decreased by 47.6% y-o-y to a total of 368,400 arrivals, due to the ongoing COVID-19 pandemic and continued border restrictions.
- The growth in demand for summer leisure travel has driven the recovery of the hotel and travel industry. In the third quarter of 2022, hotels launched staycation packages, targeting local travel and leisure demand. Family groups as well as groups of friends contribute significantly to the strong demand.

Two upscale hotels open in Q3 2022

- As at September 2022, new stock, accounting for a total of 1,375 keys, entered the market. A rebranded project, HUALUXE Shanghai Changfeng Park (312 keys), previously known as Guoman Hotel (442 rooms), opened its doors in late September. Dahua Group had purchased this asset in early-2020, converting several floors into its headquarters.
- A notable new hotel opening in Shanghai in Q3 2022 was the Shang by Artyzen Qiantan Shanghai (210 rooms). 639 rooms are slated to open later in 2022. Another notable hotel to open in 2023 is the Artyzen New Bund 31 Shanghai, part of the commercial complex The Bund 31.

Investors foresee rationality in the hotel transaction market

- Due to the government's pandemic-control policies and the COVID-19 resurgence across mainland China, overall hotel performance still has room for further recovery. As at September 2022, occupancy was at 39.9%, down by 15.7 percentage points y-o-y, and the average daily rate (ADR) dropped to RMB 807.4, down 12.1% y-o-y. Revenue per available room (RevPAR) recorded only RMB 322.3, down 37.0% y-o-y.
- Macroeconomic headwinds have resulted in lowered price expectations of both buyers and sellers in the Shanghai hotel investment market, with investors waiting for an appropriate time to make purchases.

Outlook: Travel restrictions pose challenges to market recovery

- The upcoming National Day holiday in Q4 may bring about a slight rebound in hotel performance. However, willingness to travel may be limited due to ongoing pandemic policies in various regions and the emergence of new COVID-19 variants. The China International Import Expo (CIIE) is expected to drive travel demand and hotel performance, but tightening travel restrictions may be a hindrance.
- High-net-worth individuals and institutional investors are the most active players in the market, seeking quality, distressed hotel acquisition opportunities. Mainland 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

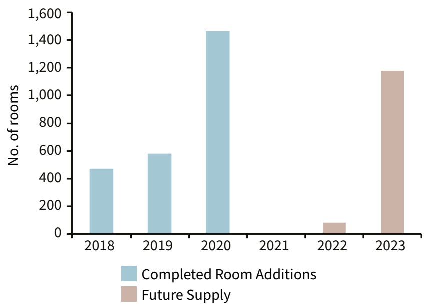
> "Recovery in domestic demand drives hotel trading performance."
>
> **Takahiro Tsujikawa**
> *Senior Managing Director - Hotels & Hospitality Group, Japan*

RevPAR Growth Y-O-Y
57.1%

YTD RevPAR September
JPY 17,459

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Domestic demand continues to recover in Q3 2022

- This quarter was the first summer break season in two years without pandemic-related travel restrictions for domestic travellers. Although new cases of COVID-19 increased significantly in July, the number of domestic travellers increased by 10.1% as at YTD July compared to the same period in 2019, driving recovery to 70% of pre-COVID-19 levels.
- The total number of international visitor arrivals showed an increase of 374.3% y-o-y as at August 2022. Despite the partial reopening of the inbound-travel market in June 2022, and the relaxed per-day entry cap that welcomed escorted inbound-tour groups, the arrival numbers still showed a decrease of 96.3% compared to YTD August 2019.

No additional supply of four- or five-star hotels

- There were originally no plans for luxury hotel openings in 3Q22. Though the opening date has yet to be announced, Tokyo's second EDITION Hotel is slated to open in Ginza in 2022, following delays since the spring of 2021.
- In addition, 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 resumption in the supply of luxury hotels in Tokyo.

Uplift in occupancy leads to an improvement in RevPAR

- Tokyo's luxury hotel revenue per available room (RevPAR) marked an increase of 57.1% y-o-y to JPY 17,459 as at September 2022. While the average daily rate (ADR) has yet to recover fully, improved occupancy rates have contributed to the improvement of RevPAR.
- With regards to the hotel investment market, strong investment momentum continues to be seen, supported by an enhanced hotel trading performance and positive expectations post-pandemic. Large-scale hotel transactions, mainly driven by global investment funds, are also accelerating.

Outlook: Recovery expected with easing of restrictions and weaker yen

- Japan fully opened its borders on 11 October and the nationwide travel subsidiary program, similar to "Go-To-Travel" in 2020, was launched on the same day. It is expected that the weaker Japanese yen will not only attract inbound travellers but also Japanese travellers keen on a reasonably-priced domestic trip, especially when combined with the travel discount program.
- Several large-scale and portfolio hotel transactions are expected in Q4 2022 and beyond. In addition to the recent depreciation of the Japanese yen, the debit financing environment in Japan is attractive to investors against the backdrop of globally rising interest rates. It is expected that hotel transaction activities will accelerate in Japan over the next 12 months.

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

Seoul

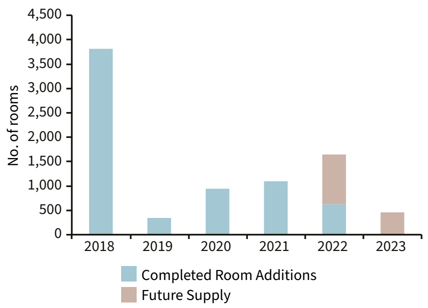
> "Seoul's lodging sector continues to recover, presenting unique opportunities."
>
> **Mike Batchelor**
> *CEO - Hotels & Hospitality Group, Asia Pacific*

RevPAR Growth Y-O-Y
81.9%

YTD RevPAR September
KRW 155,896

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Domestic staycations remain a key driver

- As at YTD August 2022, South Korea recorded a 130.7% y-o-y growth with 1,385,103 international visitor arrivals. Easing of travel restrictions has spurred the recovery of the tourism sector and welcomed visitors from more diverse markets, thus lowering South Korea's reliance on mainland Chinese visitors.
- Severe global inflation and growing geopolitical uncertainty are likely to curb both cross-border and domestic travel demand. Regardless, the hotel sector is anticipated to finish 2022 with a strong performance, as luxury hotels and resorts benefit from pent-up demand for leisure travel and strong staycation demand.

Limited supply growth in Seoul, but growing pipeline elsewhere

- Hotel pipeline remains limited in Seoul, with openings in 2022 limited to Voco Gangnam and Hotel Naru MGallery. DoubleTree Pangyo, Le Meridien and Moxy Seoul Myeongdong are scheduled to open before end-2022. A majority of hotels that are opening are franchised and managed by international operators as the market grows more receptive to new brands.
- The majority of new hotels in the pipeline are concentrated in satellite cities of Seoul and regional markets. A significant amount of new supply is scheduled to enter major leisure destinations along the East Sea, such as Busan and Jeju.

Acceleration of RevPAR recovery

- Revenue per available room (RevPAR) of Midscale and Economy hotels in Seoul recovered to KRW 76,101 as at YTD September 2022, a 94.0% y-o-y increase and a 386.8% increase from the first half of 2022. In addition, the RevPAR of Luxury and Upper Upscale hotels has increased to KRW 155,896, recovering to 93.9% compared to 2019 levels.
- Both Midscale and Luxury hotels in Seoul have improved y-o-y, recovering almost to pre-pandemic levels. Occupancy rates of the Midscale & Economy segment and Luxury & Upper Upscale segment have increased by 19.8 and 25.5 percentage points, respectively. Average daily rate (ADR) has also recovered to KRW 76,101 and KRW 291,481, with growths of 20.4% and 14.6%, respectively, compared to 2021.

Outlook: Optimistic recovery during uncertain times

- While hotel transaction volumes have outpaced JLL projections with the country's record-breaking deals, the pace of transactions is likely to slow down for the rest of 2022 and 2023. Increasing development costs, decreasing home prices and rising interest rates will likely make redevelopment strategies less viable, and thus domestic investors are anticipated to hold back and monitor the market.
- Despite geopolitical conflicts and the global economic slowdown, Korea's lodging sector still shows strong signs of recovery, fuelled by increased interest in Hallyu culture. The reduced activity from domestic investors, deteriorating financial market, and favourable currency exchange rates should present unique opportunities for international investors to explore value-add opportunities.

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

Singapore

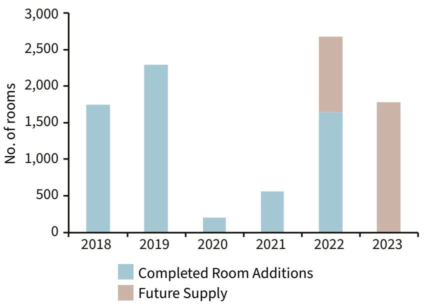
> "Singapore tourism continues to show strong recovery in Q3."
>
> **Mike Batchelor**
> *CEO - Hotels & Hospitality Group, Asia Pacific*

RevPAR Growth Y-O-Y
152.1%

YTD RevPAR September
SGD 234

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Travel demand continues to show robust growth

- Singapore welcomed 2.2 million international arrivals in Q3, more than twice the number in 1H22, after the city-state reopened its borders in April 2022. Countries in the region such as Thailand, Indonesia and Malaysia have also lifted their remaining travel restrictions, boosting overall tourism growth in Asia Pacific. Corporate travel continues to lead the demand in Singapore.
- As mainland China remains closed, there was a shift in Singapore's source markets in Q3. As at YTD September 2022, Indonesia is the biggest source market, accounting for 17.2% of international arrivals, followed by India (12.5%), Malaysia (8.9%), Australia (8.5%) and Vietnam (6.0%). Arrivals to Changi Airport have reached over 50% of pre-pandemic levels, highlighting the strong rebound in tourism.

Supply growth remains muted, with no new completion in Q3

- No new hotel entered the market in Q3 2022. In the first nine months of 2022, a total of 1,641 rooms opened in Singapore. All of those are reopening / rebranding projects, including Hilton Singapore Orchard, voco Orchard Singapore and the Maxwell Reserve, Autograph Collection. In September, the 134-key SO/ Singapore was rebranded to Hotel Telegraph, following the acquisition of the hotel in May.
- For the rest of 2022, 889 rooms are expected to enter the market. As a result, supply is expected to grow by 0.1% y-o-y in 2022. Major hotels expected to reopen in 2023 include the 440-room Regent Singapore, rebranded to Conrad Singapore Orchard, and the 677-key Grand Hyatt Singapore that is expected to reopen in phases from the second half of 2023.

RevPAR ramps up due to strong ADR and lifting of occupancy cap

- As the Ministry Of Manpower has increased the quota for foreign labour, hotels are able to hire more staff to cope with the rising demand. As a result, hotels removed their occupancy cap in September. Demand was also enhanced by F1, which had returned after two years. Occupancy for luxury hotels increased by 11 percentage points to 69.6% in September, from 58.4% in August.
- With the removal of the occupancy cap, hotels are able to perform better as international tourists return. Anecdotal evidence suggested that corporate demand was still the key driver for the growth in room rates, together with the F1 race. Reports have indicated that hotels in Singapore were able to record even higher rates during F1 in 2022 compared to 2019, with rates increasing from 40% to 70%.

Outlook: Industry to remain optimistic for 2023 as recovery continues

- In July, the Government has projected Singapore to welcome 4 to 6 million visitors in 2022. Considering the latest numbers recorded in the first nine months, the number of international visitors this year should be on the higher end of the projection. Tourism receipts are expected to reach between SGD 10 billion and SGD 20 billion, which is 40% of 2019, despite a lack of Chinese tourists.
- Most hotels expect to have better revenue in 2023 than in 2019, especially for luxury hotels which can continue to drive growth in the ADR. The industry expects occupancy for 2023 to be 10 to 15 ppts behind that of 2019, as demand has not fully recovered, in both the region as well as globally. However, profits may still be affected as costs of labour, utilities and food continue to rise.

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

Bangkok

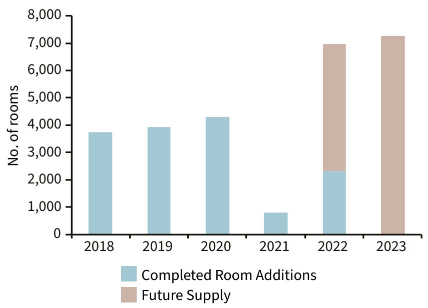
> "Bangkok continues to recover as hotels see three-digit y-o-y growth in the YTD September 2022 RevPAR."
>
> **Mike Batchelor**
> *CEO - Hotels & Hospitality Group, Asia Pacific*

RevPAR Growth Y-O-Y
542.9%

YTD RevPAR September
THB 2,744

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Arrivals show steady recovery as at YTD September 2022

- According to Airports of Thailand (AoT), Suvarnabhumi and Don Mueang airports welcomed more than 5 million international passengers and more than 21 million domestic passengers as at YTD September 2022. As a result, the total number of passenger arrivals improved by 222.1% as at YTD September 2022 when compared to the same period in 2021.
- In 2022, foreign arrivals to Bangkok continued to register positive pick-ups with an increase in passengers every month, as the country eased entry restrictions before a full opening in Q3 2022. 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 counts three additional hotels in Q3 2022

- During the third quarter of 2022, Bangkok saw the addition of three properties, accounting for 518 keys, with notable openings including the 155-key The Standard Mahanakhon Bangkok, and the 177-key Oakwood Studio Thong lo Station.
- Due to the large number of postponed projects, a significant hotel supply is slated to start operating by the end of 2022, with 28 additional properties representing 5,998 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 Q3 2022, RevPAR of Bangkok hotels improves significantly

- As at YTD September 2022, luxury hotels in Bangkok registered a y-o-y improvement in performance, with revenue per available room (RevPAR) increasing by +542.9% y-o-y to THB 2,744. This can primarily be attributed to growth in both occupancy and average daily rate (ADR), with the former rising by 34 percentage points to 45.5%, and the latter by +64.2% to THB 6,033, during the same period.
- Similarly, midscale and upscale hotels in Bangkok experienced a y-o-y increase in RevPAR to reach THB 779 and THB 1,403 respectively as at YTD September 2022.

Outlook: Lifting of entry restrictions bodes well for industry revival

- With all entry restrictions in and out of Bangkok being lifted in Q3 2022, hoteliers have seen a positive pickup in international business rebalancing recent demand primarily driven by the local market. Trading performance should continue to improve as a result.
- With Bangkok entering its peak seasonality period at the end of the year, another uptick in performance should be seen in Q4. Hotel performance should continue to gradually close the gap with pre-COVID-19 levels. However, mainland China accounts for approximately 50% of source market into Bangkok, and with no signs of the Chinese border reopening in 2022, the big uptick is expected in 2023.

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

Jakarta

"Trading performance continues to improve with ADR back to pre-pandemic levels."

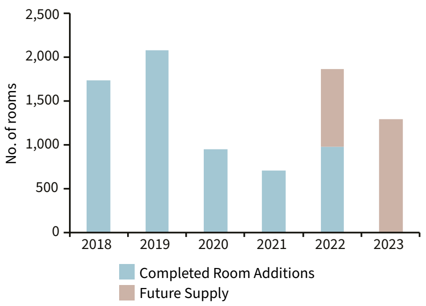
Mike Batchelor
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
75.1%

YTD RevPAR September
IDR 1,133,371

Stage in RevPAR Cycle
RevPAR Stable

Major Additions to Hotel Supply



Source: Industry sources, JLL

Inbound travel continues to grow after reopening of borders

- International visitation has seen a strong pick up since the reopening of borders in April 2022, following two years of muted international arrivals. International visitors surged to 472,942 as of YTD August 2022, representing an increase of 619.8%.
- Top source markets currently include Malaysia (9.7%), China (7.5%) and Singapore (6.8%). There has been a drop in Chinese and Japanese visitor numbers, compared to pre-pandemic times, as these markets have yet to or have only just reopened their international borders. Nonetheless, demand recovery is expected to continue on the back of returning visitation from other source markets.

New hotel supply remains muted in 2022 and 2023

- A total of three properties offering 578 keys have opened so far in 2022. The only opening in Q3 was the 220-key Park Hyatt Jakarta.
- However, six lodging facilities, offering around 1,288 rooms, are slated to open for the rest of 2022. These include the 289-key St Regis Jakarta and 347-key Oakwood Premier Jakarta. Serviced apartments are expected to account for around half of the incoming rooms in 2022.

Strong RevPAR recovery due to ADR growth and stabilised occupancy

- As of September 2022, luxury hotels in Jakarta have recorded a 75.1% y-o-y growth in revenue per available room (RevPAR), boosted primarily by strong average daily rate (ADR) recovery of 36.8% to IDR 2.1 million. Occupancy rates show signs of stabilisation after a 11.3 percentage points (ppts) increase y-o-y to 50.9%.
- While luxury RevPAR has trended upwards since the reopening of borders in April 2022, it remains at 85% of YTD September 2019 levels. Further recovery is expected to be driven by occupancy growth as demand from international corporate guests continues to grow.

Outlook: Tourism picks up significantly with lifted border restrictions

- While the industry is likely to continue to be supported predominantly by domestic demand in the short term, the earlier-than-expected reopening of borders is expected to draw in higher-paying international visitors. This will in turn boost trading performance, particularly for ADR as international tourists seek out luxury hotels in the market.
- 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, as they are key markets to Indonesia.

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

Kuala Lumpur

"Strong recovery in trading performance as international visitation picks up."

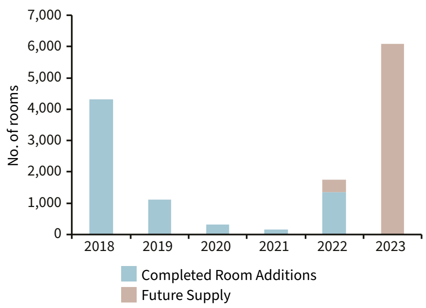
Mike Batchelor
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
326.1%

YTD RevPAR September
MYR 237

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Continuous upward trend supported by corporate demand

- According to the Malaysia Tourism Data, international visitation surged by 4113% y-o-y to 2,312,160 visitors as at YTD June 2022, after Malaysia fully reopened borders from April 1, allowing quarantine-free entry to vaccinated travellers. Singapore remained the top source market, comprising 59.5% of total international arrivals, followed by Indonesia (12.7%) and Thailand (5.6%).
- Corporate demand and bookings for in-person events have increased significantly in Q2 2022, as event organizers snapped up event spaces in KLCC and surrounding hotels in the region, with minimal negotiation of prices, in order to secure their preferred venues.

New supply totalling 1,700 rooms enters the market

- Four hotels offering around 1,350 rooms have opened so far in 2022. Key openings included the 535-key PARKROYAL Collection Kuala Lumpur and the 300-key Le Meridien Petaling Jaya.
- Other notable openings to come in late-2022 and 2023 include the 544-room Conrad Kuala Lumpur and the 232-room Park Hyatt Kuala Lumpur. New hotel developments in 2022 and 2023 are spread out across the state with the majority being in KLCC, Bukit Bintang and Pudu.

RevPAR growth stunted by labour crunch in the short term

- While revenue per available room (RevPAR) has grown by 326.1% y-o-y as at YTD September 2022, occupancy remained muted at 41.9%, 28.9 percentage points (ppts) lower than the same period in 2019. Operators have pointed to the labour shortage as the main cause preventing many hotels from operating at full capacity.
- Mismatch of demand and supply has driven average daily rate (ADR) up by 13% y-o-y to MYR 566, following an upward trend of ADR since international borders fully reopened. However, RevPAR has recovered to only 57% of 2019 levels, indicating that full recovery will likely take time, and be contingent on the recovery of international corporate demand and improvement in the labour shortage situation.

Outlook: Progressive recovery expected to continue

- After doubling its initial target in July 2022, Malaysia has once again revised its target upwards to 9.2 million on the back of a quicker-than-expected rebound in visitation. This should help ease supply-side pressures that is likely to surface in 2023, which could impact trading performance.
- In the short term, the depreciation of the Malaysian ringgit against major currencies has increased travel affordability for international visitors, allowing Malaysia to better compete with other regional destinations which have also opened in recent months.

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

Sydney

"Trading performance continues to improve, led by strong ADR growth and stabilising occupancy levels."

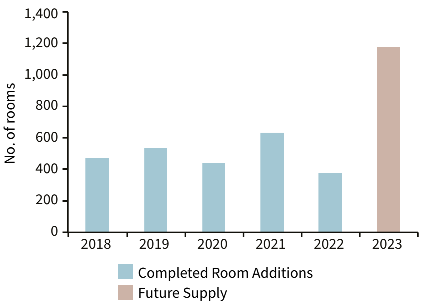
Anthony Corbett
Managing Director - Head of Hotels & Hospitality, Valuations Advisory, Australia

RevPAR Growth Y-O-Y
110.4%

YTD RevPAR September
AUD 160

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Corporate and international demand recovering

- Demand continues to be largely domestic led, however the easing of restrictions, return of major events and steady recovery in international air capacity has resulted in strong demand growth over Q3 2022. Sydney Airport recently announced that total passenger traffic has recovered to 72.5% of pre-pandemic levels, prior to the anticipated peak over the September school holiday period.
- Occupancy as at YTD September 2022 improved to 57.3% y-o-y compared to 36.2% y-o-y for the same period last year. Despite this, market occupancy continued to be materially affected by the ongoing impact of the pandemic, illustrated by a pre-COVID-19 occupancy rate of 85.5% for the same period in 2019.

One new hotel opens over Q3 2022

- The Porter House Hotel-MGallery by Sofitel opened its doors to the market in September. The 121-room upper upscale CBD hotel marks the second new hotel opening of the year, following the opening of the Ace Hotel Sydney (257 rooms) situated in Surry Hills in the previous quarter.
- Seven properties are currently under construction in Sydney and in surrounding fringe suburbs, representing a net increase of 1,497 rooms or 6.9% on existing stock. Future development activity is expected to be relatively subdued over the near term, on the back of increasing construction costs and as interest rates rise.

EBITDA continues to improve across the board

- As at YTD September 2022, revenue per available room (RevPAR) increased to sit at AUD 160, which represents a 110% increase from 2021, heavily driven by strong average daily rate (ADR) growth in the market (33.1% y-o-y). Despite this, RevPAR remains 23% down on pre-COVID levels (YTD September 2019).
- EBITDA continued to recover on the back of improving revenue and significant cost savings achieved by owners over the last two years. However, economic headwinds are emerging, which 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. rise in interest rates).

Outlook: Market recovery to continue, despite economic headwinds

- Trading conditions in Sydney are anticipated to remain somewhat constrained over the near term, as the market remains heavily reliant on the steady recovery of international and corporate/MICE demand. Despite this, Sydney is set to benefit from a significant events calendar for 2023, which is expected to support improving occupancy levels and strong ADR's.
- Investor demand for Sydney remains strong, with a number of significant transactions finalising over the year, led by the record sale of Hilton Sydney. Over the near term, investors are anticipated to continue to target trophy assets or non-performing assets with upside potential, especially whilst 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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