Hotels Research

Asia Pacific | Q2 2023

Steady recovery in international visitation supports improvement in hotel performance

JLL SEE A BRIGHTER WAY

Contents

Hotel Market Insights

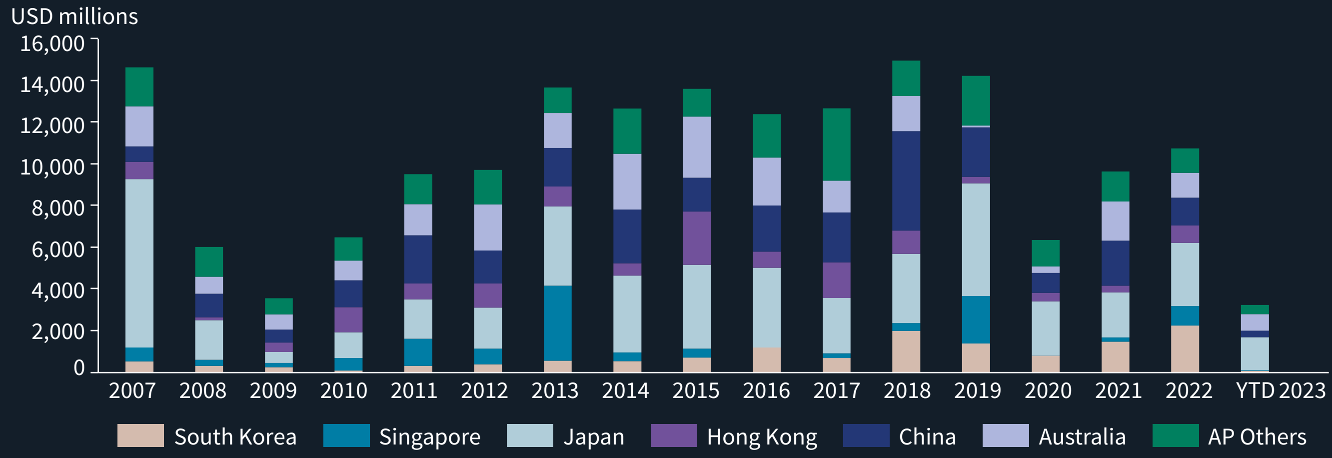
Hotel markets

Outlook for Major Economies

	Major Economies	Real GDP (% y-o-y change)		2023 Outlook
		2022	2023F	
	Australia	▲ 3.7	▲ 1.6	Tighter household finances are likely to see consumption growth moderate despite labour market strength. Services trade, however, should get support from local tourism and education sectors as foreign arrivals rise
	Hong Kong	▼ -3.5	▲ 4.4	Revival of domestic demand and tourist inflows are expected to keep momentum on a growth path, but softness to persist in parts of the economy including goods trade
	India	▲ 6.7	▲ 5.7	Inflation and tight monetary policy to dampen domestic consumption growth and investment demand. On the external front, goods exports face headwinds but services exports should see more resiliency
	Indonesia	▲ 5.3	▲ 4.6	Cooling commodity prices and soft industrial demand to weigh on exports while domestic demand is likely to ease slightly as the impact of monetary policy tightening flows through
	Japan	▲ 1.0	▲ 0.9	Flailing global growth to weigh down on export and manufacturing performances. Consumption should hold up underpinned by strength from inbound tourism and domestic demand
	Mainland China	▲ 3.0	▲ 5.5	Recovery momentum to slow amid fading reopening boost and soft trade performance. Policymakers to implement stimulus measures to prop up the economy
	Singapore	▲ 3.7	▲ 0.4	Weak trade flows to see the manufacturing malaise carry on while the services sector is likely to witness slower growth as inbound tourism is near the pre-pandemic peak and domestic consumers display caution
	South Korea	▲ 2.6	▲ 0.8	Export-led economy to be challenged by sluggish demand from key trading partners, while high interest rate woes drag on private consumption

Source: Oxford Economics, July 2023

Hotel Investment Volume



Source: JLL, 2Q23
Figures refer to transactions over USD 5 million

Hotel Market Insights

International visitors on the rise but Chinese tourists still not fully returned

Although travel restrictions have been eased in Mainland China, Chinese tourists have not fully returned due to ongoing airlift challenges. As a consequence, destinations that heavily rely on Mainland China tourism, such as South Korea and Japan, have yet to fully recover. However, as global and regional airlift improves, international visitation in the Asia Pacific region is increasing. The corporate and MICE segments are also contributing to this growth, particularly with the number of major events scheduled to take place. There is strong momentum from short-haul markets driving the recovery in Asia. In Australia, demand remains largely driven by the domestic leisure segment. Additionally, leisure tourism within Mainland China has been supported by the May Day Golden Week.

Hotel supply increases

Following limited new supply in the first quarter, the region saw an increase in new hotel completions during the second quarter. Bangkok had the highest number of new hotels with four additional properties, and is expected to experience the highest year-on-year growth in new supply over the past decade, despite pandemic-related delays. Tokyo followed with an additional 732 rooms in the 4- and 5-star segments. Although markets such as Beijing, Jakarta, and Sydney did not see any new hotel completions in the quarter, more are expected throughout the rest of the year.

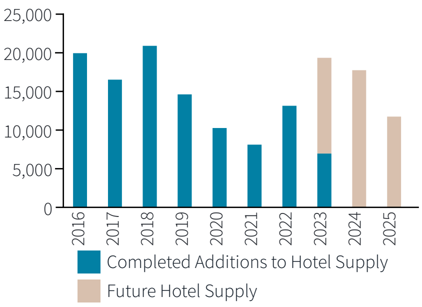
Rising trading performance with hotels holding rates

Since the easing of travel restrictions in the Asia Pacific region in 2022, hotels have been able to achieve significant levels of ADR due to strong tourism demand. As more tourists return, trading performance has continued to improve with increased occupancy, particularly in the higher-end segment. Destinations such as Bangkok, Jakarta, Singapore, Sydney, and Tokyo have even surpassed pre-pandemic levels as of YTD June 2023. However, markets in Greater China, including Hong Kong, are still behind given the recent loosening of restrictions in Mainland China. Additionally, the hospitality industry in Asia Pacific is experiencing strong investment momentum, as operational performance has improved and expectations for future demand remain high.

Outlook: Markets in Asia Pacific poised for further growth

The lifting of travel restrictions in the region is expected to have a positive impact on the tourism and hotel industry in the second half of 2023. Chinese tourists, who are a significant source of tourism revenue for many countries in the region, are expected to return by the end of the year. As a result, mass-tourism from Mainland China is expected to increase towards Q4. MICE activities are expected to increase in the second half of the year in destinations such as Seoul, Tokyo, Singapore, and Sydney, and this is likely to provide a further boost to the hospitality industry in the region. In Mainland China, as we approach the summer peak season, the trend of tourists expanding their travel radius is expected to become more prominent, and outbound tours are anticipated to dominate summer tourism consumption and continue beyond the summer season.

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, Seoul, Shanghai, Singapore, Sydney and Tokyo.

Source: Industry sources, JLL

Nihat Ercan
CEO, JLL Hotels and Hospitality Group Asia Pacific
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Hong Kong

"The recovery of Hong Kong's hotel market continues to depend on Mainland China."

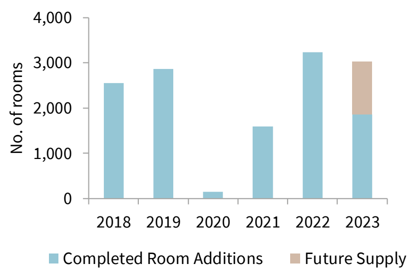
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
188.9%

YTD RevPAR June
HKD 2,259

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Mainland China market continues to drive demand

- During the second quarter of the year, 8.5 million visitors came into the city, representing a 92% increase compared to the previous quarter, as air connectivity globally and within the region continued to improve.
- As of YTD June 2023, total overnight visitation reached 12.9 million visitors, 78% of which came from Mainland China. Other source markets included Taiwan, Philippines, USA and Thailand.

Headwinds continue to curb future supply

- In the second quarter of 2023, 150 new hotel rooms entered the market with the opening of Shama Hub Metro South in Wong Chuk Hang, located in the southern district of Hong Kong Island.
- Similarly to other markets in the region, the prevailing challenges in the hotel industry, such as the high cost of financing and construction, are expected to continue hindering new hotel supply in Hong Kong. As a result, the growth of new hotel properties is likely to remain sluggish in the near future.

Hong Kong's tightly-controlled market offers limited opportunities

- As of YTD June 2023, luxury hotels' revenue per available room (RevPAR) reached HKD 2,259, representing 189% growth y-o-y. RevPAR experienced a mere 2% increase compared with the previous quarter as rates and occupancy levels normalised.
- Towards the end of the year, the hotel capital market in the city is projected to gain some momentum, driven mainly by sales of smaller hotels and disposals of distressed assets. Transaction volume in the city is anticipated to reach a total of USD 400 million for the year.

Outlook: Market ready to grow despite slow return in travel confidence

- Despite Hong Kong's recovery, the Hong Kong Tourism Board anticipates that the total number of visitors for the full year of 2023 will be approximately 26 million, which is still considerably lower than the record level seen in 2018.
- Although it has taken longer than anticipated for Hong Kong to restore travellers' confidence, the hotel market in the city is still expected to experience sustained growth, with a full recovery expected by the end of 2024.

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

Beijing

"With the upcoming peak summer season, Beijing market performance is expected to recover further."

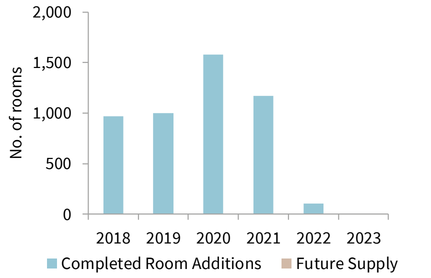
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
136.0%

YTD RevPAR June
RMB 686

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Beijing's demand continues to recover

- Beijing's tourism market saw a full recovery in 1H23, as evidenced by promising tourism data. According to data from the Beijing Municipal Culture and Tourism Bureau, during the May Day period, Beijing's tourism market performance surpassed 2019 levels, with a total of 9,128,000 tourists, exceeding the same period in 2019 by 6.6%.
- The MICE market continues to rebound, but demand is growing at a slower rate than the rapid recovery observed in the leisure segment. There were only 66 conferences held in 1H23, representing 63.5% of 2019 levels (104 conferences).

No new supply of upscale hotels in 2Q23

- The Swiss Hotel Hong Kong Macau Centre (initially opened in 1991) reopened in April 2023 after a four-year renovation and refurbishment with 467 rooms and suites. The hotel market in China has gradually entered the inventory era, especially in Beijing, with sluggish growth of new supply. Rebranding and renovation or conversion have become new challenges for hotel owners.
- No new supply of upscale hotels is expected to open in 2023. The opening of Hyatt Regency Beijing Daxing, originally planned for March 2023, has been postponed to 2025.

YTD RevPAR reaches 86% of 2019 levels

- In April, the performance of the Upscale Hotel market in Beijing further improved, with occupancy reaching 70.1%, ADR reaching RMB 1,145 and RevPAR rising to RMB 803. There was a slight decline in May, with RevPAR falling to RMB 720. However, RevPAR increased to RMB 793 again in June, which reached 95.2% of 2019 levels.
- By the end of 2Q23, the YTD occupancy and ADR were 63.4% and RMB 1,083, respectively. As a result, RevPAR reached RMB 686, representing an increase of 136.0% year-on-year, equivalent to 85.9% of 2019 levels.

Outlook: Beijing hotel market expected to recover energetically

- Compared to the pandemic period, short-distance travel has become less popular, but still remains the basis of local leisure travel. The trend of tourists expanding their travel radius is expected to be more prominent during the peak summer season. Domestic long-distance and outbound tours are expected to dominate summer tourism, and continue after the summer.
- In addition to the release of traditional student and family travel demand, popular cultural activities, including concerts, music festivals, dramas and special local cultural activities, should further drive tourists' willingness to travel, pushing up market demand in the hotel industry.

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

Shanghai

"The return of overseas visitors and MICE business boosts hotel recovery."

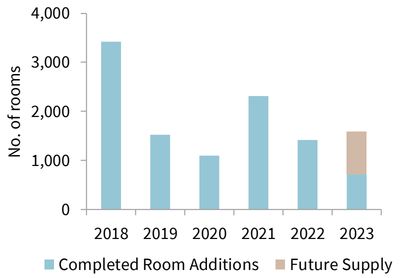
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
115.9%

YTD RevPAR June
RMB 651

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

International visitors return steadily to Shanghai

- In the second quarter of 2023, monthly overseas tourism arrivals have grown rapidly. Shanghai welcomed 294,800 international visitors in May, however at 38% of the level recorded in May 2019.
- The May Day Golden Week was a national hit this year. Nationwide, travellers exceeded 2019 levels for the same period, leading to a rapid rise in the performance of Shanghai's 5-star hotel market during the holiday. Additionally, spending per capita over this period recovered to 89.5% of pre-pandemic years.

Two new hotels open in 2Q23

- The new openings are the 212-room Artyzen Habitat Taopu and the 281-room Shanghai Harbour Lake InterContinental Hotel. The latter was an upgrade and renovation project, which had been in operation as Crowne Plaza for ten years.
- With some projects postponed to 2024 due to the pandemic, a total of 859 rooms are set to enter the market in the next two quarters, including the 143-room Kimpton Bund Shanghai and the 384-room Sofitel in North Bund (a rebranding of Jiulong Hotel, an independent brand).

Market sees a recovery from 2022, but continues to lag

- The upscale and above-market hotel industry is gradually recovering. RevPAR increased rapidly by 115.9% to RMB 651 as of YTD June 2023, compared to the same period last year, mainly attributable to the recovery in occupancy. Occupancy increased by 24.7 ppts to 63.9%, while average daily rates (ADR) increased by 32.3% to RMB 1,019.
- However, compared to the same period in 2019, RevPAR has only reached 80% of 2019 levels, while occupancy rates and ADR recovered to 93% and 94%, respectively. This reflects the lag effect from the COVID-19 pandemic.

Outlook: Demand from MICE rebounds

- At the beginning of the year 2023, only 58 large-scale exhibitions were organised. However, Shanghai has completed 132 large-scale exhibitions by the end of June as the country gradually reopens. There are currently 164 more events scheduled in the second half of the year, and the number of exhibitions is expected to continue increasing.
- Under the impact of macroeconomic factors, investors in the domestic hotel investment market are holding cautious investment strategies, and price expectations between buyers and sellers are returning to rationality.

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

Tokyo

"Rising ADR drives the improvement in hotel trading performance."

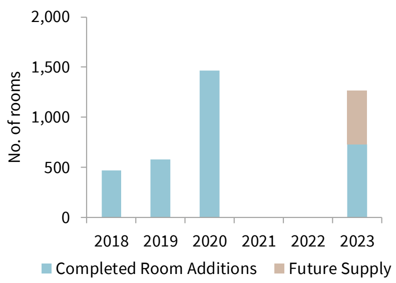
Kuraudo Ohashi
Executive Vice President Head of Advisory, Japan

RevPAR Growth Y-O-Y
221.2%

YTD RevPAR
June
JPY 46,883

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

International demand shows steady recovery

- With the exception of Chinese visitors, the number of visitor arrivals to Japan continues to recover since the border restrictions had been fully lifted since 29 April. As at YTD June 2023, Japan welcomed more than 10 million international arrivals for the first time in four years, recovering to 64.4% compared to the same period in 2019.
- The accommodation demand in Tokyo is measured by the number of visitor nights. According to the latest statistics, Tokyo saw 1.8 times more visitor nights as at YTD April 2023 as compared to the same period in 2022.The ratio of international visitor nights marked 38%, recovering to the same level as the average foreign traveler ratio in Tokyo in 2019.

Three 4- and 5-star hotels totalling 732 rooms opened in 2Q23

- Three new hotels opened in 2Q23. The Bvlgari Hotel Tokyo (97 rooms) opened its door on 4 April and a luxury and an upscale hotel totalling 635 rooms opened in a newly-built mixed use complex "Tokyu Kabukicho Tower" on 19 May. Over the course of 2023, three international brand hotels, namely, Jenu Tokyo, The Tokyo Edition Ginza, and Hotel Indigo Tokyo Shibuya, will open.
- Several other luxury hotels such as JW Marriott and Fairmont are planned in 2025 and beyond, indicating that the appetite of international hotel operators to expand their hotels in Tokyo has not waned.

Operating performance continues to exceed pre-pandemic levels

- Tokyo's luxury hotel revenue per available room (RevPAR) marked an increase of 12.0% as compared to the same period in 2019, reaching JPY 46,883 as at YTD June 2023. The occupancy rate recovered to 79.8% compared to the same period in 2019, and furthermore, the average room rate (ADR) was +40.4% compared to the same period in 2019, resulting in an improvement in RevPAR.
- As for the hotel investment market, strong investment momentum continues to be seen, supported by improved operational performance and expectations for future hospitality demand.

Outlook: A full-fledged market recovery is anticipated

- Domestic demand increased in 2Q23, the first summer holiday season since the lifting of the pandemic restrictions. Although the recovery of inbound demand is expected to continue, the lifting of the ban on group travel to Japan by the Chinese government is essential for further recovery. Recovery in demand is anticipated to continue to support the hotel industry performance in 3Q23 and beyond.
- Active hotel transactions are expected to continue in 3Q23 and beyond. In addition to the recent depreciation of the Japanese yen, the debit financing environment in Japan remains attractive to investors despite the backdrop of rising interest rates globally.

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

Seoul

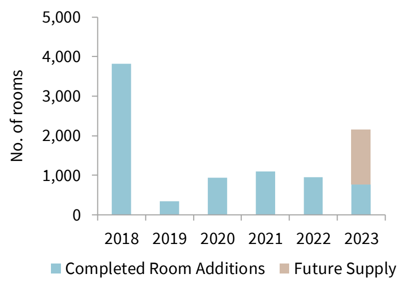
> "Strong performance in hotel industry; yet uncertainties in the real estate industry curb investments."
>
> **Nihat Ercan**
> *CEO - Hotels & Hospitality Group, Asia Pacific*

RevPAR Growth Y-O-Y
68.2%

YTD RevPAR
June
KRW 217,454

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Travel demand continues to show robust recovery

- Amid the influx from main source markets such as Japan and Taiwan, South Korea's tourism industry continued to recover. As of YTD May 2023, international arrivals increased almost 500% y-o-y with 3.5 million visitors. While the number of visitors during 1H23 already exceeds total visitors during all of 2022, visitation numbers still remain at approximately 50% of 2019 levels.
- A full recovery is anticipated when visitation from Mainland China fully recovers, as visitation from China remains at 16% of pre-COVID-19 levels. We anticipate the demand from China to recover quickly, as monthly visitation has exceeded 100,000 per month since April 2023.

Supply growth thriving with growing appetite in co-living sector

- In 1H23, 1,058 rooms entered the market, including the 602-room Double Tree by Hilton Pangyo Hotel & Residences and the 160-room Nine Tree Premier ROKAUS Hotel Seoul Yongsan. While there are no other luxury hotels planned to open in Seoul by the end of 2023, large-scale mixed-use developments containing hotels are anticipated to be competed in 2030.
- While the co-living market is still nascent in South Korea, interest in the sector is emerging as the population densifies and the number of single-person households increase. Later in 2023, the 276-room NouDit Hongdae is expected to open, alongside an international co-living brand seeking to enter the market.

RevPAR recovery supported by an uplift in occupancy

- Seoul Luxury & Upper Upscale segment revenue per available room (RevPAR) was again at an all-time high, marking an increase of 68% y-o-y to KRW 217,454 as of YTD June 2023. Comparably, with the return of international businesses, the Midscale & Economy segment also showed strong growth of 126% y-o-y to KRW 67,792, recovering to almost reach pre-pandemic levels.
- With the resumption of international visitation and group tours, the Midscale & Economy segment is also exhibiting strong recovery, as evidenced by the 55% growth in ADR to KRW 94,231, and 22.6 ppts recovery to 71.9% occupancy as of YTD June 2023.

Outlook: Strategic investors are capturing the opportunity to expand

- Several large hotels, such as the 1,100-room Inspire Entertainment Resort, are scheduled to open by the end of 2023. Due to rising land prices, increasing construction costs, rising interest rates and geopolitical uncertainty, supply of luxury hotels in Seoul is limited, and the pipeline is mostly concentrated in satellite cities.
- Strong investment momentum resurfaces, supported by enhanced trading performance and positive expectations for the post-pandemic tourism market. From large-scale hotels to mid/economy-scale hotels, transaction activity is anticipated to accelerate over the next 12 months, mainly driven by strategic investors expanding their market presence in South Korea.

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

Singapore

"Singapore continues to see steady recovery in the second quarter of 2023."

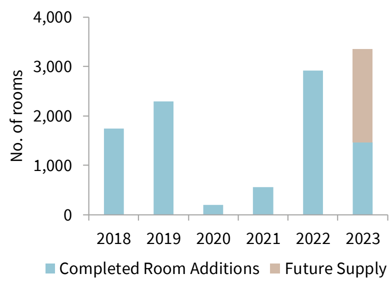
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
85.9%

YTD RevPAR
June
SGD 356

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

International visitor arrivals continue to grow in 2Q23

- As of YTD June 2023, Singapore has received 6.28 million international visitors, coming close to the visitor arrivals recorded for the entire year of 2022 with only a marginal difference of 0.4%. The first six months of 2023 saw visitor arrivals reach 67% of the levels seen in 1H19, indicating a notable recovery in tourism.
- The top five source markets for the first half of 2023 are Indonesia (17.8%), Malaysia (8.6%), India (8.5%), Australia (8.2%) and China (6.8%). Among the key markets, visitor arrivals from China has registered the highest y-o-y growth of 1122.3%, as the country's borders were closed in 2022.

Two upper-upscale hotels with 652 rooms entered the market in Q2

- Singapore counted 61,755 hotel rooms at the end of 2022. 1,471 hotel rooms have entered the market as of YTD June 2023, 44% of which were opened in 2Q23. The two new hotels are the 302-room Mondrian Singapore and the 350-room Pan Pacific Orchard.
- For the remainder of 2023, 1,661 more rooms are anticipated to open. As a result, the y-o-y supply growth from 2022 to 2023 stands at 5.1%. This is mainly due to delayed openings, such as Pullman Singapore Hill Street and The Singapore EDITION.

Luxury hotels continue to register strong RevPAR, driven by the ADR

- As of YTD June 2023, Singapore luxury hotels have registered an occupancy of 73.6% and an average daily rate (ADR) of SGD 484. Occupancy and ADR grew by 54.2 percentage points (ppts) and 20.6%, respectively. The resultant revenue per available room (RevPAR) of SGD 356 recorded a y-o-y growth of 85.9%. Luxury hotels continue to ramp up occupancy while holding rates.
- Compared to the same period in 2019, occupancy is marginally behind by less than 1 ppt. However, ADR is ahead by 23%, resulting in a RevPAR exceeding 2019 levels by 21%. These demonstrate the resilience of the luxury market in Singapore as demand remains strong in the city-state.

Outlook: Tourism and hotels are expected to continue growth trajectory

- Singapore will hold several major events such as the F1 Grand Prix in the second half of the year. These events, along with the tourism recovery in the region, are expected to further support tourism growth.
- Hotels are likely to continue their growth trajectory in the immediate term. In the medium to long term, the growth rate is expected to be moderated as new supply enters the market, of which 39% will be in the luxury segment.

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

Bangkok

"Tourism recovery is in line with the government's forecast and should reach 25 million by end-2023."

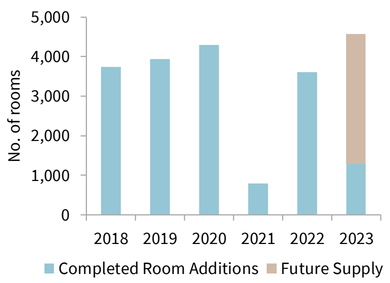
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
167.4%

YTD RevPAR
June
THB 5,797

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Arrivals show steady month to month recovery as of YTD June 2023

- According to the Ministry of Tourism and Sports (MOTS), Bangkok welcomed approximately 12,970,340 international passengers and 15,087,010 domestic passengers as of YTD June 2023, registering y-o-y increases of 549.8% and 7.3% respectively. As a result, the total number of passenger arrivals improved by 74.7% to 28,057,350 passengers as of YTD June 2023, when compared to the same period in 2022.
- With improved air connectivity, Mainland China climbed to the first spot as the main source market to Bangkok as at YTD June 2023 (excluding Malaysia in which numbers are boosted by daily cross border travels in the south of Thailand), followed by Russia, South Korea, India and Vietnam.

Bangkok welcomes four additional hotels in 2Q23

- Bangkok saw the opening of four new properties in 2Q23: the 179-key Dusit D2 Samyan, the 106-key ASAI Bangkok Sathorn, the 494-key Eastin Grand Hotel Phayathai, and the 91-key Ramada by Wyndham Bangkok Ten Ekkamai Residences.
- As a large number of projects were postponed due to COVID-19, 3,273 keys are expected to be added to Bangkok's hotel supply by the end of 2023, representing the largest annual increase in the past decade. Between July 2023 and December 2025, 13,827 keys are expected to open.

RevPAR of luxury hotels improves by 167.4% y-o-y

- Luxury hotels in Bangkok registered a y-o-y improvement in performance, with revenue per available room (RevPAR) increasing by 167.4% to THB 5,797 as of YTD June 2023. This was attributable to growth in both occupancy and average daily rate (ADR), which rose by 27 percentage points (ppts) and 56.3% respectively during the same period.
- Similarly, midscale and upscale hotels in Bangkok experienced a y-o-y increase in RevPAR of 150.3% to THB 1,441, and 182.6% to THB 2,776 respectively as of YTD June 2023. Like the luxury segment, the improvement in both segments is attributed to growth in both occupancy and ADR.

Outlook: Occupancy gradually closing gap with pre-pandemic levels

- Pre-pandemic, visitors from Mainland China formed the top source market for Bangkok, making up roughly 30% of total international visitors, followed by Japan, India, and South Korea. After the lifting of all entry restrictions in January 2023, China has returned as the top source market for Bangkok as of YTD June 2023, however arrival numbers are still less than one third of 2019 numbers.
- The recovery outlook for Bangkok hotels is bullish, and it is anticipated that the gap with pre-COVID-19 occupancy levels will gradually close over the year. We expect 4Q23 to be the first real high season in Bangkok after three years of the pandemic.

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

Jakarta

"Inbound tourism continues to drive up occupancy and ADR."

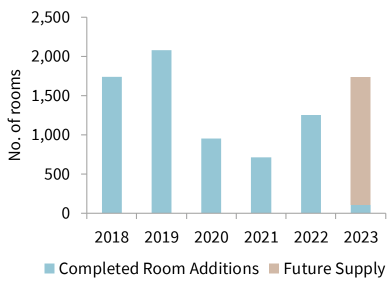
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
33.7%

YTD RevPAR
June
IDR 1,382,259

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

International demand ramps up in 2023

- The number of visitor arrivals in Jakarta has been rapidly increasing since the reopening of international borders. Strong momentum from short-haul markets such as Singapore, Malaysia, Mainland China, Japan and South Korea has accelerated the post-pandemic recovery.
- As of YTD May 2023, Jakarta has experienced a significant 337.6% y-o-y increase in international visitor arrivals by welcoming 642,076 visitors. This represents approximately 68.3% of total international arrivals during the same period in 2019.

Supply growth backed by an uptick of new serviced apartments

- The hotel pipeline is expected to ramp up in 2023, with a total of 1,706 rooms expected to enter the market this year, representing a 2.7% y-o-y growth. Between 2023 and 2025, hotel supply is projected to grow at an annual rate of 2.6%.
- The majority of new supply that is slated to open in 2023–2024 is in the Midscale to Upscale segment, and 41% of the supply comprises serviced apartments from brands such as Ascott, Somerset, Citadines and PARKROYAL.

RevPAR exceeds pre-pandemic levels

- Jakarta hotel markets across all segments have seen a significant growth in trading performance in 2023, which has not only recovered but exceeded pre-pandemic levels.
- Compared to 2019, both the Luxury and Upscale markets grew in revenue per available room (RevPAR) as at YTD June 2023, by 10% and 27% respectively. This was mainly attributed to an uptick in ADR after all pandemic restrictions were lifted in December 2022, which reignited corporate and leisure demand. Domestic demand has remained robust as well, supporting overall trading performance.

Outlook: A full-fledged recovery of the market is anticipated

- The 2024 Indonesian general election should further boost corporate demand in the near term as more meetings are expected to be held in the capital. Hence, we foresee an uptick in occupancy leading up to the election as hotels capitalise on the spillover demand from political activities.
- Looking ahead, we expect the trading performance to continue improving on the back of an expected ramping up of Mainland Chinese outbound tourism. Trading performance is expected to maintain an elevated level in 2023 and early 2024.

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

Kuala Lumpur

"Recovery of trading performance supported by domestic leisure and corporate demand."

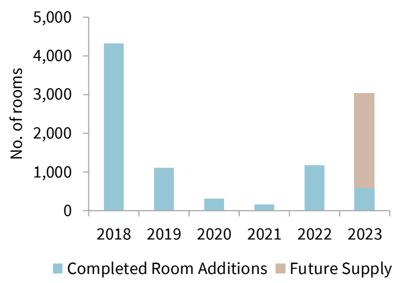
Nihat Ercan
CEO - Hotels & Hospitality Group, Asia Pacific

RevPAR Growth Y-O-Y
100.0%

YTD RevPAR
June
MYR 391

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

Robust domestic demand amidst international demand recovery

- According to Malaysia Tourism Data, Malaysia welcomed about 4.4 million international visitors as of YTD March 2023. However, this only represents approximately 66% of visitor arrivals over the same period in 2019, indicating that a full recovery may take more time to materialise.
- Top source markets as of YTD March 2023 include Singapore, Indonesia, Thailand, Brunei and Mainland China. While most of the top source market arrivals remain shy of what was recorded in the same period in 2019, arrivals from the Philippines and the US have exceeded pre-pandemic levels.

Uptick in supply growth in the short to medium term

- Hotel room inventory in Kuala Lumpur is expected to grow 18% between 2023 and 2025, assuming all proposed projects materialise. Many owners, such the JW Marriott KL and the Ritz-Carlton KL, have also re-invested in their hotels over the past two years, which has changed the quality of hotel inventory in the market.
- Notable openings as of June 2023 include the 117-room Lyf Raja Chulan Kuala Lumpur and the 238-room INNSiDE by Melia Kuala Lumpur Cheras. Some projects slated to open by mid-2023 have been postponed to the second half of the year.

State elections in 2023 drives strong trading performance

- As of YTD June 2023, RevPAR has grown 100.0% y-o-y from MYR 195 to MYR 391, albeit on a lower base than 2022. This is mainly attributed to an uptick in occupancy, which rose 27.4 ppts from last year.
- Despite the absence of top leisure source markets, hotel trading performance has recovered to pre-pandemic levels by June 2023. RevPAR as of YTD June 2023 was only 1% lower than YTD June 2019, as ADR exceeded 2019 levels. This was mainly attributed to strong domestic corporate and leisure demand ahead of the 2023 state elections.

Outlook: All eyes on Chinese outbound tourism for 2H23

- Weighed down by slower global economic growth, Kuala Lumpur continues to anticipate pent-up leisure demand from the return of Chinese tourists to mitigate slowing corporate demand from around the region.
- Malaysian authorities are pushing to resolve issues linked to visa approvals and flight connectivity in order to boost tourism arrivals. Furthermore, the tourism ministry has signed agreements with two Chinese tour agencies to bring in tourists from China.

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

Sydney

"Trading performance continues to recover with RevPAR above pre-COVID-19 levels."

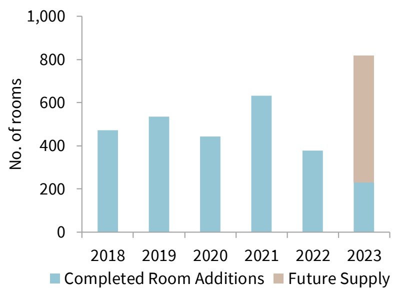
Anthony Corbett
Managing Director - Head of Hotels & Hospitality, Valuations Advisory, Australia

RevPAR Growth Y-O-Y
58.9%

YTD RevPAR
June
AUD 229

Stage in RevPAR Cycle
RevPAR Rising

Major Additions to Hotel Supply



Source: Industry sources, JLL

MICE and corporate demand continues to steadily recover

- Demand continues to be largely led by the domestic leisure segment, with room night demand, average daily rate (ADR) and occupancy peaking in the lead up to, and during, numerous major events on the calendar, such as World Pride and Vivid Sydney. Additionally, the steady recovery in corporate/MICE demand and international arrivals has supported strong demand growth over the quarter.
- Occupancy as at YTD June 2023 improved to 75.2%, versus 52.4% for the same period last year. Despite this, market occupancy continues to be below pre-pandemic levels, illustrated by a pre-COVID-19 occupancy rate of 85.9% for the same period in 2019.

No new hotels opens over the quarter

- A total of 352 rooms opened in the 12 months to June 2023, representing 1.6% of total room stock. These included the 192-room Capella Sydney, a 38-room boutique hotel, 202 Elizabeth (formally The Clancy) and the 122-room Porter House Hotel Sydney – MGallery.
- Six new hotels are currently under construction in Sydney CBD and surrounding fringe suburbs, representing a net increase of 1,441 rooms or 6.4% on existing stock. Future development activity is expected to be relatively constrained over the near term, given feasibility challenges, rising interest rates, increasing construction costs and the availability of development finance.

Uplift in occupancy and elevated ADRs supporting RevPAR

- As at YTD June 2023, revenue per available room (RevPAR) increased to sit at AUD 229, which represents a 59% increase from the previous year, and has now recovered to be 6% above pre-COVID-19 levels (YTD June 2019). This recovery has been supported by elevated ADR levels and a strong recovery in market occupancy (44% y-o-y), however despite this, occupancy remains 12% down on pre-COVID-19 levels.
- Sydney has recorded the strongest investment volumes of any city across the country over the past 18 months to June 2023, with in excess of AUD 1.6 billion of transactions settling (across ten deals). This includes the significant landmark transaction of the future Waldorf Astoria Sydney for a reported AUD 520 million, which is currently under construction and scheduled to open in 2026.

Outlook: Despite headwinds, market recovery anticipated to continue

- We are seeing increasing pressure on the domestic leisure segment, as interest rate rises curb consumers discretionary spending and the pick-up in outbound travel continues. Despite this, Sydney is set to benefit from a significant events calendar, steady recovery of business travel and corporate/MICE segments, as well as the continued rebound in international visitor arrivals.
- Investment appetite in Sydney continues to remain strong, but highly selective, with a clear trend of 'flight to quality' occurring. Transaction activity is predominately targeting aspirational assets, be that trophy or strategic, and non-performing assets with genuine value-add and upside potential, be that through refurbishment, repositioning, or redevelopment.

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

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