

BY GOVINDA SINGH

LAYING OUT THE WELCOME MAT

As tourist arrivals rise, operators are focusing on driving room rates and hotels are reporting higher RevPAR for 2018

THINGS are starting to look up for the Singapore hotel sector again. Tourist arrivals have improved – as did tourism receipts – and room occupancies have remained healthy amid the relatively tight room supply in the city-state. Thus, with operators focusing on driving room rates, trading performance has also been strong with hotels reporting higher revenue per available room (RevPAR) in 2018. Simply put, the pieces are clicking into place.

The brighter prospects in the tourism sector are no doubt driven by Singapore's efforts to position the country as a destination of choice, by hosting high profile events and developing world-class attractions. In addition, there have been a few "side-shows", if you would, that contributed to the heightened interest in Singapore: the inaugural Trump-Kim summit in June 2018 and the successful film *Crazy Rich Asians* – both of which boosted Singapore's profile on the world stage.

ROSY PATCH FOR SINGAPORE TOURISM

Singapore posted record highs for international visitor arrivals and tourism spending for the third consecutive year in 2018. According to

the Singapore Tourism Board (STB), international arrivals to Singapore were up 6.2 per cent on the previous year at 18.5 million visitors, while tourism receipts grew by one per cent to S\$27.1 billion.

Additionally, the number of visitor days – which is what really matters to hotels – rose by 4.8 per cent year-on-year (y-o-y) in 2018, suggesting a slight increase in the length of stay to 3.38 days in 2018 versus 3.33 days in 2017. Against this backdrop, Singapore hotels booked a bumper year, achieving a 2.4 per cent y-o-y rise in RevPAR in 2018.

Data from consulting firm STR – which provides statistics and benchmarking data for the hospitality sector – showed that the best performing segments were luxury and economy hotels with RevPAR increases of over 4 per cent respectively. This demonstrates Singapore's broad appeal to both high-end and value-conscious travellers.

INVESTORS CIRCLING AROUND HOTEL ASSETS

This string of positive numbers is not lost on investors, particularly as interest shifts from the residential property sector following the implementation of more punitive cooling measures in July 2018.

According to Colliers Research, the hospitality sector in Singapore booked its strongest sales volume in four years at S\$1.2 billion in 2018, following a surge in investment in Q4 2018, boosted by deals – Golden Wall Centre and Waterloo Apartment – where the investors had decided to redevelop residential and commercial properties for hotel use. It is likely that this growth momentum will continue in 2019.

That said, the recent twist in the tale, specifically the sharp hike in development charge rates for the hotel sector, could potentially weigh on hotel development activities. We believe that this could well dampen new hotel developments, and focus developers' minds on the mid-scale and lower segments where development costs are low, and operating margins high. In addition, we believe that these measures could also continue to drive existing values higher, with high investor interest chasing few assets.

2019: PROSPECTS STILL BRIGHT, BUT HEADWINDS PREVAIL

In 2019, Colliers expects that Singapore should continue to witness robust levels of visitation, driven by new attractions such as Jewel at Changi Airport. This, coupled with a very low new hotel supply pipeline, should give hoteliers some breathing space. Colliers forecasts RevPAR growth to be 1-3 per cent this year, but headwinds prevail.

Challenges facing the hotel sector this year will be quite similar to that of 2018. These include the strengthening of the Singapore dollar,



▲ NEW CONCEPT

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the uncertainty in the global economic outlook amid the trade dispute between China and the US, as well as the continued shortage of labour in a sector heavily reliant on interpersonal relationships, particularly for luxury hotels.

Given the uncertain global outlook, visitation could slow as business and consumer confidence wanes. Other challenges for the sector will be how quickly it can adopt technology to address the reduction in the number of foreign workers over the next few years while boosting employment interest in the sector for locals.

CO-LIVING: A DISRUPTOR NOT TO BE IGNORED

Like many industries, the pervasive reach of technology and rise of the sharing economy have washed over the hospitality sector. Among the key trends, the concept of co-living – which is already starting to take off – should be watched closely.

However, we believe co-living may have a larger impact on serviced apartments and longer-stay offerings including the private residential market. This may well force existing serviced apartment owners to refurbish their property in order to stay relevant and compete with these new concepts.

That said, care would have to be taken to not alienate existing clients, and indeed a response to this by operators

has been to create new hospitality concepts to satisfy this market. For instance, CapitaLand rolled out lyf by Ascott which is targeted at millennials and visitors who favour networking and community living experience.

HOTEL TECHNOLOGY

The hotel market is highly competitive, and hotel operators are constantly looking for new and cutting-edge ways to attract and retain hotel guests, particularly with the new era of visitors coming into the market. These visitors are highly mobile, always connected, and expect to be able to use technology to seamlessly interact with products and services.

Some examples of disruptive technology in the hotel industry include artificial intelligence, data-driven personalisation, augmented and virtual reality, blockchain, Internet of Things, as well as robotics. However, going high tech does not necessarily mean low touch as guests will invariably still seek some “human element” of service, especially at the top end of the market. Hoteliers will therefore have to find the right balance in this brave new world of technology in hospitality. ■

The writer is executive director of valuation and advisory services, Colliers International