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V-shaped recovery expected for Asia Pacific hotels, with a return to 2019 levels expected in 2023

- *Recovery dependent on success of mass vaccinations in Europe and the United States*
- *Melbourne expected to benefit from domestic demand in the near term, although new supply may dampen performance*
- *Singapore hotels to remain attractive to investors, with the outlook remaining positive and pricing firm*
- *New supply and restrictions for casino gaming, together with planned new supply across Asia will remain downside risks to the recovery over the long term*
- *Investment volumes remain low compared to 2019 levels, but is expected to start recovering around Q3 2021*

HONG KONG, 24 FEBRUARY 2020 – Leading diversified professional services and investment management company Colliers International today released the [Hotel Insights Q1 2021](#) report, a quarterly digest of key trends in the Asia Pacific hospitality sector.

Govinda Singh, Executive Director, Head of Hotels & Leisure, Asia, commented: “The global economic outlook is expected to improve by H2 2021, with travel to rebound over the next three years to at least pre-COVID-19 levels. We anticipate some caution in the near term as borders reopen and the mechanism to facilitate mass travel is formalised between governments; nevertheless, we are of the opinion that travel will return. There will be changes and more emphasis on factors such as hygiene, but our inherent wanderlust, relatively cheap cost of travel and pent-up demand will drive our prediction of a V-shaped recovery for the sector over the next three to four years.”

New hotel supply in Melbourne could affect existing hotels’ ability to recover

In 2019, Melbourne hotels performed at high levels, recording year-round occupancy levels of 84.2%. In 2020, however, in line with the rest of Australia, performance was affected by COVID-19, with hotels operating at half the occupancy levels of the previous year’s figures and demand predominantly from those undertaking the mandatory quarantine period in hotels and a small proportion of intrastate leisure demand. The extent of new supply to enter the market in 2021 is anticipated to affect existing hotels’ ability to recover. Melbourne city currently has the largest hotel development pipeline in Australia, with 19 hotels currently under construction totaling over 4,800 new rooms (11 hotels of which are due to open in 2021). This is in a current market of 130 hotels with approximately 19,600 rooms. Hotel projects under construction that are scheduled to proceed include the Ritz Carlton, Shangri-La and Next Melbourne.

Gus Moors, Head of Hotels, Valuation & Advisory Services, Australia, commented: “Melbourne has a great track record of absorbing supply in the past, and its strong event calendar, excellent domestic demand profile and extensive infrastructure projects position the city to emerge strongly as the economic recovery takes hold.”

Resumption of MICE activities pave a way for Singapore hotels

The Singapore government has been actively promoting various tourism initiatives that should drive visitation in 2021, including the business travel lane, which allows corporate and diplomatic travelers to skip quarantine on arrival, and the launch of the “Air Travel Pass Program,” which allows leisure tourists to apply for travel to Singapore without undergoing

the 14-day quarantine period. In addition, the World Economic Forum recently announced its plan to host its annual meeting in Singapore in August 2021, which would be a boost to Singapore's MICE and hospitality sector. Colliers expects investment interest in Singapore hospitality assets to remain, underpinned by sound hotel fundamentals. Planned new attractions and infrastructure projects scheduled between 2021 and 2030 – including the expansion of the two integrated resorts and Great Southern Waterfront– bode well for future visitation and, combined with the relatively low level of new room supply anticipated over the near term, this should continue to underpin hotel fundamentals over the medium term. Hotel projects expected to proceed include Pullman Singapore, Banyan Tree Mandai, Artyzen Cuscaden, Mondrian Duxton Hill and Club Street.

Markets with large domestic investment bases continue to have an advantage

While green lanes for business travel are slowly emerging, investors are still on the lookout for high-value quality assets, with significant pricing adjustments making listed entities prime targets for M&A opportunities. The most liquid markets were South Korea, China, and Japan, while markets such as Singapore and Malaysia saw little investment sales during the quarter. With international travel restrictions in place, markets with large domestic investment bases continue to have an advantage during times of challenged cross-border investment, as Tokyo and Seoul maintain their top positions. Colliers expects investment activity to gain pace in the coming months as investors move to take advantage of any opportunities that will emerge, although cautious sentiment and stricter underwriting remain key given the evolving COVID-19 situation, coupled with economic volatility and uncertainty.

Recovery of casino gaming to be led by markets with high local visitation

The land-based casino industry was one of the most hard-hit sectors globally. Recovery in 2021 will vary across Asian destinations, although all should witness some recovery, with most from Q3 2021. Colliers expects Macau and Cambodia to lead the way, with Singapore, the Philippines and Vietnam lagging behind. Gaming markets with high local visitation will lead the recovery. Premium mass will drive the recovery in Macau, whilst the VIP segment will lead Cambodia's. As governments across the region grapple with the effects of COVID-19, it is no surprise that many are turning to integrated resorts to generate revenue and employment, a trend that is expected to continue. Once not thinkable, even Thailand is considering development of a gaming sector.

Click here to download the [Hotel Insights Q1 2021](#) report.

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