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Singapore hotel market poised for growth

Despite the steady supply of hotels in the pipeline that will continue to put pressure on occupancy and ADR, hotel performance is likely to improve.

Benefiting from its position as a global and regional transit hub, Singapore has a well-developed tourism market with great tourism infrastructure, an efficient transport network and extensive choice of accommodation, all of which make Singapore’s hotel market as competitive as regional rival Hong Kong.

In the past decade, arrivals have grown at a cumulative average of 6%; however, this average has been fuelled by abnormal growth from 2009 to 2013 by a succession of new, high-profile events and opening of attractions, including:

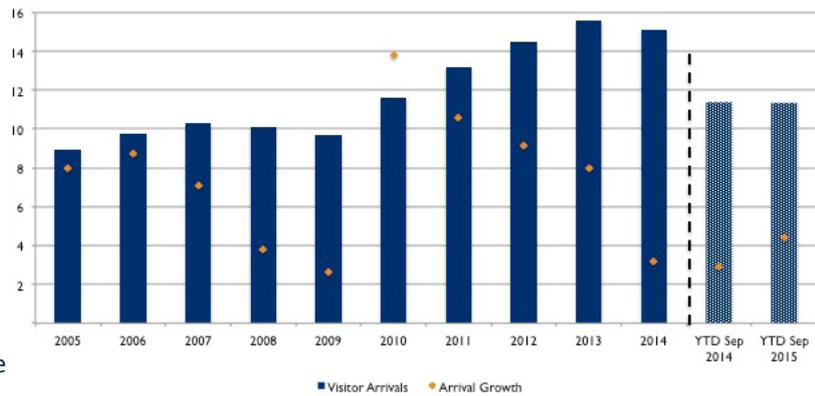
- the Formula 1 Singapore Grand Prix (2008);
- two Integrated Resorts (2010);
- Universal Studios (2011);
- Gardens by the Bay (2012); and
- Marina Bay Cruise Terminal (2012).

After achieving a record high of 15.6 million visitors in 2013, Singapore saw a decrease of 3.1% in arrivals in 2014 (about 15.1 million total visitors), according to the Singapore Tourism Board. This drop was caused by the number of declining visitors from the top four markets—Indonesia, China, Malaysia and Australia.

The tourism sector continued to face headwinds in the first quarter of 2015, primarily due to the appreciation of the Singapore dollar, which affected the affordability of regional travel, together with the decline in travel following several high-profile air travel disasters.

However, the country has started to see some positive signs with international arrivals registering growth from May 2015 onward. As of year-to-date September 2015, Singapore welcomed approximately 11.4 million visitors, representing only a 0.3% decline year over year, according to the Singapore Tourism Board.

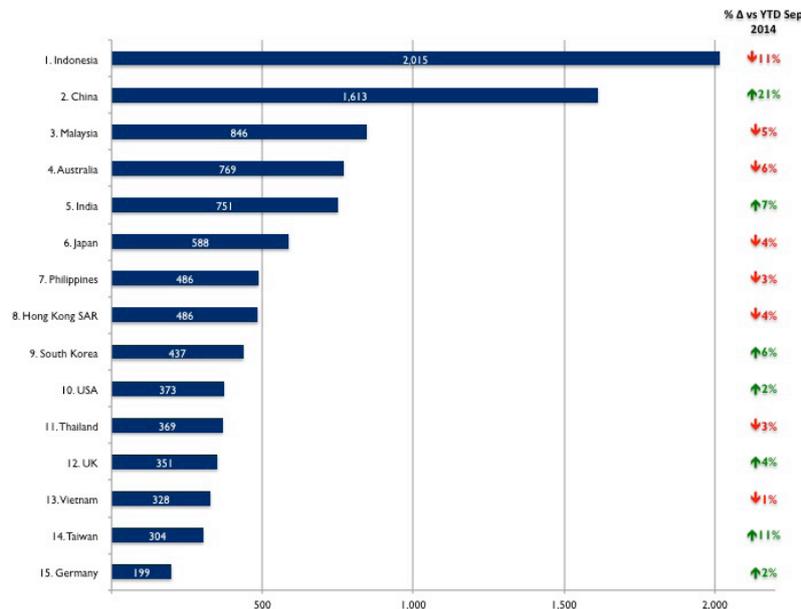
Singapore Tourist Arrivals, 2005 – YTD September 2015



Source: Singapore Tourism Board

The top five source markets represented approximately 53% in year-to-date arrivals as of September 2015, with Indonesia being the largest source market, followed by China and Malaysia. Since the second quarter of 2015, arrivals from China have quickly recovered, as visitor numbers rose 21.1% year over year to as of year-to-date September 2015 and the number is expected to improve further. Singapore also registered growth in tourist arrivals from other Asian markets, including India, Taiwan and South Korea.

International visitor arrivals, Top 15 markets, YTD September 2015



Source: Singapore Tourism Board

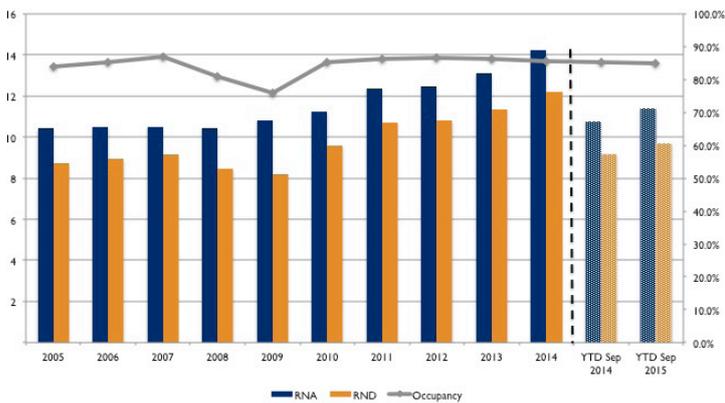
Hotel market overview

Despite low arrival volume, overall roomnight demand from January to September 2015 increased 5.6% year over year, according to the Singapore Tourism Board. Tourism receipts remained comparable to the previous year at a steady 23.8 billion Singapore dollars (\$16.9 billion), suggesting visitors stayed longer and spent more during their stays.

In 2015, the Singapore Tourism Board recorded approximately 11.4 million roomnights available as of September 2015, a 6.5% increase over 2014. Hotels located in suburban areas contributed most of the new additions, including the 162-room Aqueen Paya Lebar, the 557-room Genting Hotel Jurong and the 442-room Park Hotel Alexandra. Only a few new properties opened in downtown Singapore, including The South Beach, which has 654 rooms, and the 488-room Hotel Chancellor@ Orchard.

Market-wide occupancy remained stagnant year over year at 85%, according to the Singapore Tourism Board. However, revenue per available room fell 5.8% as a result of overall average daily rate dropping from SG\$259 to SG\$246 (\$184.26 to \$175.01).

Singapore hotel roomnights: Supply, demand and occupancy, 2005-YTD September 2015

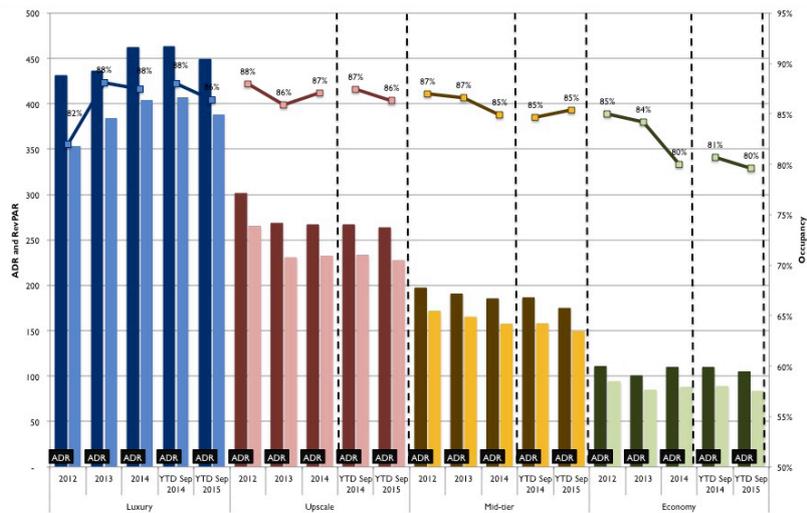


Source: Singapore Tourism Board

Despite the biggest year-over-year drop in occupancy at 1.6%, Singapore's luxury hotels continued to enjoy the highest occupancy rate at 86.4 percent, showing that demand of high-end accommodation remains resilient.

Since September, the mid-tier segment was the only segment to record growth, as year-to-date occupancy rose 0.7% when compared to 2014. In light of appreciating Singapore dollar, tourists have become more price-sensitive, thus increasing demand for lower tier hotels. Meanwhile, economy hotels have seen a distinct drop in occupancy due to supply increase and sharp decrease in budget regional travel.

Performance by hotel positioning segments, 2012-YTD September 2015



Source: Singapore Tourism Board

Outlook

Compared to the Singapore Tourism Board's previous target of 17 million visitors, the government expects between 15.1 million and 15.5 million visitors, which would be between 0% to 3% growth over 2014. The change in forecast is primarily due to weaker than expected performance in 2014 and a more challenging environment given heightened competition from other tourism markets.

Despite the steady supply of hotels in the pipeline that will continue to put pressure on occupancy and ADR, hotel performance is likely to improve in the short term and long term, given that Singapore remains a key commercial and financial hub.

As the Singapore Tourism Board continues to promote Singapore actively, the government and private sector

invest in the development of infrastructure and attractions to keep Singapore a lively and attractive destination for both leisure and business travelers. Standing in forefront of Singapore's tourism growth is the meetings, incentives, conventions and exhibitions industry with world-class venues that continue to attract a variety of professional and recreational events. The opening of the new Sports Hub stadium and National Gallery art museum offers opportunity to host a variety of concerts, sporting events and exhibitions.

However, many limitations pose genuine threats to the future of Singapore's tourism industry, such as limited manpower resources and growth in regional competition. While staffing is an ongoing issue, the recent changes in labor laws have made it even more difficult to overcome the manpower shortage in the service industry. Furthermore, the cost of accommodation, travel, food and entertainment in Singapore is among the highest in the region. Regional competition for tourism is likely to increase in coming years as other destinations offer increasingly improved tourist experiences, international connectivity and value.

WRITTEN BY:**MINH HO**
ConsultantHorwath HTL Asia Pacific
email: mho@horwathhtl.com

Minh Ho is a consultant at Horwath HTL Asia/Pacific. Her areas of specialty in HHTL include conducting feasibility studies involving primary market research, competitive market analysis, facilities recommendations, site analysis and financial projections for potential hotel and resort developments in Asian countries.

HORWATH HTL ASIA PACIFIC15 Scotts Road, #08-10/11 Thong Teck Building
228218 Singapore
Singapore
+65 67 351 886
www.horwathhtl.asia



Hotel, Tourism and Leisure

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ischweder@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
rdewit@horwathhtl.com

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

DAKAR, SENEGAL
bmontagnier@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BELGRADE, SERBIA
slovreta@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

FRANKFURT, GERMANY
frankfurt@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LIMASSOL, CYPRUS
cmichaelides@horwathhtl.com

LONDON, UK
ehenberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbac@horwathhtl.com

SALZBURG, AUSTRIA
austria@horwathhtl.com

WARSAW, POLAND
dfutoma@horwathhtl.com

ZAGREB, CROATIA
scizmar@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mcarrizo@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
speralta@horwathhtl.com

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
pbreslin@horwathhtl.com

CHICAGO, USA
tmandigo@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

MIAMI, USA
acohan@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
pbreslin@horwathhtl.com

TORONTO, CANADA
pgaudet@horwathhtl.com