

Singapore Market Outlook 2008

The Singapore hotel market has shown dynamic growth patterns in the past 3 years. With the fast-paced developments, we prepared an analysis of the key hotel performance indicators, new supply and outlook in the Singapore Market Outlook 2008.



The hotel industry changes constantly and industry professionals may from time to time find it challenging to keep up with the ongoing developments.

At HVS we endeavour to provide our industry colleagues with the most updated information on the different hotel markets, to facilitate the task of hotel investors, developers and operators. We therefore present the Singapore Market Outlook 2008.

In this report, we have conducted an analysis of the Singapore hotel market:

- ? Visitor Arrivals;
- ? Hotel Market;
- ? New Supply; and
- ? Market Outlook.

We hope that you will find this information helpful. Should you require any further information or if HVS can be of any assistance, please do not hesitate to contact us.

Yours sincerely,

HVS Singapore

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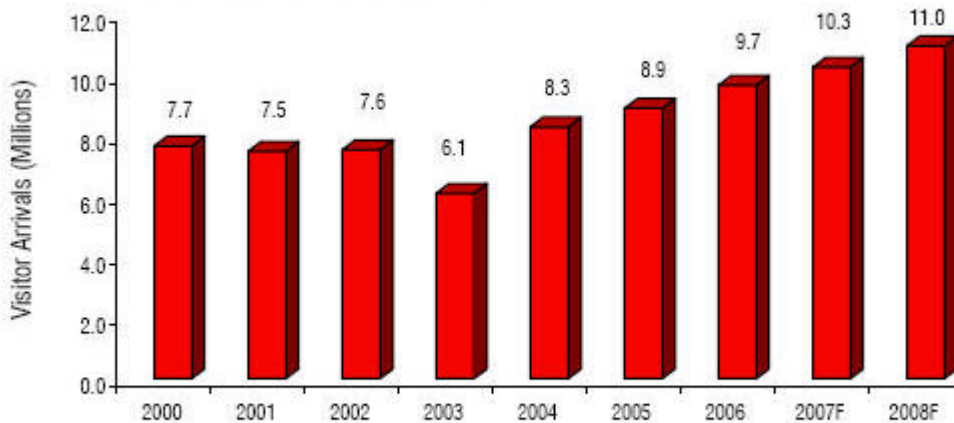
Managing Director, Asia

Visitor Arrivals

2007 has been a record-breaking year for Singapore in terms of tourism and visitor arrivals as the island continues to ride on the momentum brought over from 2006.

According to the latest statistics released by the Singapore Tourism Board (STB), Singapore received 9.3 million for the first eleven months of this year, representing a 5.4% increase over the same period in 2006. Over this period, we have witnessed monthly visitor arrivals hitting all-time highs for their respective months which include the record 837,000 visitors in November and 911,000 visitors in October. The total visitor arrivals for 2007 are expected to reach 10.3 million, representing a 6% growth from 2006. The growth is forecast to maintain and hit a record high of 11 million by 2008.

Table 1-1 Visitor Arrivals, Singapore, 2000–2009F



Source: Singapore Tourism Board

The robust performance of the tourism industry was also reflected in the aviation sector which saw Singapore Changi Airport setting a new record of 4,300 weekly scheduled flights in the northern winter season which commenced on 28 October 2007. This represents an increase of more than 100 weekly flights from the northern summer season which ran from 25 March to 27 October 2007. The surge could be attributed to the growing demand from both India and China which resulted in more flights connecting to cities such as Shanghai, Chennai and Hangzhou. Additional flights have also been introduced to Perth, Brisbane and Auckland. Currently, there are 83 airlines connecting Singapore to 189 cities in 60 countries.

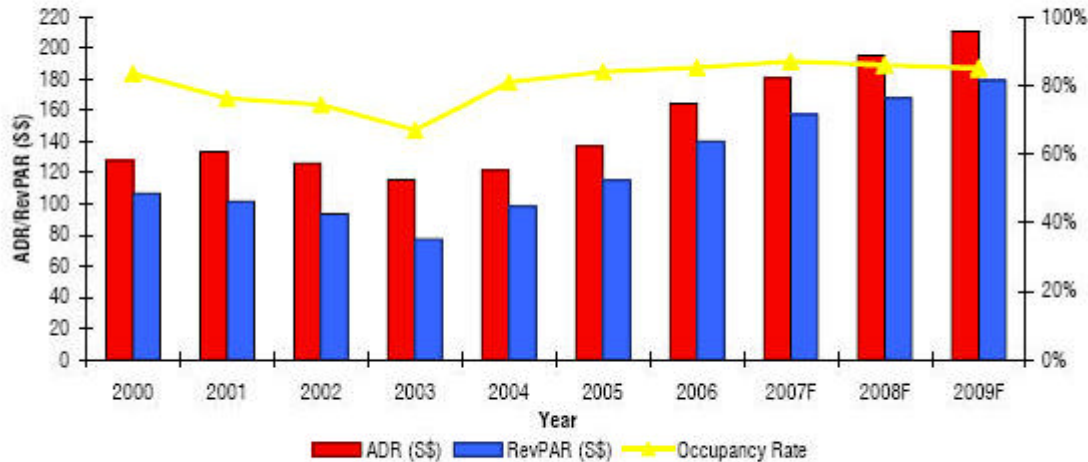
The key feeder markets contributing to this growth in visitor arrivals continue to be dominated by Indonesia, China, India, Australia and Malaysia. In addition, countries such as Vietnam and Russia have emerged as the markets to watch. Vietnam was one of the countries that registered the highest growth in visitor arrivals and industry experts believe that Vietnam's rapid economic growth will provide the impetus for further growth. Similarly, the Russians have been identified as a group with significant spending power and its arrivals grew by 21% over the first ten months of 2007 as compared to the same period last year. Together with the Middle East, the STB has targeted to grow visitor arrivals from these three emerging markets.

Hotel Market

As a result of the boom in visitor arrivals, the performance of the local hotels has hit unprecedented levels in 2007. November's average hotel room rate of S\$226 was the highest ever achieved and the previous highest of S\$219 was set only the month before in October. These figures translate into an all-time record of S\$178.4 million generated in hotel room revenue for October which soared above the previous peak in 1995. The strong performances for the second half of 2007 were carried over from the first half where the Singapore hotel market demonstrated bullish results. According to STB, hotels recorded a RevPAR (revenue per available room) of approximately S\$166 in the first half of 2007 which represented a 24% increase over the same period last year. This was attributable mainly to a 19.5% growth in average daily rate (SS\$192) and a 3.2-percentage-point increase in occupancy rates (86.3%) across all hotel categories.

Moving forward, marketwide occupancy is expected to record 87% by end 2007 and slightly tapered to 85% by 2009 due to the large number of rooms coming into the market within the next two years. On the other hand, average daily rates (ADR) are likely to carry on its momentum and bring over its strong growth from 2007 into the near future. ADR is forecast to record close to S\$200 and S\$220 for 2008 and 2009 respectively and revenue per available room (RevPAR) will grow in tandem with the bullish ADR.

Table 1-2 Hotel Market Performance, Singapore, 2000–2009F



Source: Singapore Tourism Board and HVS Research

The 299-room six-star St Regis Hotel along Tanglin Road soft opened on 22 December 2007 and a further 1,700 rooms are expected to be added next year. Some of the hotels include the 307-room Crowne Plaza Changi Airport Hotel, Capella Singapore with 193 rooms and the 118-room Mövenpick Treasure Resort. The addition of these hotels should relieve the shortage in hotel supply so severe that even hotels in outlying areas such as Geylang was utilised by travel agents. According to

market reports, the demand and introduction of more international hotel brands will support the hotels' raise in their room rates which have been undervalued for some time when compared to other markets in Asia including Hong Kong, Shanghai and Tokyo.

Furthermore, ten hotel sites will be made available in 2008 to cater to the growing demand. There are three new sites in the Government Land Sales (GLS) programme while seven will be carried over from 2007. These new sites can provide approximately 4,675 rooms and they will be launched throughout the course of the year.

Market Outlook

The STB has identified tourism to remain a key economic pillar by tripling tourism receipts to S\$30 billion, doubling visitor arrivals to 17 million, and creating an additional 100,000 jobs in the service sector by 2015. These targets are expected to drive future initiatives and catapult growth in the tourism industry over the next 10 years, catalysed by a S\$2 billion Tourism Development Fund.

The STB's targets appear to be well on track given the optimism generated from the tourism industry. Moving ahead, in face of the rising challenge from other gateway cities in Asia, Singapore has lined up a series of new initiatives and infrastructure to further boost its tourism appeal.

The Singapore Changi Airport Terminal 3 is on schedule to commence operations from January 2008 and it will strengthen the passenger handling capacity. With the addition of Terminal 3, the passenger capacity of Singapore Changi Airport will increase by 45% to 64 million passengers per annum. This project forms a cornerstone of STB's Tourism 2015 Masterplan in developing critical infrastructure to support tourism growth.

With regard to developing strategic tourism products, the MICE segment has been identified as a potential growth area. The successful conclusion of the IMF/ World Bank meetings in October 2006 and ASEAN Conference in November 2007 has put Singapore on the map as a conducive destination for large-scale meetings and conferences. The addition of the two integrated resorts as well as the sustained marketing efforts by STB is expected to increase the city-state's stature as an attractive option for the MICE segment.

In terms of STB's efforts to anchor iconic and major events, the Singapore Flyer and the first Formula One night race to be held in September will reinstate Singapore's position as an internationally acclaimed destination. A 30-ha nature-themed attraction in Mandai to be released for development in 2008 will also allow Singapore to tap into the global demand for nature tourism. Coupled with the completion of the Marina Bay Sands and Resorts World in 2009 and 2010, respectively, and its firm economic fundamentals, Singapore is well-poised to maintain its strong growth in its visitor arrivals and in meeting the targeted 17 million arrivals by 2015.

By David Ling

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