



Hotel Sentiment Survey 2020

(Impact of COVID-19)

March 2020
Singapore

1.1 INTRODUCTION

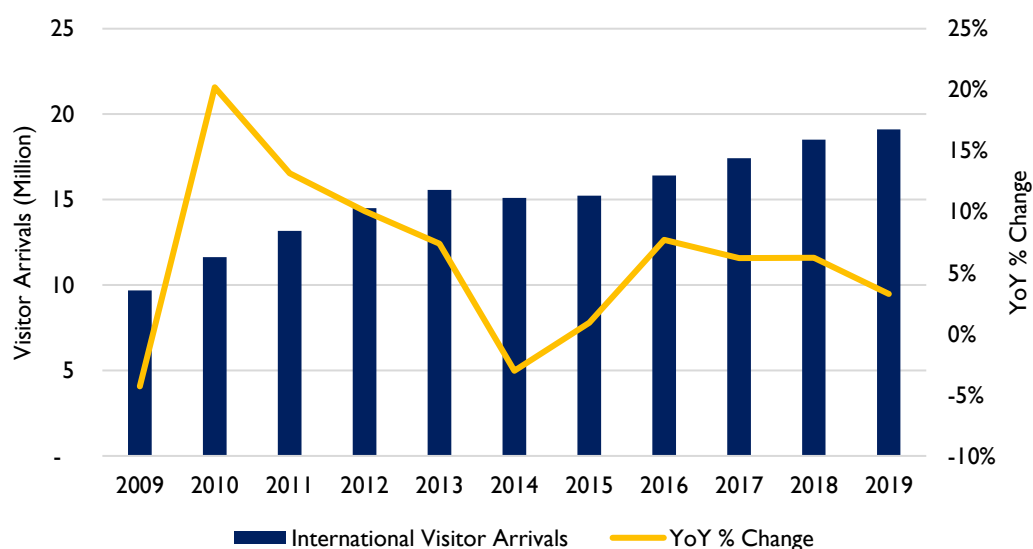
As newsreels around the world report on the unprecedented virus crisis we are facing, the tourism industry is being hit perhaps the hardest. Countries have successively jumped on the bandwagon of imposing travel restrictions and border closures to stem the spread of COVID-19, resultantly pulling travel demand to an abrupt halt, with major airlines such as Singapore Airlines, Cathay Pacific, Emirates, Qantas, etc. having effectively ceased all carriage notwithstanding repatriation needs.

Singapore, as a major transport hub in Asia and having an extensive foreign labour force, was one of the earliest countries to report its first case of transmission on 23 Jan 2020. In a short 2 months since, the country has shut its borders to all short-term visitors seeking to either enter or transit through Singapore, a drastic measure for a country that relies heavily on trade and tourism. With this, the local tourism industry has been thrown into complete disarray as demand evaporates.

Thus, Horwath HTL in conjunction with Singapore Hotel Association has conceived this sentiment survey as a hotel industry level gauge of the impact received by hotels in Singapore, to understand some of the mitigating measures applied to limit the fallout, and as a quick assessment of future market predictions. We hope it would provide Singapore's hotel industry with some insights and indications as we navigate through this uncertainty together.

1.2 QUICK RECAP

Singapore Historical International Visitor Arrivals



Source: Singapore Tourism Board

Within the past decade, International Visitor Arrivals (IVA) to Singapore has grown strongly at a Compound Annual Average Growth (CAAG) rate of 7 percent, driving IVA from 9.7 million in 2009 to 19.1 million in 2019.

Through this period, there has only been two instances of contraction – 2009’s Global Financial Crisis (GFC) and 2014’s Malaysian Airline’s twin tragedies, but all were short-lived, testament to the market’s resilience in overcoming adversities assisted by proactive intervention by Singapore Tourism Board (STB) to drive demand.

Singapore Top 10 Nationality Segmentation 2019

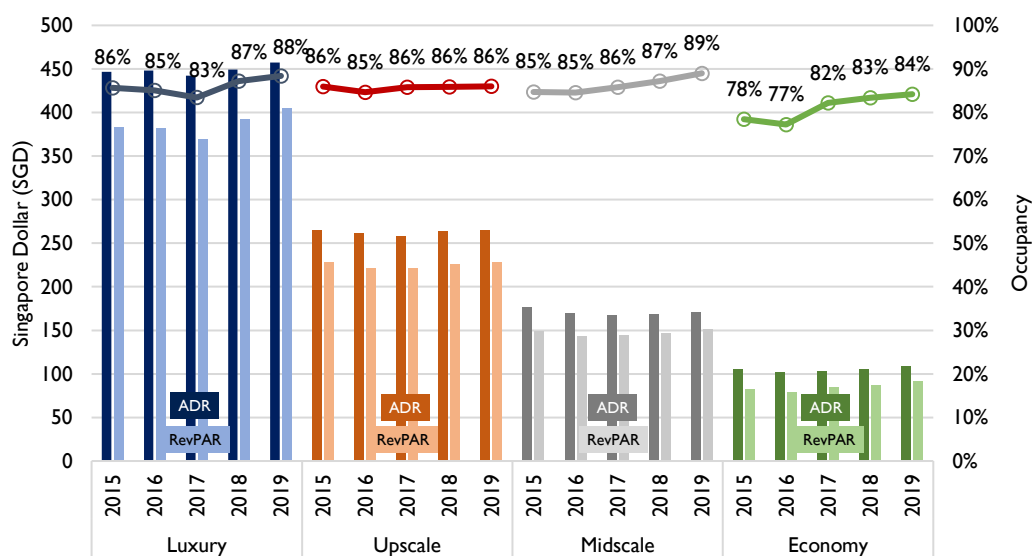
Rank	Country	Number	Contribution
1	China	3,626,766	19%
2	Indonesia	3,110,155	16%
3	India	1,417,825	7%
4	Malaysia	1,220,277	6%
5	Australia	1,143,231	6%
6	Japan	884,221	5%
7	Philippines	829,242	4%
8	USA	729,067	4%
9	South Korea	645,740	3%
10	UK	607,758	3%

Source: Singapore Tourism Board

Yet, the trouble we face now is significantly more complicated. Before, there was a lack of willingness to travel due to economic uncertainty during the GFC or fear of travelling in the case of the Malaysian airline’s twin tragedies. Today, we have a combination of both economic uncertainty and fear of transmission, in addition a third complication relating to the inability to travel due to border controls.

Analyzing the top 10 nationalities that visited Singapore in 2019, four countries are high on the leaderboard for total number of transmissions and seven have imposed border restrictions to curb the spread of COVID-19. Removing these countries from the demand pool for 2020, STB opined a 25 to 30 percent reduction in IVAs this year. This is a greater decrease than the 19 percent decline in 2003 resulting from the Severe Acute Respiratory Syndrome (SARS) outbreak.

Singapore Historical Hotel Market Performance by Segment

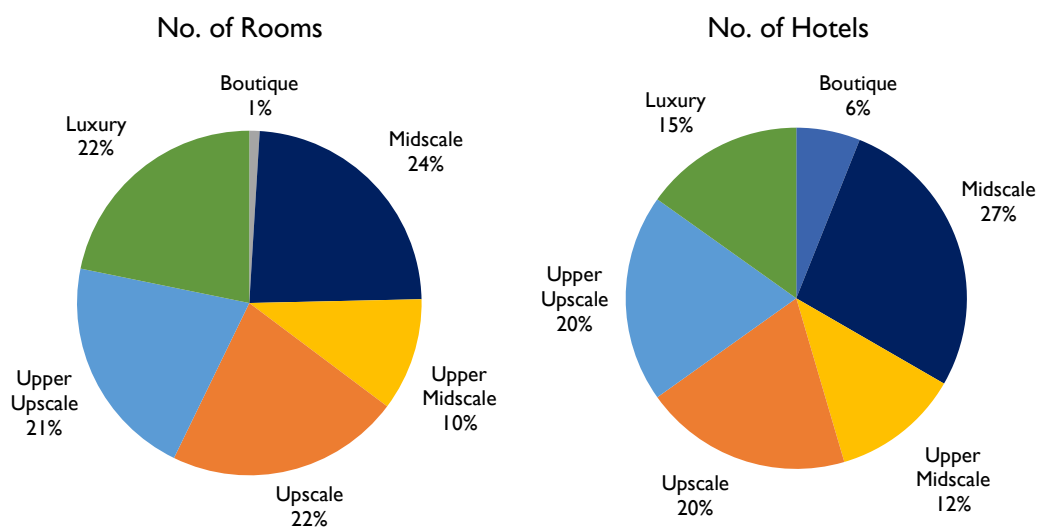


Source: Singapore Tourism Board

Ultimately, Singapore’s tourism industry’s performance for the near future comes down to how long the outbreak will last and whether there are long-term economic drawbacks, the duration and extensiveness of border controls to manage transmission rates, and the speed of rebound in travel demand. Hopefully, with proper coordination amongst industry peers and the government, hotel performance levels can quickly rebound to 2019’s historical high occupancy of 87 percent and Average Room Rate (ARR) of SGD 221 once this surmountable challenge passes.

2.1 DIVERSITY OF RESPONDENTS

Diversity of Respondents



Classification	No. of Rooms	No. of Hotels
Boutique	231	4
Midscale	5,666	18
Upper Midscale	2,533	8
Upscale	5,255	13
Upper Upscale	5,025	13
Luxury	5,214	10
Total	23,924	66

Source: Horwath HTL

The Hotel Sentiment Survey was conducted in mid-March 2020, just as Singapore raised its border restrictions to its highest level yet. We received a total of 66 responders across 6 classifications to account for 23,924 rooms, representing approximately 40 percent of 2019’s total gazetted supply in Singapore. This diversification is beneficial to our understanding of the market’s overall sentiment.

3.1 NATIONALITY SEGMENTATION

Country	No. of Respondents
China	51
Australia	51
Domestic (Singapore)	39
United Kingdom	36
United States	35
Japan	31
Malaysia	18
South Korea	17
Indonesia	17
India	12
Germany	11

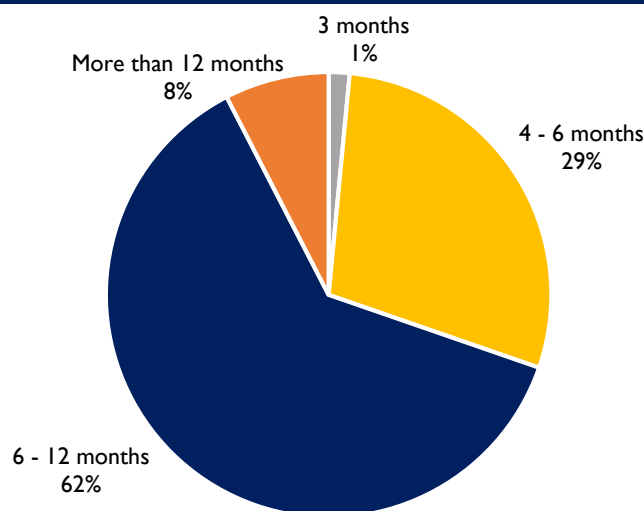
Source: Horwath HTL

To understand the market dynamics under analysis, we requested for an indication of the countries which fall within their top 5 demand contributors. Excluding Singapore, above lists the top 10 international demand contributors received by our respondents.

The list of countries listed above is worrying because many have high rates of transmission and are under lockdown. The level of dependence on these key markets may render some respondents more susceptible to the adverse circumstances than others. Positively, there is the possibility of tapping on the domestic market given the restriction on offshore travel for the immediate future.

4.1 PRELIMINARY MARKET EXPECTATIONS

Question: Based on the current situation, for how long do you assess the influence of the COVID-19 outbreak on the hotel's operating performance will continue?

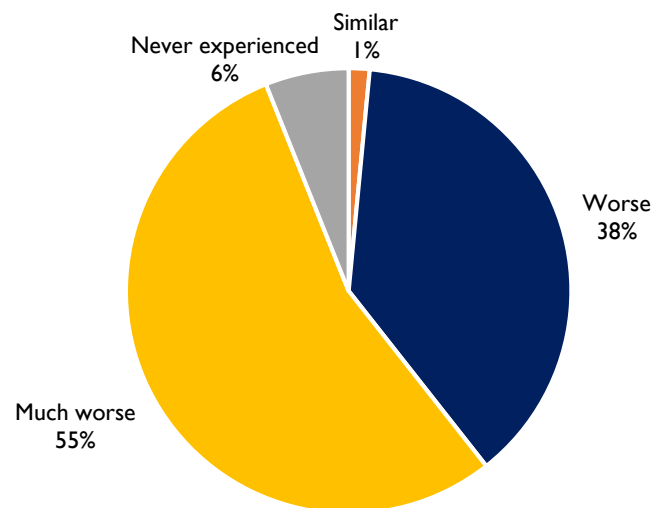


Source: Horwath HTL

Overall, majority of the respondents believe the influence of COVID-19 will last throughout 2020. 29 percent of respondents believe it will last between 4 to 6 months whilst an overwhelming 70 percent of respondents believe it will last more than 6 months. As a comparison, the outbreak of SARS in Singapore began in Feb 2003 lasting till late May 2003. However, the number of transmissions was significantly lower at 238 cases and its spread was more confined within APAC.

COVID-19 is unlikely to be solved within the next quarter as the number of transmissions continue to rise throughout most of the world. At the point of writing, only countries in Asia Pacific (APAC) have seen a sustained fall in transmissions with most new cases being imported cases from the West. Now, the world is awaiting a vaccine within the next 12 to 18 months; most have only begun preliminary trials.

Question: How do you assess the influence of the COVID-19 outbreak on the hotel market performance, compared to other similar health scares (e.g. SARS 2003, H5N1 2016)?

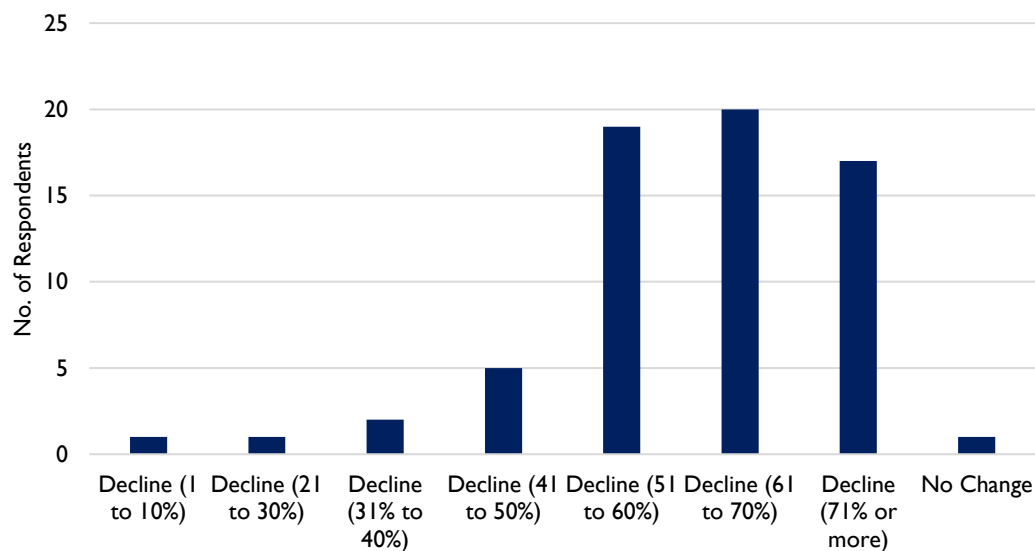


Source: Horwath HTL

Due to the extensive travel restrictions in place by Singapore and our partners, the impact on the hotel industry in Singapore is expected to be worse than previous health crises. COVID-19 may have a lower mortality rate, but its transmission is significantly faster and easier. Resultantly, 38 percent of respondents expect it to be worse and the majority 55 percent of respondents expect it to be much worse than before.

5.1 PERFORMANCE EXPECTATIONS

Question: Considering the influence of the COVID-19 outbreak, for your hotel, what is your expectation for percentage growth/decline in the first half of 2020 (1H2020) vs the first half of 2019 (1H2019)? [Occupancy]

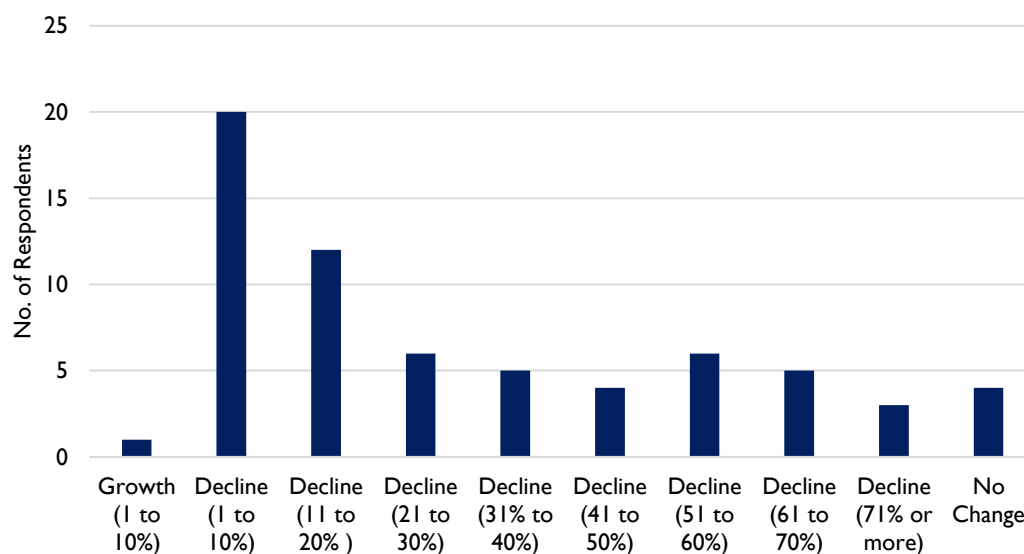


	Total	Boutique	Midscale to U. Midscale	Upscale to U. Upscale	Luxury
Decline (1 to 10%)	2%	0%	4%	0%	0%
Decline (21 to 30%)	2%	0%	4%	0%	0%
Decline (31% to 40%)	3%	0%	4%	4%	0%
Decline (41 to 50%)	8%	0%	15%	4%	0%
Decline (51 to 60%)	29%	50%	15%	35%	40%
Decline (61 to 70%)	30%	25%	50%	15%	20%
Decline (71% or more)	26%	25%	8%	42%	30%
No Change	2%	0%	0%	0%	10%

Source: Horwath HTL

Although hotel performance was up to expectations in January, circumstances deteriorated significantly since. All except one respondent expects a decline in occupancy levels for 1H2020 vs 1H2019. Most expect more than a 50 percent decline in occupancy levels. Amongst the various hotel classifications, upscale hotels appear the most pessimistic with 42 percent responding with a decline of 71 percent or more.

Question: Considering the influence of the COVID-19 outbreak, for your hotel, what is your expectation for percentage growth/decline in the first half of 2020 (1H2020) vs the first half of 2019 (1H2019)? [Average Room Rate]



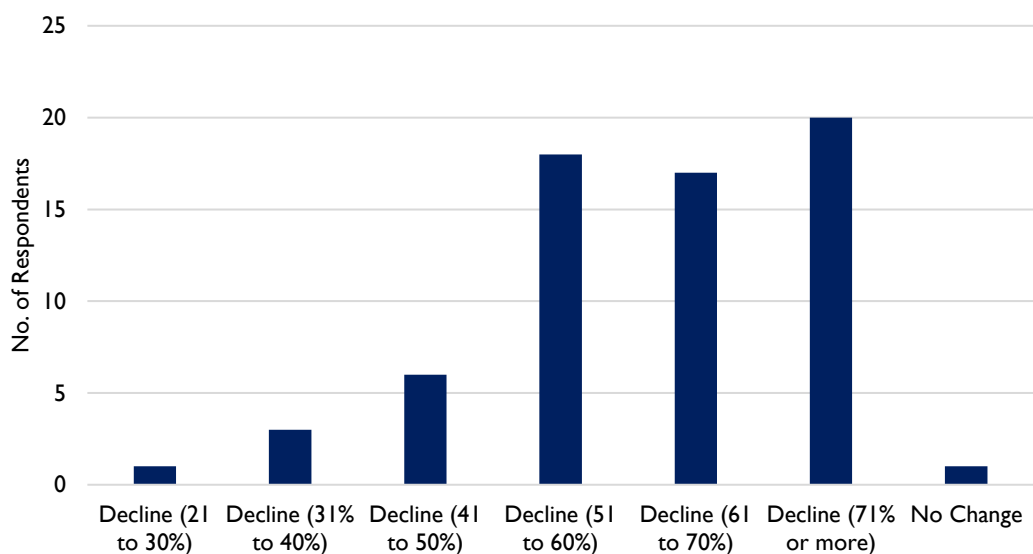
	Total	Boutique	Midscale to U. Midscale	Upscale to U. Upscale	Luxury
Growth (1 to 10%)	2%	0%	0%	4%	0%
Decline (1 to 10%)	30%	0%	19%	42%	40%
Decline (11 to 20%)	18%	0%	23%	15%	20%
Decline (21 to 30%)	9%	25%	15%	4%	0%
Decline (31% to 40%)	8%	25%	8%	8%	0%
Decline (41 to 50%)	6%	0%	15%	0%	0%
Decline (51 to 60%)	9%	0%	8%	15%	0%
Decline (61 to 70%)	8%	50%	4%	4%	10%
Decline (71% or more)	5%	0%	4%	8%	0%
No Change	6%	0%	4%	0%	30%

Source: Horwath HTL

All except 5 respondents expect some decrease in ARR. Yet, the results are not as worrying as majority of respondents expect only a decrease in ARR of between 1 to 20 percent. It is known the pursuit of significant ARR decrements in short-term demand shocks may result in significant long-term repercussions. In the current circumstance, with stringent border control, significant ARR reductions are unlikely to induce a proportionate increase in occupancy as demand is relatively inelastic. The reduction in ARR presently is likely the result of packaged deals being offered to induce demand, imposing a deduction to existing room rates. Packaged deals are being employed by respondents as a stop-gap measure to attract domestic demand before international demand returns.

Amongst the classifications, upscale and luxury hotels are expecting to defend their rate premiums whereas boutique and midscale hotels are expecting to witness declines in ARR.

Question: Considering the influence of the COVID-19 outbreak, for your hotel, what is your expectation for percentage growth/decline in the first half of 2020 (1H2020) vs the first half of 2019 (1H2019)? [Total Revenue]

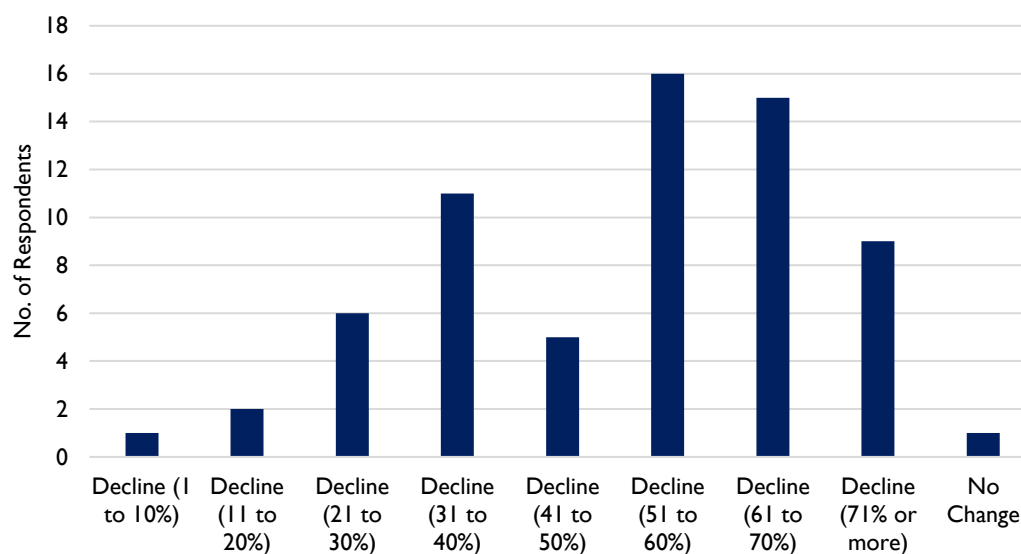


	Total	Boutique	Midscale to U. Midscale	Upscale to U. Upscale	Luxury
Decline (21 to 30%)	2%	0%	3%	0%	0%
Decline (31% to 40%)	5%	25%	6%	4%	0%
Decline (41 to 50%)	9%	0%	8%	8%	10%
Decline (51 to 60%)	27%	0%	27%	31%	40%
Decline (61 to 70%)	26%	25%	35%	15%	20%
Decline (71% or more)	30%	50%	21%	42%	20%
No Change	2%	0%	0%	0%	10%

Source: Horwath HTL

The majority consensus from the respondents is that total revenue will fall significantly by more than 50 percent for 1H2020 against 1H2019. The finding is synonymous across all classifications.

Question: Considering the influence of the COVID-19 outbreak, for your hotel, what is your expectation for percentage growth/decline for full-year 2020 (FY2020) vs full-year 2019 (FY2019)? [Occupancy]



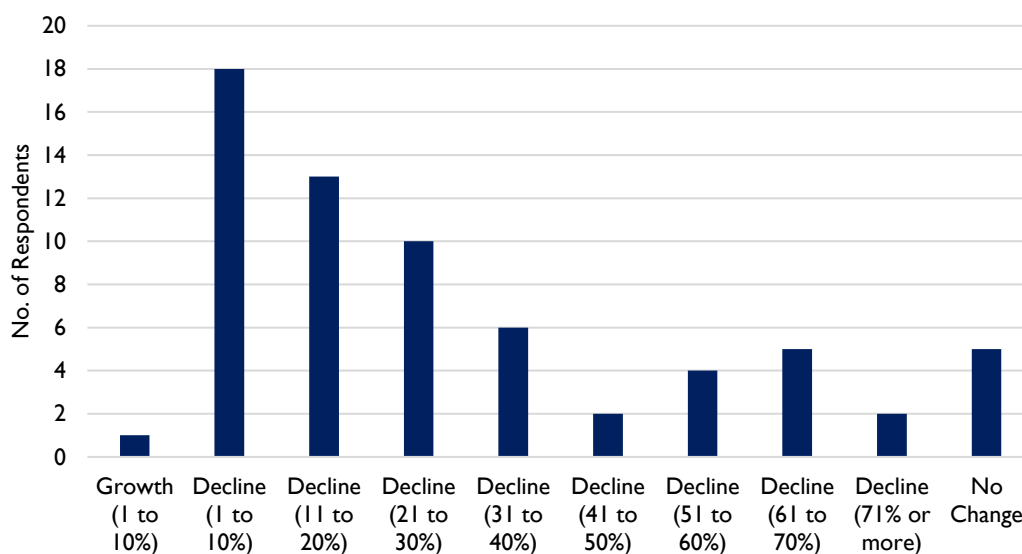
	Total	Boutique	Midscale to U. Midscale	Upscale to U. Upscale	Luxury
Decline (1 to 10%)	2%	0%	0%	4%	0%
Decline (11 to 20%)	3%	0%	13%	0%	0%
Decline (21 to 30%)	9%	0%	11%	4%	10%
Decline (31 to 40%)	17%	25%	18%	15%	20%
Decline (41 to 50%)	8%	0%	12%	0%	20%
Decline (51 to 60%)	24%	50%	18%	23%	40%
Decline (61 to 70%)	23%	25%	23%	27%	0%
Decline (71% or more)	14%	0%	6%	27%	0%
No Change	2%	0%	0%	0%	10%

Source: Horwath HTL

There is some divergence in opinions for the FY2020 occupancy performance which is likely caused by the severe level of uncertainty over existing travel regulations. Some respondents are clearly expecting alleviating conditions in 2H2020 to support a smaller net reduction in occupancy levels for FY2020 between 0 to 40 percent. However, a larger proportion of respondents are more pessimistic, assuming current measures on lockdowns are maintained, are expecting 50 percent or more decline in occupancy levels.

Amongst the classifications, there is greater spread across the range of decline expectations for midscale and upper midscale hotels. Upscale and upper upscale hotels are more pessimistic, expecting higher levels of decline. Luxury hotels are more concentrated within the 31 to 60 percent range.

Question: Considering the influence of the COVID-19 outbreak, for your hotel, what is your expectation for percentage growth/decline for full-year 2020 (FY2020) vs full-year 2019 (FY2019)? [Average Room Rate]



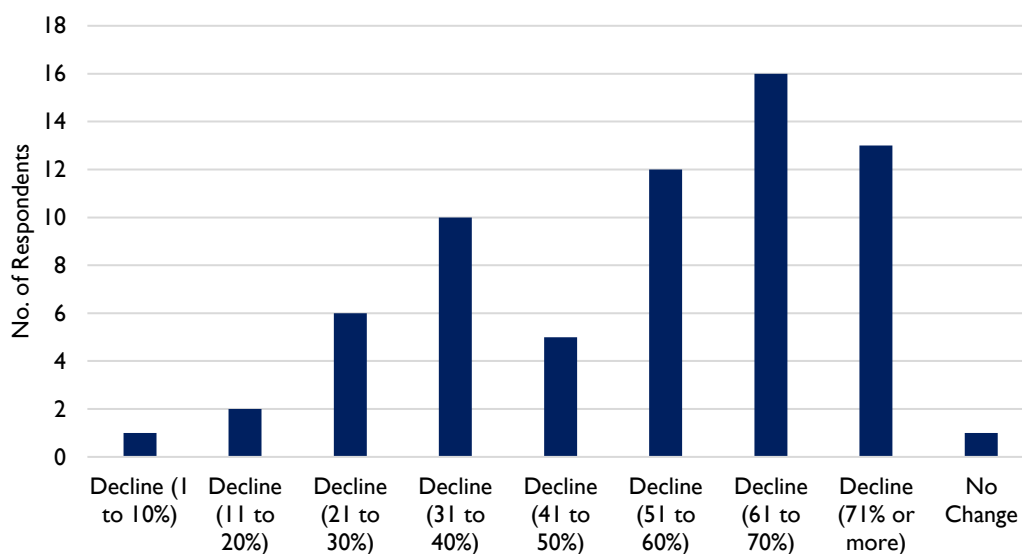
	Total	Boutique	Midscale to U. Midscale	Upscale to U. Upscale	Luxury
Growth (1 to 10%)	2%	0%	0%	4%	0%
Decline (1 to 10%)	27%	0%	22%	31%	60%
Decline (11 to 20%)	20%	0%	26%	19%	0%
Decline (21 to 30%)	15%	50%	17%	8%	0%
Decline (31 to 40%)	9%	0%	18%	8%	0%
Decline (41 to 50%)	3%	0%	3%	4%	0%
Decline (51 to 60%)	6%	25%	6%	4%	10%
Decline (61 to 70%)	8%	25%	6%	12%	0%
Decline (71% or more)	3%	0%	0%	8%	0%
No Change	8%	0%	3%	4%	30%

Source: Horwath HTL

Again, we witness a similar response to ARR expectations for FY2020 as with 1H2020. In this demand shock, most respondents are not expecting a significant decline in ARR to attract offshore demand, which is effectively non-existent lest travel regulations are loosened. The finding is almost synonymous across all classifications although midscale to upper upscale hotels appear to be expecting a decline in ARR as opposed to luxury hotels.

However, we caution that some hotels may utilize a rate discount to induce demand when travel restrictions are first lifted. This should and is likely to be a short-term phenomenon to jump-start pent-up demand.

Question: Considering the influence of the COVID-19 outbreak, for your hotel, what is your expectation for percentage growth/decline for full-year 2020 (FY2020) vs full-year 2019 (FY2019)? [Total Revenue]



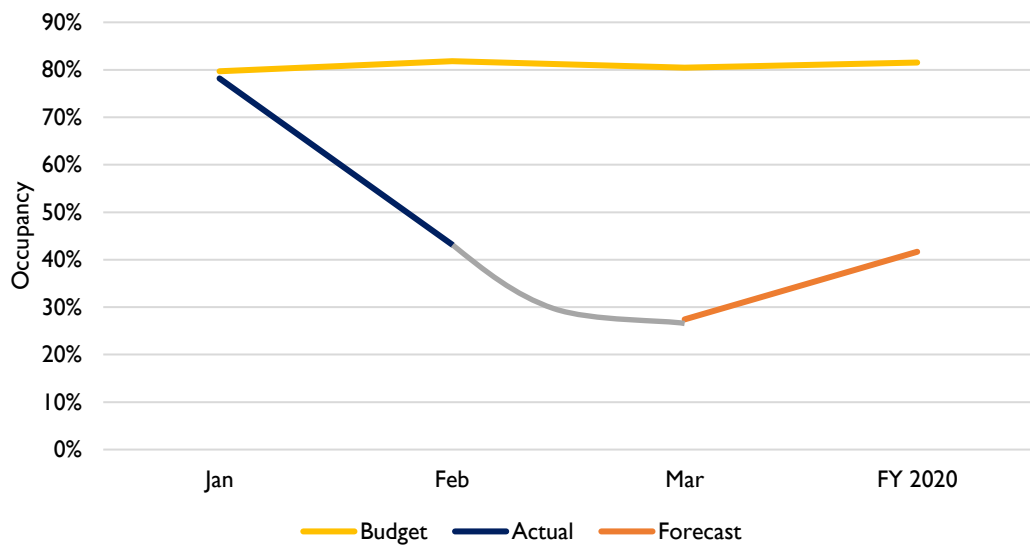
	Total	Boutique	Midscale to U. Midscale	Upscale to U. Upscale	Luxury
Decline (1 to 10%)	2%	0%	6%	0%	0%
Decline (11 to 20%)	3%	0%	3%	4%	0%
Decline (21 to 30%)	9%	25%	12%	4%	10%
Decline (31 to 40%)	15%	0%	21%	8%	30%
Decline (41 to 50%)	8%	0%	12%	0%	20%
Decline (51 to 60%)	18%	25%	9%	23%	30%
Decline (61 to 70%)	24%	25%	23%	31%	0%
Decline (71% or more)	20%	25%	15%	31%	0%
No Change	2%	0%	0%	0%	10%

Source: Horwath HTL

Corroborating with our previous findings, there is again a divergence between the expectations for FY2020's total revenue performance. Hotels within the upscale to upper upscale classification appears more pessimistic with an overwhelming majority of them expecting a decline of more than 50 percent.

5.2 OVERALL OCCUPANCY – BUDGET VS ACTUAL & FORECAST 2020

Budget vs Actual & Forecast 2020

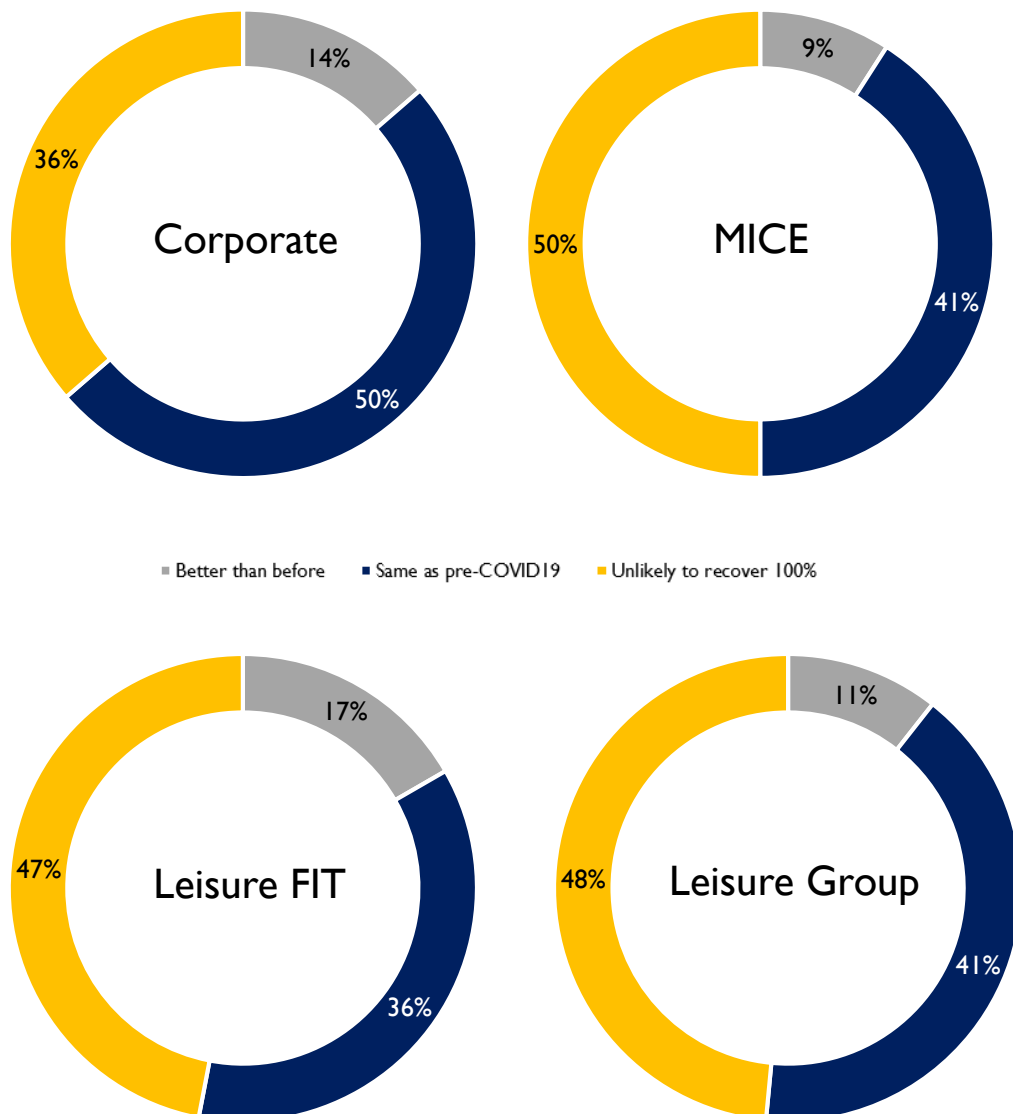


Source: Horwath HTL

In the last part on performance estimates, we pursued a comparison between originally budgeted occupancy levels for 2020 versus actual and forecasted levels. Above presents the findings for the overall expectations for FY2020. From the inflection point in March, the consensus amongst respondents is for a marginal recovery to occur within 2H2020 that will bring up FY2020's occupancy above its current low of under 30 percent in March 2020.

6.1 ROAD TO RECOVERY

Question: How are each of the major demand segments expected to recover, once the COVID-19 outbreak is over?



Source: Horwath HTL

When asked about the level of recovery for the major demand segments, majority of respondents feel positive, in that demand levels will recover to at least pre-COVID-19.

Corporate – Respondents are most optimistic about corporate demand which is least elastic in nature. A majority 64 percent feel that demand will recover to at least pre-COVID-19 levels. A minority (36 percent) of respondents feel demand is unlikely to return to pre-COVID-19 levels, the lowest observed amongst the 4 concerned segments.

MICE – Respondents are undecided if MICE demand will return to at least pre-COVID-19 levels. Understandably, there will be major psychological deterrence towards mass gatherings and significant lead time is required for planning and contingencies. Thus, it may take significant time and effort before demand returns to normal.

Leisure FIT – Leisure FIT is expected to recover positively with a slight minority (47 percent) of respondents having a negative opinion. Being one of the “leaders” in containment, Singapore has proven its ability to manage crises. This may be the defining factor in fueling a demand rebound for leisure demand.

Leisure Group – Similarly, majority of respondents are positive about recovery. However, the percentage of respondents who feel demand will supersede pre-COVID-19 levels is significantly lower than leisure FIT at 11 percent versus 17 percent. Possibly, Singapore’s leisure groups, which traditionally stems from the worst hit nations of COVID-19, may face a psychological hindrance from travelling within the immediate term.

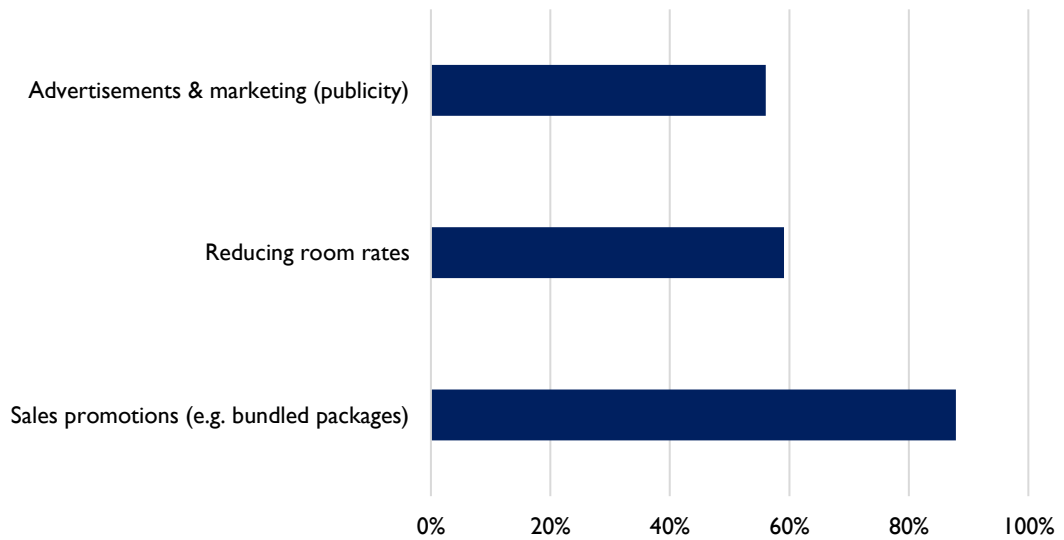
Question: By ranking, how fast do you expect each of the major demand segments to recover to their original contribution levels, once the COVID-19 outbreak is over? (1st - fastest to 4th - slowest) [1st (Fastest)]

Ranking	Segment	No. of Respondents
1st	Corporate	41
	Leisure FIT	21
	Leisure Group	3
	MICE	1
2nd	Leisure FIT	20
	MICE	19
	Leisure Group	14
	Corporate	13
3rd	Leisure Group	22
	Leisure FIT	20
	MICE	16
	Corporate	8
4th	MICE	30
	Leisure Group	25
	Leisure FIT	6
	Corporate	5

Source: Horwath HTL

It is no surprise that corporate demand is ranked fastest in recovery as it is considered demand inelastic. An overwhelming 41 respondents voted for the segment. There is close contention for the second and third positions which is being held by leisure FIT and leisure Group presently. Lastly, respondents feel MICE will recover the slowest.

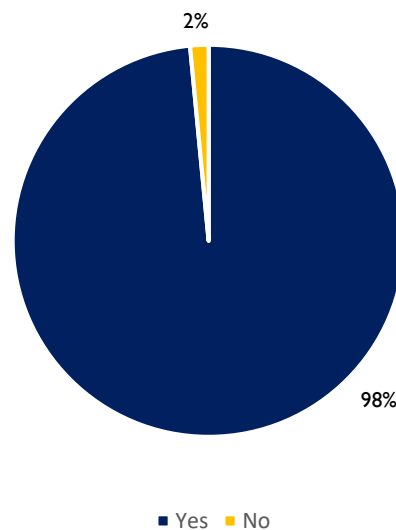
Question: How do you see your property tackling the COVID-19 situation within the immediate term?



Source: Horwath HTL

Amongst the available options, three options stood out as measures adopted by respondents from a demand standpoint. 88 percent of respondents have adopted sales promotions in the form of bundled packages that may include complimentary food, drinks and services. 59 percent of respondents have reduced room rates to induce demand whilst 56 percent have employed additional marketing efforts.

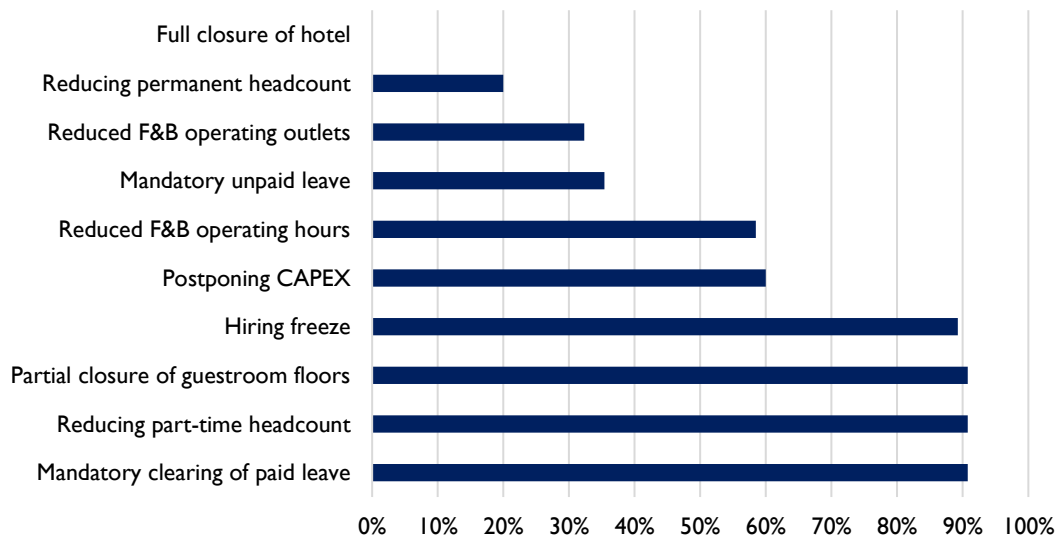
Question: Has your property implemented cost control measures?



Source: Horwath HTL

On the flipside, most respondents have also adopted cost control measures .

Question: If yes to the above, what are some measures which have been taken?

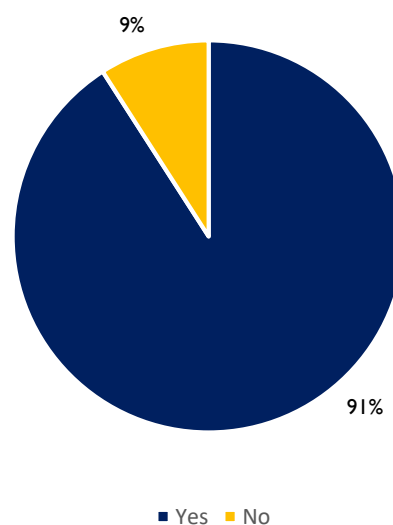


Source: Horwath HTL

Amongst those which had adopted cost control measures, most have adopted measures with limited direct impact on employees, such as the mandatory clearing of paid leave, partial closure of guest floors and hiring freezes. Other common measures include the postponement of CAPEX and reduced F&B operating hours.

Unsurprisingly, as in all crises, we are witnessing a distinction in job security between a full-time and part-time employee. Compared to the reduction of permanent headcount (20 percent), an exceedingly larger proportion of respondents have chosen to reduce part-timers instead (91 percent) as a cost control measure.

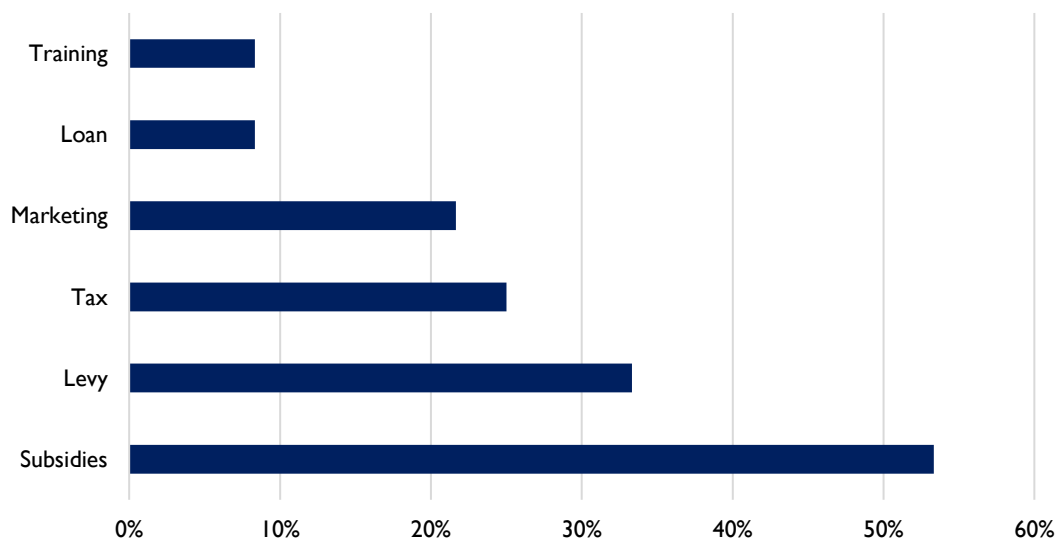
Question: Do you expect some form of support from the government/statutory board?



Source: Horwath HTL

When asked if they expect some form of support from the government/statutory board, 91 percent of respondents replied positively. Many have noted that under such dire circumstances, the lack of support will crush the industry, particularly those with low liquidity. After all, there are still significant fixed costs in maintaining a large asset such as a hotel.

Question: If yes to the above, what are some forms of support you would like to receive?



Source: Horwath HTL

Direct subsidies and payouts are preferred by respondents as support measures within the immediate term. Beyond, respondents also feel it would be beneficial to receive support in cost control areas such as the reduction in wage levies, income and property taxes. Some have opined the government should focus on recovery efforts, preparing marketing plans for when COVID-19 washes over. Meanwhile, it is also considered a good time for re-training and skills enhancement.

6.2 CLOSING STATEMENT

Presently, the Singapore government recognizes the huge challenge currently being faced and is seeking to support the industry directly or indirectly. For example, the government has been procuring rooms for containment efforts and has established a joint task force focused on demand recovery post-COVID-19. They will work on the four areas of restoring confidence and providing assurance to Singaporeans and foreign visitors; rallying stakeholders in their sectors to participate in and support recovery efforts; building the tourism sector's capabilities and identifying opportunities amid the current situation; and developing a recovery strategy that differentiates Singapore from its competitors.

It will not be easy, but with coordination within the industry and government support, Singapore hotel's industry will get through the current challenges and be prepared for recovery.



Horwath HTL

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