

Hotel Sales & Investment



Investor sentiment improves in Q1/2021

Positive news regarding global vaccination programs and travel bubble arrangements have substantially improved investor sentiment. However, this positivity is yet to be reflected in the hotel market transaction volume this quarter.

- In Q1/2021, the APAC hotel investment volume registered US\$750.2 million across 23 transactions, down 73% year-on-year (YoY). All transactions were completed by domestic buyers. The top three performing markets this quarter were Japan, Thailand and China, together accounting for nearly 74% of the total regional sales volume. In addition, Thailand and Taiwan were the only markets that reported an increase in hotel transactional activity compared to the same period last year.
- Japan recorded five public transactions totaling approximately US\$228.0 million in volume, down 85% compared to Q1/2020.
- Thailand registered a portfolio sale worth of US\$181.0 million, a significant increase on the US\$8.7 million recorded over the same period last year.
- China reported US\$144.1 million in total volume across two hotel transactions, down 28% YoY.

“Despite a wide bid-ask spread, buyer sentiment has improved in response to the global vaccination roll-out and talk of travel bubbles in the region. We anticipate seeing more opportunities emerging in the upcoming months on top of several high-profile pending sales.”

SAVILLS RESEARCH

Savills team

Please contact us for further information

HOTELS

Michael Roberts
 Director, Asia Pacific
 +65 6415 7589
 michael.roberts@savills.com.sg

Tomotsugu Ichikawa
 Director, Japan
 +81 3 6777 5184
 toichikawa@savills.co.jp

Mauro Gasparotti
 Director, Southeast Asia
 +84 908 556 492
 mgasparotti@savills.asia

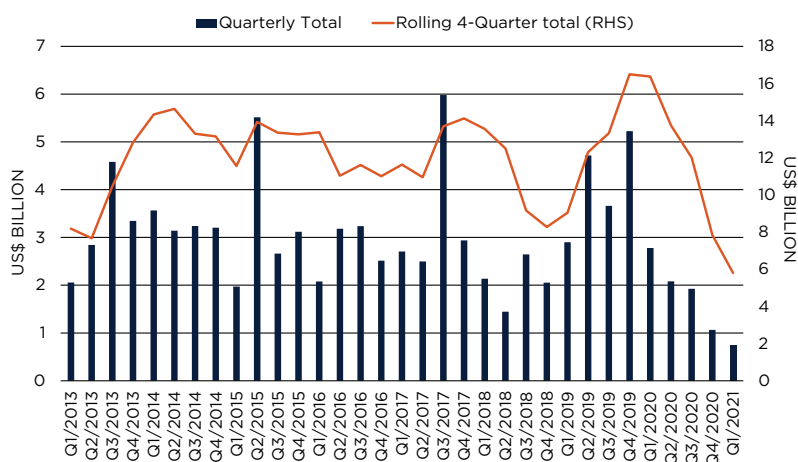
Stella Grant
 Senior Manager
 Asia Pacific
 +65 8891 3167
 sgrant@savills.com.sg

RESEARCH

Simon Smith
 Regional Head of
 Research & Consultancy,
 Asia Pacific
 +852 2842 4573
 ssmith@savills.com.hk

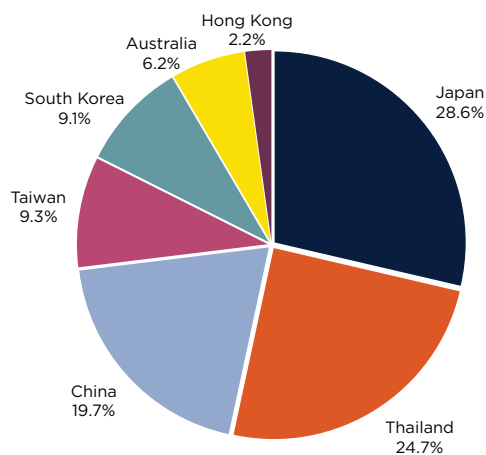
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GRAPH 1: APAC Investment Sales Transaction Volumes, Q1/2013 to Q1/2021



Source RCA, Savills Hotels

GRAPH 2: Investment Sales Transaction Volumes By Location, Q1/2021



Source RCA, Savills Hotels

NORTHERN ASIA

Japan and South Korea reported a weakened level of hotel investment activities in Q1/2021, registering a drop of 85% and 87% YoY respectively.

Despite a double-digit YoY decline, Japan led this quarter in terms of hotel transactional volume, accounting for 30% of the regional total. Across three separate transactions APA Group purchased three hotels with a combined total of 704 keys for an undisclosed sum. Two located in Osaka and one in Tokyo, these include the 400-key Hotel WBF Shin-Osaka Sky Tower, the 160-key Nishitetsu Inn Shinsaibashi and the 144-key Hotel Sincere Tokyo Kamata. Adding to its existing inventory, all three acquired hotels have since been rebranded as APA hotels. As a leading Japanese hospitality group, APA Group is operating over 662 hotels and 100,000 rooms across Japan. During their recent strategy summit, APA announced their target to expand the group’s inventory to 150,000 rooms by the end of March 2025, with the aim of taking the spot as the No.1 hotel chain in Japan.

Another notable hotel transaction in Japan, albeit still pending, is the Kintetsu Group’s Kinki-Tokai & Fukuoka portfolio of eight hotels, expected to sell for up to JPY60 billion (approximately US\$563 million). Currently being reviewed by Blackstone, the portfolio offers a total of 2,294 keys spread across Japan with three prime assets, namely the 988-room Miyako Kyoto Hachijo across from Kyoto station, the 456-room Kintetsu Universal City, adjacent to Universal Studios in Osaka, and the 208-key Miyako Hakata, next to Hakata station in Fukuoka.

During the first three months of 2021, South Korea registered US\$66.9 million

TABLE 1: Selected Investment Transactions, Q1/2021

HOTEL	LOCATION	KEY	APPROXIMATE SALE PRICE (US\$ MIL)	APPROXIMATE PRICE PER ROOM (US\$)	BUYER
Four Seasons Hotel Bangkok	Bangkok, Thailand	99	135.3	452,000	Padaeng Industry
Capella Bangkok	Bangkok, Thailand	101	45.7	452,000	
Ascott Guangzhou	Guangzhou, China	207	121	582,000	Undisclosed
Hotel WBF Shin-Osaka Sky Tower	Osaka, Japan	400	Undisclosed	Undisclosed	APA Group
Nishitetsu Inn Shinsaibashi	Osaka, Japan	160	Undisclosed	Undisclosed	
Hotel Sincere Tokyo Kamata	Tokyo, Japan	144	Undisclosed	Undisclosed	

Source RCA, Savills Hotels
Note THB/USD = 30.04; CNY/USD = 6.47; JPY/USD = 108.47

worth of hotel sales across seven transactions, a significant decline from the US\$525 million reported in the same quarter last year. None of the seven reported transactions in this quarter exceeded US\$20 million in value. However, there are some high-profile pending sales in South Korea, including the 221-key Grand Josun located on Jeju Island and the 341-key Sheraton Seoul Palace Gangnam Hotel located in the renowned upscale district of Seoul, Gangnam. As the first 5-star hotel in Gangnam opened in 1982, Sheraton Seoul Palace Gangnam Hotel's price is expected to reach up to KRW400 billion (approximately US\$337 million). In addition to its locational advantage, the property has the potential to be redeveloped into residential apartments or commercial offices.

Taiwan reported two hotel transactions in Q1/2021 with a combined volume of US\$68.3 million, an increase of 19% YoY. BVI Shang Ke Cheng Co Ltd sold a 58,115 sq m site in Hsinchu City to Shin Kong Life Insurance for US\$200.8 million, reflecting 3.8% yield. The asset comprises a 140-key Hotel Indigo Hsinchu Science Park hotel and an office building with TESLA, Star Technologies Inc and Anshing Technology Consulting as tenants. The hotel apportionment of the sale accounted for TWD1.3 billion (approximately US\$47.5 million, US\$339,000/key). In March 2021, the 107-key Royal Seasons Hotel Taichung-Zhongkang located in Taichung city sold for TWD588 million (approximately US\$20.9 million, US\$195,000/key). Reporting the largest APAC hotel transaction in 2020, Taiwan demonstrated healthy hotel investment interest, at the back of the country's good management of the pandemic, with one of the lowest per capita COVID-19 rates in the world.

GREATER CHINA

China hotel investment market registered US\$144.1 million across two transactions in this quarter, a decrease of 28% YoY. Pending since July 2020, Ascott Residence Trust has finally completed its disposal of the 207-key Ascott Guangzhou to an undisclosed buyer in January this year at a price of CNY780 million (approximately US\$120.5 million, US\$582,000/key). This divestment was reported to be 52% above the property's book value and about 81% above its acquisition price in 2012.

SOUTHEAST ASIA

Thailand placed second in this quarter in terms of hotel investment volume with a high-profile portfolio sale of two luxury properties in Bangkok, valued at THB5.5 billion (approximately US\$181 million, US\$452,000/key). Padaeng Industry acquired a 51% stake in Country Group's Thailand Hotel Portfolio consisting of the 299-key Four Seasons Hotel Bangkok and the 101-key Capella Bangkok. Opened in December 2020, the two new luxury hotels are located on Bangkok's last remaining waterfront plot along the Chao Phraya, spanning over 5.6 hectares. The acquisition was reported to be half financed by the company's existing capital reserves and bank loans, and the other half from a capital increase. This acquisition follows Padaeng Industry's earlier purchase of a plot in Sathon to develop a 209-room luxury hotel worth THB1.5 billion (US\$48 million), scheduled to open in 2023.

AUSTRALIA

In Q1/2021, Australia reported four public transactions with a combined value of US\$45.7 million. After the company's recent acquisition of the c.AUD180 million Accor Invest portfolio in 2020, Iris Capital added Raffertys Resort, located

in Lake Macquarie of New South Wales, to its hotel portfolio. The freehold property comprises 73 villas on a waterfront land spanning over 15,000 sq m. In addition, the land has obtained approval for further development of apartment units or hotel rooms.

Representing one of the largest hotel portfolio sales in Australia, the still pending Travelodge Portfolio transaction is due to complete later this year. Combining 11 properties with a total of 2,034 units, the anticipated sale price is expected to reach AUD600 million. Consisting of eight hotels located across the country, 81% of the room inventory is located in Sydney and half the portfolio's income generated from the Sydney properties.

OUTLOOK

- The volume of pending hotel sales in APAC since 2020 totalled US\$3.5 billion, including a number of high-profile assets and portfolios. Hotel investment activity in APAC is likely to pick up in Q2/2021.
- Global vaccination roll-out and travel bubble arrangements will continue to improve investor sentiment. Investors will increasingly and actively take advantage of any emerging opportunities.
- While there are still some investors looking for big discounts, we anticipate assets, especially in key gateway cities to trade without any discount.
- Amidst a remaining gap in pricing expectations, transaction process will require more time as a result of cautious underwriting and due diligence.
- Banks remain cautious about lending against hospitality assets despite the low interest rate environment.