

# Hotel Sales & Investment



## Improving investment activity

Despite the delay in travel bubble arrangements and with some of the countries in the region still struggling to expedite their vaccine rollouts, the APAC hotel market reported a strong flow of investment activity in Q2/2021.

- Total regional hotel transaction volumes stood at US\$1.5 billion across 31 transactions, a similar level to Q1/2021, but representing a 32% decline year-on-year (YoY). North Asia accounted for 76% of the regional total transacted during this quarter. The four markets reporting the highest hotel transaction volumes were Japan, South Korea, China and Australia.
- Japan reported 13 transactions totaling approximately US\$460 million, albeit still down 39% YoY.
- South Korea registered US\$329 million in volume across seven transactions, a decrease of just 3% when compared to Q2/2020.
- China recorded a decline of 65% YoY with a total hotel sales volume of US\$280 million across three transactions.
- The only market showing a YoY increase in the region was Australia with US\$204 million across three transactions, up 11% compared to the same quarter period last year.

“Despite the ongoing border restrictions and challenging operating environment, demand for hotel investment in APAC remains firm. The big regional players are more active in seeking deals but continue to be cautious in executing.”

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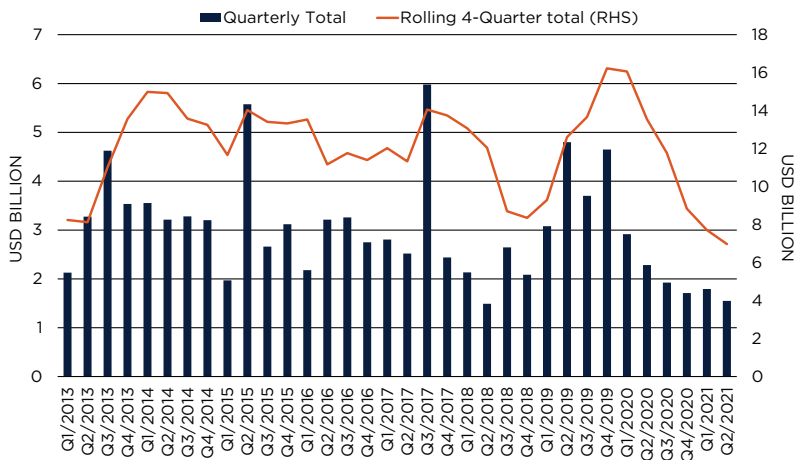
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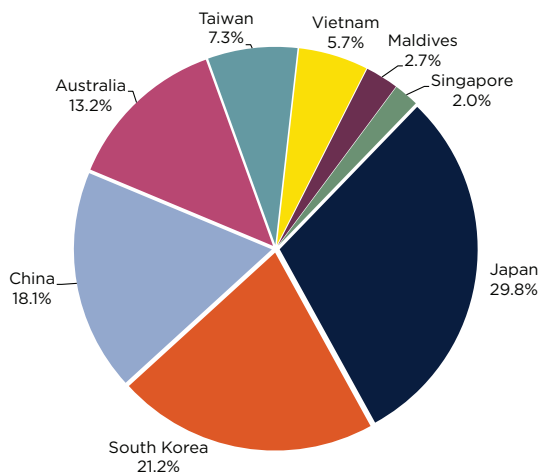
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**GRAPH 1: APAC Investment Sales Transaction Volumes, Q1/2013 to Q2/2021**



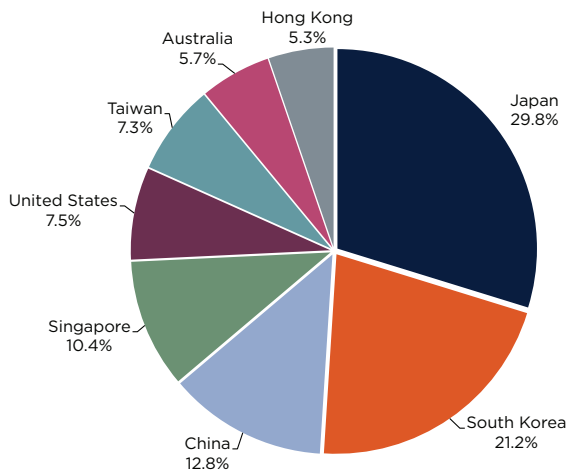
Source RCA, Savills Hotels

**GRAPH 2: Investment Sales Transaction Volumes By Location, Q2/2021**



Source RCA, Savills Hotels

**GRAPH 3: Investment Sales Transaction Volumes By Buyer Origin, Q2/2021**



Source RCA, Savills Hotels

**NORTHERN ASIA**

Accounting for 30% of the total regional hotel sales in Q2/2021, Japan registered a transactions volume of US\$460 million, down 39% compared with the same quarter in 2020. With several high-profile sales still pending, Japan is expected to remain the top hotel investment market in APAC in 2021. The two most active investors in Japan during this quarter were Samty Group and Hoshino Resorts REIT.

Marking the group’s first joint venture with a luxury hotel chain based outside Japan, Samty entered into an agreement to acquire an 80% interest in the development of the Shangri-la Hotel Kyoto. Due to bring 80 to 100 keys, the hotel is scheduled to start construction in early 2022 and to open at the end of 2024. The group has reported plans to incorporate the hotel into its prospective REIT. Concurrently, Samty also sold a partial stake in their Kyoto Shimogyo Hotel Portfolio for an undisclosed amount. The portfolio consists of two newly opened hotels, namely the 140-key Agora Kyoto Karasuma and the 80-key Agora Kyoto Shijo, located a stone’s throw away from each other.

In June, Hoshino Resorts REIT executed two notable hotel transactions in Fukuoka. The local REIT sold the 320-key ANA Crowne Plaza Hotel Fukuoka and acquired the 371-key Grand Hyatt Fukuoka. The 4-star ANA Crowne Plaza Hotel Fukuoka was reportedly sold at a 6.2% cap rate for JPY7.7 billion (approximately US\$70 million, US\$219,000 per key). Simultaneously, Hoshino Resorts REIT acquired the 5-star Grand Hyatt Fukuoka at a 5.9% cap rate for JPY8.7 billion (approximately US\$79 million, US\$214,000 per key). Located in Canal City Hakata, a popular destination in the Kyushu region, the Grand Hyatt Fukuoka is expected to capture future upside from the revitalisation of Fukuoka city.

South Korea reported seven hotel transactions in Q2 with a total volume of US\$329 million. This reflects only a 3% decline on the same quarter last year, when 28 transactions were registered. During this quarter, one major transaction reported was the 270-key Mercure Ambassador Hotel Hongdae, opened in August 2020 and located in the Youth district of Seoul. Hyundai Asset Management acquired Mercure Ambassador Hotel Hongdae for KRW243 billion (approximately US\$216 million, US\$800,000 per key). While all hotel activity reported year-to-date in South Korea was led by local investors, the majority of small hotels and motels located in Seoul owned by high-net-worth-individuals were sold to corporations.

Pending since May this year, Singapore-based City Developments Limited (CDL) has reportedly been in discussions with the local asset manager IGIS, to sell the 680-key Millennium Hilton Seoul for nearly

TABLE 1: Selected Investment Transactions, Q2/2021

HOTEL	LOCATION	ROOM	APPROXIMATE SALE PRICE (US\$ MIL)	APPROXIMATE PRICE PER ROOM (US\$)	PURCHASER
Mercure Ambassador Hotel Hongdae	Seoul, South Korea	270	216.6	802,000	Hyundai AM
Somerset Xu Hui Shanghai	Shanghai, China	167	163.3	978,000	Jebsen Capital
Four Points by Sheraton Central Park	Sydney, Australia	297	115.5	389,000	KSL Capital Partners
Somerset Metropolitan West Hanoi	Hanoi, Vietnam	364	87.8	241,000	Ascott Limited, QIA
Grand Hyatt Fukuoka	Fukuoka, Japan	372	79.5	214,000	Hoshino Resorts REIT

Source RCA, Savills Hotels  
 Note KRW/USD = 1,122; CNY/USD = 6.43; AUD/USD = 1.29; VND/USD = 22,991; JPY/USD = 109.67

KRW1,000 billion (approximately US\$895 million, US\$1.3 million per key). This potential sale will further bolster the regional hotel transaction volume for the second half of the year.

**GREATER CHINA**

Whilst some of its regional counterparts are still combating new COVID variants, for the most part, China has managed to bring the outbreaks under control and almost half of its population is now vaccinated. China is leading in terms of hotel performance within APAC, having reported a 102% growth YoY in RevPAR in the period between January and May 2021.

After a strong Q1 which saw several major hotel transactions, the China hotel investment market reached US\$280 million across only three transactions in Q2/2021. Compared to the same period last year, transaction volumes saw a 65% decline. Located in the prime residential district of Shanghai, the 168-unit Somerset Xu Hui Shanghai was traded for CNY1 billion (approximately US\$163 million, US\$978,000 per key), reflecting a growing trend of buying up of serviced apartment properties with the aim of converting them for strata sales. The seller, Ascott Residence Trust (ART) announced that this divestment is 171% above the property's book value and the Trust will earn a net gain of about SG\$110 million (approximately US\$83 million).

**SOUTHEAST ASIA**

In Q2/2021, Singapore reported only two hotel transactions, both of economy hotels with a combined volume of US\$32 million. The 42-key Balestier Hotel and 25-key Amber Hotel Katong were traded for approximately US\$268,000 per key and US\$815,000 per key respectively. Despite subdued local hotel investment activity, Singaporean buyers have been active in purchasing

across the region with Hotel Properties Limited's (HPL) acquisition of the Kanuhura Resort Maldives for US\$42 million, reflecting US\$525,000 per key and Ascott's acquisition of two properties in Paris and Hanoi.

In June, Ascott announced its acquisition of the 139-key livelyfhere Gambetta Paris and the 364-key Somerset Metropolitan West Hanoi for SGD210 million (approximately US\$155 million) through the Ascott Serviced Residence Global Fund (ASRGF), its joint venture fund with the Qatar Investment Authority. Strategically located, the Vietnam property is close to many local and international corporations and just a 10-minute drive from the Vietnam National Convention Centre, the largest convention centre in Vietnam. This acquisition will increase Ascott's portfolio in one of the fastest developing economies in Asia to over 7,600 units across 31 properties in ten cities.

**AUSTRALIA**

In this quarter, Australia accounted for 13% of the regional total, reporting US\$204 million across three transactions, up 11% compared to the same period last year. KSL Capital Partners' acquisition of the Four Points by Sheraton Central Park was a major contribution to Australia being the only market reporting a YoY growth in hotel investment activity. As the largest out of four cross-border transactions in APAC this quarter, the 297-key Sydney hotel traded for AUD150 million (approximately US\$115 million, US\$505,000 per key). The Four Points by Sheraton Central Park is located within the Central Park mixed-use development in the Sydney CBD. Further to recovering corporate and leisure demand, the hotel is expected to benefit from the NSW Government's plan for Sydney Innovation and Technology Precinct.

**OUTLOOK**

- While regional travel remains restricted, cross-border transactions are showing signs of recovery. Significant cross-border transactions are emerging, led by private equity funds.
- With many high-profile hotel sales pending in Japan, China and South Korea, North Asia will continue to lead the upward trend driving a strong second half for the regional hotel investment market.
- As the progress of vaccination programs will determine tourism recovery, their rollout will continue to be Asia's focus over the next few months.
- The Phuket Sandbox 'no quarantine' tourism scheme will be closely monitored by governments across the region to explore safe border reopening. Phuket's success, yet to be confirmed, could mean a resurgence of investor interest for resort destinations.