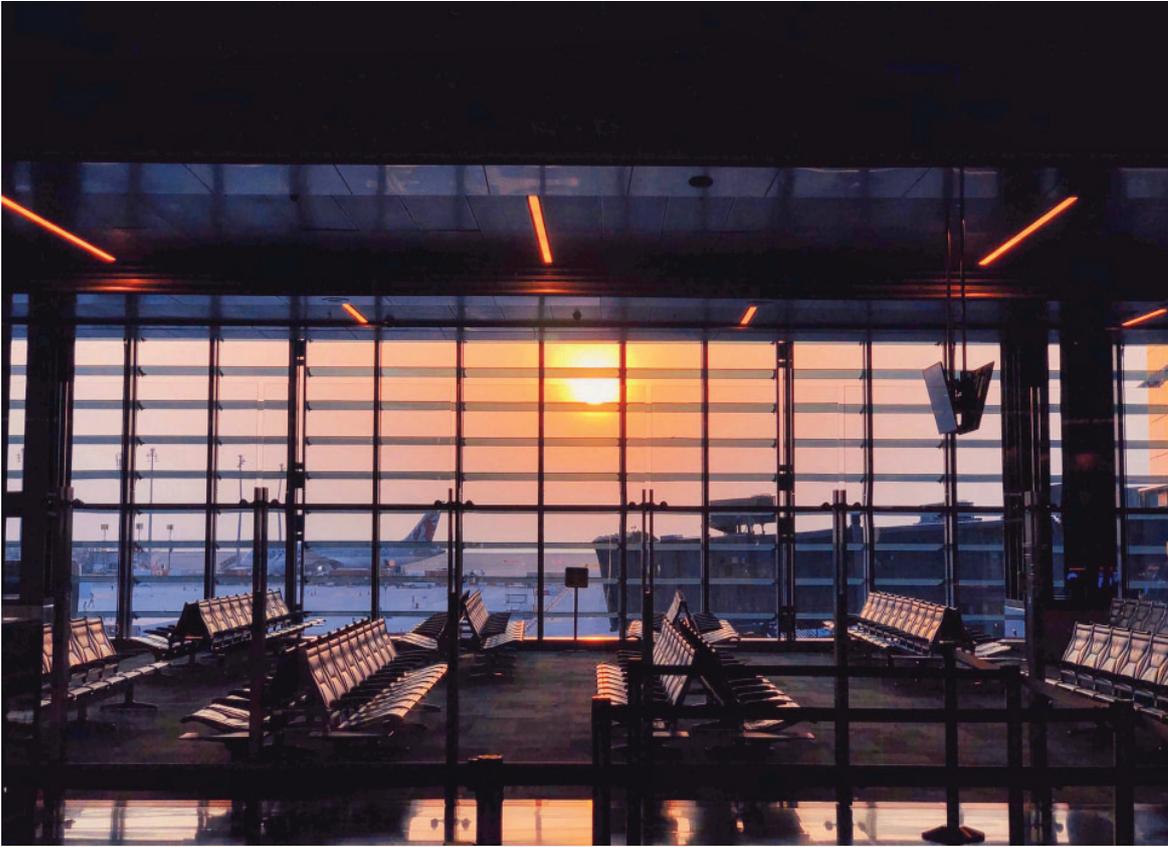


# Hotel Sales & Investment



## Cautious sentiment remains across APAC

Regional performance has been tepid due to the absence of big players, but some markets are showing signs of improvement.

- Contrary to industry beliefs, the region showed faint signs of a recovery during Q4/2020. The consensus of keeping travel bans and closed borders in place is shared by governments around the world. A few have engaged in bilateral travel green lanes but only very cautiously, with infections still rising daily and signs of mutant virus strains emerging. With the future of hospitality still in question, hotel transaction activity continues to be impaired.
- In Q4 2020, the APAC hotel investment market volume stood at US\$976 million across 30 transactions, a decline of 81% compared with Q4/2019. The top three performing markets this quarter were India, Australia, and South Korea. These three represented 65% of the transactional dollar proportion.
- India led the region with only one high-profile hotel transaction valued at US\$282 million, a 44% fall year-on-year (YoY).
- Besides Malaysia, Australia was the only other market in the region which saw a growth in hotel investment in the quarter under review. Australia reported five transactions with a total volume of US\$219 million, a 27% YoY increase.
- South Korea remained in the top three markets with a transaction volume valued at US\$117 million across 12 deals, a 77% YoY fall from Q4/2019.

“In the absence of high-profile cross-border deals on top of lingering global economic uncertainties, the hotel investment market is facing many challenges. 2021 should see some increase in deal momentum, in view of the news of effective COVID-19 vaccines and regional travel bubbles. Although the bid-ask gap remains, distressed assets are highly sought-after.”

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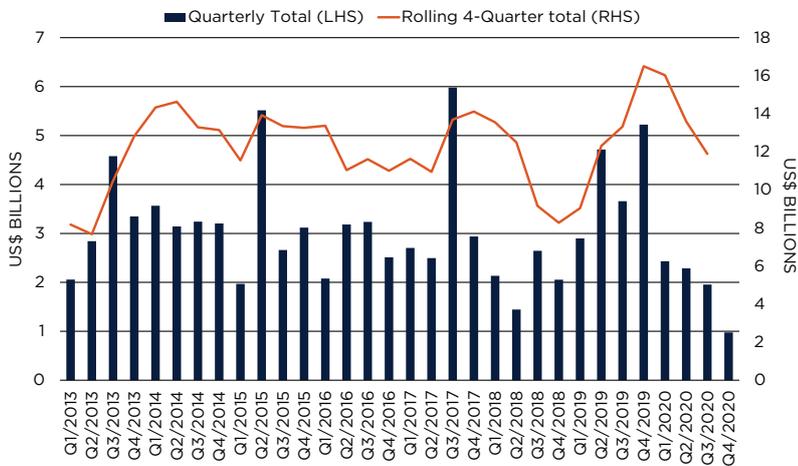
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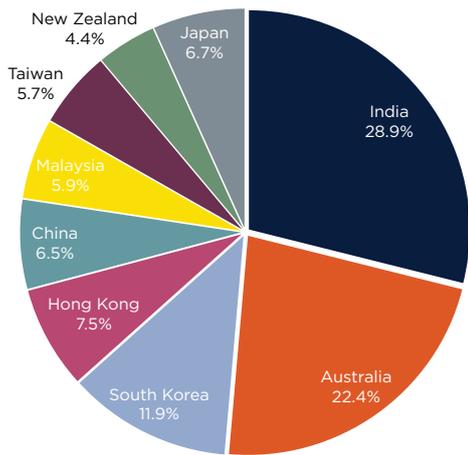
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**GRAPH 1: APAC Investment Sales Transaction Volumes, Q1/2013 to Q4/2020**



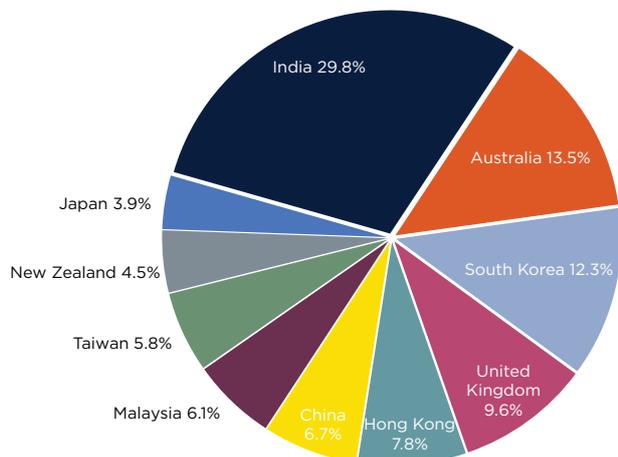
Source RCA, Savills Hotels

**GRAPH 2: Investment Sales Transaction Volumes By Location, Q4/2020**



Source RCA, Savills Hotels

**GRAPH 3: Investment Sales Transaction Volumes By Buyer Origin, Q4/2020**



Source RCA, Savills Hotels

**NORTHERN ASIA**

Officials in South Korea have acknowledged that their early success during the initial stages of the COVID-19 pandemic fuelled an overconfidence which left the country battling to contain a rising third wave of infections. The recent event has forced the government to shut down all ski resorts and winter tourist spots from 24th December to 3rd January to prevent further spread of the virus. Additionally, gatherings of more than four people have been banned with tighter restrictions enforced on restaurants. South Korea reported nine hotel transactions in Q4/2020 valued at a total of US\$79 million, a small fraction of the US\$516 million worth of transactions reported in Q4/2019. The highest recorded hotel transaction was the acquisition of Jamjari Motel by Mastern Investment Management for KRW18.5 billion (approximately US\$16.3 million, US\$408,000/key).

Japan's performance was sluggish, with only three publicly reported hotel transactions in Q4/2020 valued at US\$65 million, a striking contrast to Q4/2019 which registered hotel transactions valued at a total of US\$1.5 billion. Despite a slow last quarter, Japan maintained its top spot as the most active market in terms of transaction volume for the full year 2020.

**GREATER CHINA**

According to STR, hotels in China are much closer to reaching pre-pandemic Average Daily Rates (ADR) compared with Europe and the United States. Domestic travel has played a key role in China's recovery and in September, demand had reached pre-pandemic levels at 62% occupancy (in the same period last year). However, the hotel investment market still struggled to recover, reporting two transactions with a total volume of US\$64 million, 93% down YoY. Furthermore, Hilton and Jin Jiang International have recently announced the extension of a license agreement where its projects will have more than 600 Hampton by Hilton hotels in China, together with the introduction of the Steinberger brand scheduled for early 2022. International brands are now realising that China presents an opportunity for viable growth and will be taking a closer look at the market in 2021.

**SOUTHEAST ASIA**

The only country within Southeast Asia to have seen hotel transactions was Malaysia which reported two transactions and a 61% spike YoY in transaction volume in the fourth quarter valued at US\$57 million. Paramount Corp acquired two Kuala Lumpur properties with a combined number of 154 keys from Singapore-listed Wing Tai Holdings Ltd.

TABLE 1: Selected Investment Transactions, Q4/2020

HOTEL	LOCATION	APPROXIMATE SALE PRICE (US\$ MIL)	APPROXIMATE PRICE PER ROOM (US\$)	BUYER
Ritz Carlton Worli (Tower A)	Mumbai, India	282.3	1,277,000	Oberoi Group
Aurora Melbourne Central (10-32FL)	Sydney, Australia	90.8	360,000	Scape Student Living
Hyde Park Inn	Sydney, Australia	53.8	555,000	Central Element
Novotel Brisbane	Brisbane, Australia	48.6	164,000	Amora Hotels & Resorts
Friends International Hotel Shenzhen	Shenzhen, China	43.8	2,192,000	Undisclosed

Source RCA, Savills Hotels  
 Note INR/USD = 73.67; AUD/USD = 1.39; CNY/USD = 6.69

### SOUTH ASIA

Despite a 43% YoY decline, India led the final quarter with one high-profile transaction. Oberoi Realty purchased the entire 50% stake of Sahana Group to take possession of the 221-key Ritz Carlton Worli. The luxury hotel was valued at INR20.8 billion (approximately US\$282 million, US\$1.3 million/key)

US\$48.6 million, US\$164,000/key). In December, a mixed Sydney CBD-located two-property portfolio comprising a 9,957 sq ft office building and the 97-key Hyde Park Inn have been acquired by developer Central Element. The transaction was allegedly priced at a 77% premium to the independent valuation back in June this year. The hotel was sold for AUD71 million (approximately US\$54 million, US\$555,000/key).

- The top eight hotel brands globally are still bringing new projects forward at a similar pace to pre-COVID levels. However, each hotel group is responding to the crisis differently, with some stepping up expansion and others slowing activity. There is a high possibility that more consolidation will occur within the industry, as seen recently when Accor acquired Ennismore and Sbe Group to expand their lifestyle portfolio.

### AUSTRALIA

The Australian government has managed to control the spread of COVID-19 but hotel ADRs are still at depressed levels due to the addition of approximately 10,000 hotel rooms throughout 2020, combined with limited interstate travel and a freeze on international inbound travel. Still, the hotel investment market in Australia was the most liquid in APAC with total hotel transactions valued at US\$165 million, up 27% YoY. Notable hotel transactions in October include Aurora Melbourne Central which was sold by Malaysia's UEM Sunrise to London-based Scape Student Living for AUD127 million (approximately US\$90.8 million, US\$360,000/key) and Novotel Brisbane which was sold by CDL Hospitality REIT to Amora Hotels and Resorts for AUD68 million (approximately

### OUTLOOK

- Positive news on COVID-19 vaccines and travel bubbles will likely improve investor sentiment in 2021. However, as long as international travel bans are still in place, markets within the APAC region with an active domestic investor base will sustain a steady stream of transactions. On the other hand, cross-border investors will continue to face significant challenges in executing deals.
- At present, APAC has been able to better control the spread of COVID-19 compared to its global counterparts. In this region, there are currently 46 pending hotel sales valued at almost US\$2 billion, a large proportion originating from Australia.

- Being prudent in selecting investment opportunities on top of a meticulous underwriting process will be essential for investors looking to take advantage of the current situation.