

Hotel Sales & Investment



Investment sentiment continues to recover

North Asia led the region’s recovery with a strong flow of investment activity while Southeast Asian markets are anticipated to steadily reopen borders by implementing a variety of travel schemes.

- In Q3/2021, an APAC hotel investment volume of US\$2.2 billion was registered across 43 transactions, up 12% year-on-year (YoY). 75% of the transactions were completed by domestic buyers. The top three most active markets this quarter were Japan, South Korea and Taiwan, together accounting for 51% of the total regional hotel sales volume.
- With three transactions, Japan led the region with a total hotel transaction volume of US\$590 million, a sharp increase compared to the same quarter last year which reported US\$168 million.
- Taiwan recorded US\$265 million across six transactions. This reflects a decrease of 72% YoY, mainly due to the sale of Sunworld Dynasty, largest hotel transaction of 2020.
- Reporting the highest number of transactions in the region this quarter, South Korea registered US\$253 million across ten transactions.

“Countries across APAC are navigating their way to a ‘life with COVID’ and gradually reopening their borders, while vaccination rollouts are now well underway. Regional hotel investment activity is starting to pick up as the industry prepares for a rebound in post-pandemic travel.”

SAVILLS RESEARCH

Savills team

Please contact us for further information

HOTELS

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
Associate Director, Asia Pacific
+65 8891 3167
sgrant@savills.com.sg

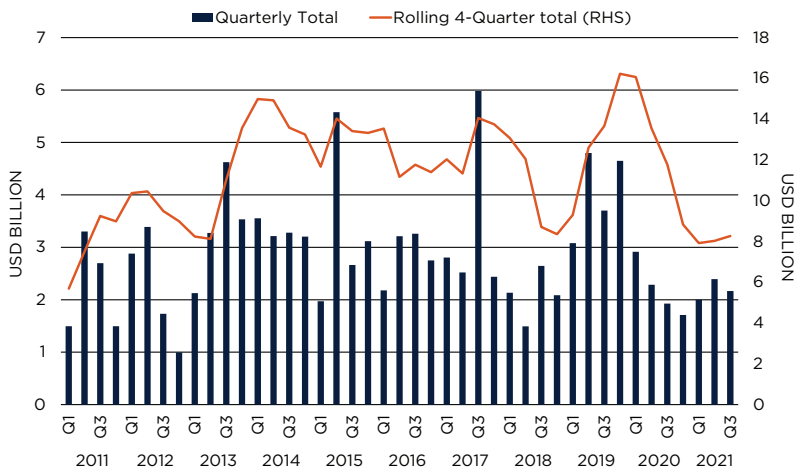
RESEARCH

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

Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

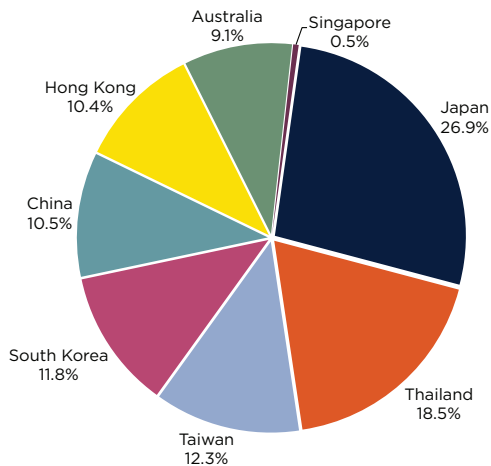


GRAPH 1: APAC Investment Sales Transaction Volumes, Q1/2013 to Q3/2021



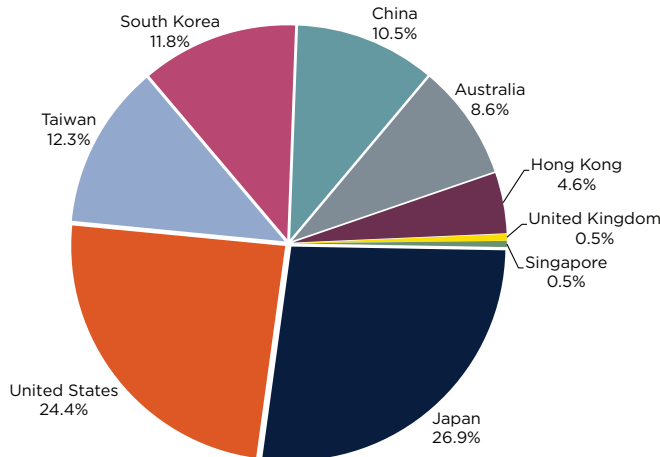
Source RCA, Savills Hotels

GRAPH 2: Investment Sales Transaction Volumes By Location, Q3/2021



Source RCA, Savills Hotels

GRAPH 3: Investment Sales Transaction Volumes By Buyer Origin, Q3/2021



Source RCA, Savills Hotels

NORTH ASIA

Japan led this quarter’s activity in terms of hotel transaction volume, accounting for 27% of the regional total. Across three public transactions, Japan registered US\$590 million, a significant YoY increase compared to the same period last year at US\$168 million, mainly contributed by the closing of the Torch Tower Tokyo transaction. Mitsubishi Estate and Tokyo Century Corporation acquired the Torch Tower hotel and a 2,000-seat convention hall for JPY56 billion (approximately US\$508 million). Scheduled to be completed by 2027, the property is located in a new and emerging district in front of Tokyo Nihonbashi Station. The luxury hotel is planned to have 100 rooms overlooking the Tokyo Skyline from the 57th to 61st floors.

The Japan hotel market continues to report positive news relating to new development and investment. The Integrated Resort on Yumeshima Island, located alongside Osaka Port and site of the 2025 World Expo, is currently being developed by the US-based MGM Resorts International and the local ORIX Corporation. The project’s initial investment is estimated to be JPY1.08 trillion (approximately US\$9.5 billion). In addition, the Singapore-based SC Capital Partners has announced a new JPY60 billion (approximately US\$525 million) fund that aims to acquire hard-hit Japanese hotels. The group believes that Japan’s tourism industry will recover quickly once travel is allowed to resume.

During this quarter, South Korea registered US\$253 million across ten transactions, an increase of 95% YoY. All ten transactions were completed by local buyers, with 90% of the transacted hotels located in Seoul. The most notable transactions were completed by Seoul-based IGIS Asset Management, the country’s largest real estate investment firm. The local asset manager acquired two hotel properties in Seoul including the 288-key Tmark Hotel Myeongdong for KRW95 billion (approximately US\$82 million, US\$284,000 per key) and the 247-key Ramada Encore Dongdaemun Hotel KRW57 billion (approximately US\$50 million, US\$202,000 per key). The Dongdaemun property is planned to be converted into a residential/apartment asset for KRW139 million per buildable unit. More recently, IGIS have been reported to have signed a memorandum of understanding to buy the 680-key Millennium Hilton Seoul from Singapore-listed City Developments Limited (CDL) for approximately 1 trillion won (approximately \$849 million, US\$1.3 million per key), with the transaction likely to fall into Q4 activity.

GREATER CHINA

China is among the top performing markets across APAC in terms of both hotel performance and transaction volume.

TABLE 1: Selected Investment Transactions, Q3/2021

PROPERTY	LOCATION	ROOM	APPROXIMATE SALE PRICE (US\$ MIL)	APPROXIMATE PRICE PER ROOM (US\$)	PURCHASER
Torch Tower (Hotel & Convention Hall)	Tokyo, Japan	100	507.8	N/A	Tokyo Century Corp, Mitsubishi Estate
Manathai Three-Properties Portfolio	Thailand	372 (total)	Undisclosed	Undisclosed	Outrigger Enterprises
Holiday Garden Hotel	Kaohsiung, Taiwan	270	96.5	357,000	Wing Shuo Investment
Butterfly on Prat	Hong Kong	158	125.9	797,000	Hines
Greenland Jiulong Hotel	Shanghai, China	320	133.2	416,000	Radiance Group

Source RCA, Savills Hotels

Note JPY/USD = 110.28; TWD/USD = 27.98; HKD/USD = 7.78; CNY/USD = 6.46

According to STR, China hotel RevPAR reported during the period of January to August 2021 increased 59% YoY, enjoying the highest recovery rates in the region. The hotel investment market reported in Q3/2021 recorded US\$226 million across nine transactions, up 9% YoY. The most notable transaction being the 320-key Greenland Jiulong Hotel. Radiance Group acquired the four-star hotel for CNY860 million (approximately US\$133 million, US\$416,000 per key). Despite being located in the core area of Shanghai, the hotel was reported to be making loss for two consecutive years.

In Hong Kong, Butterfly on Prat was acquired by the US-based real estate manager, Hines. As one of the most significant cross-border transactions in the region this quarter, the 158-key hotel located in Kowloon's prime shopping district, was transacted for HK\$980 million (approximately US\$126 million, US\$797,000 per key). The property has a gross floor area of 71,600 sq ft and includes space on the ground floor currently rented out to retail shops and restaurants. Hong Kong also announced in early September that it would resume some quarantine-free travel from Mainland China and Macau.

As the third most active hotel investment market this quarter, Taiwan reported US\$265 million across six local transactions. Compared to the same period last year where the US\$900 million Sunworld hotel transaction took place, this quarter stands at a 72% YoY decrease. Keeping in mind the Sunworld hotel transaction accounted for 98% of Taiwan's hotel transactions in Q3 last year, this quarter's performance is considered strong. In July, Wing Shuo Investment acquired the 270-key Holiday Garden Hotel in Kaohsiung for TWD2.7 billion (approximately US\$96 million, US\$357,000 per key). Located in New Taipei City, the 250-key Taipei Fushin Hotel was sold to Tonglit Logistics for TWD1.8 billion (approximately US\$66 million, US\$264,000 per key). In order to help promote and encourage local tourism, Taiwan has introduced several schemes including the Voucher Lucky Draw and Quintuple Stimulus Vouchers.

SOUTHEAST ASIA

In Southeast Asia, Thailand reported a high-profile portfolio sale consisting of three resorts located across Koh Samui, Khao Lak and Phuket for an undisclosed amount. The US-based Outrigger Hospitality Group acquired the Manathai Hotels and Resorts brand, comprising Manathai Koh Samui, Manathai Khao Lak and Manathai Surin Phuket. Adding 372 more keys to its portfolio, Outrigger aims to expand its presence across APAC taking on the mission to be "The Premier Beach Resort Brand in the World." In August, the Thai government has approved the '7+7' extension plan under the Phuket Sandbox program, allowing travellers to spend the first seven nights in Phuket and the rest in selected destinations across Krabi, Phang-Nga and Surat Thani. Having been launched in July, the Phuket Sandbox program welcomed 17,000 international travellers during that month, generating approximately THB1 billion in revenue. In the period between July and September, approximately 335,000 hotel room nights were booked in Phuket.

AUSTRALIA

In Q3/2021, Australia registered eight hotel transactions with a total volume of US\$197 million, up 71% YoY. Notable transactions included the Primus Hotel Sydney and All Seasons International Bendigo, together accounting for almost 70% of the total transaction volume in Australia this quarter. In July, the 77-key All Seasons International Bendigo was sold to Moelis Australia for AU\$55 million (approximately US\$40 million, US\$525,000 per key). The sale of the 172-key Primus Hotel Sydney was completed in September. Pro-invest successfully acquired its first luxury property for AU\$132 million (approximately US\$96 million, US\$560,000 per key). The property will be rebranded to become Kimpton Sydney and is set to open in 2022. In August, Elanor Investors Group launched a AUD\$346 million-fund called Elanor Hotel Accommodation Fund (EHAF), consisting of 14 regional and luxury hotels providing 1,179

rooms located across five states and territories in Australia. The fund aims to grow to over AU\$500 million in the short term and deliver an internal rate of return of 20% annually.

OUTLOOK

- In preparation for border reopening, governments across the region are starting to introduce their respective plans to 'live with COVID', while prioritising vaccination rollouts.
- Travel schemes are gradually being launched in Southeast Asian markets including Thailand, Singapore and Bali where the situation will be closely monitored to ensure safety for both locals and travellers.
- The spotlight in the hotel investment scene is to remain on Japan and Australia, on the back of strong demand fundamentals. This is evident from recent investment activity and the establishment of new hotel-focused funds.
- Several high-profile sales are expected to close by Q4/2021 which will drive the yearly APAC hotel investment volume up, but the heady levels of 2019 volumes are still far from being reached.