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## **A glowing report card for the hotel industry**

October 1st, 2007 · [No Comments](#)

*Business is brisk as visitor arrivals climb steadily, pushing up room rates and triggering a flurry of new hotel construction*

SINGAPORE is all set to spur tourism in the next few years with high-impact projects like the two integrated resorts, the Singapore Flyer, the Formula One (F1) Grand Prix and a rejuvenated Orchard Road.

Last year, a new record was set with 9.7 million foreign visitors coming to Singapore. This year's visitor arrivals are expected to hit a blistering 10.2 million with Singapore Tourism Board (STB) numbers showing a glowing midterm report card. From January to July this year, visitor figures reached 5.9 million, a 5 per cent rise over the same period last year. July alone saw hotels raking in \$168 million in room revenue, a 28 per cent increase from a year ago. This puts it right on target for another record-breaking year.

STB has set a target of 17 million visitor arrivals by 2015 with \$30 billion in tourism receipts. Based on the impressive year-on-year growth over the past 12 months, we should be on track to achieve the 2015 target.

To meet the growing number of visitor arrivals, more hotel rooms have to be built. Presently, there are about 37,000 rooms in Singapore. Based on new supply under construction, some 11,000 rooms will come on-stream by 2010. This includes 4,300 rooms from the two integrated resorts at Marina Bay and Sentosa. It is estimated that in 2010, a total of 14 million foreign visitors will visit Singapore. Based on a conservative average stay of 3.4 days, the city-state will experience an acute shortage of at least 35,000 rooms from now till 2010. Come next September, the F1 event alone will bring an estimated 50,000 visitors. In short, our existing hotel stock needs to be doubled in the

next three years to meet surging demand.

To meet this need, the government has since 2006 offered 25 hotel sites for sale. Of this, 10 sites valued at \$2.4 billion million have been acquired by developers. In addition, 11 hotels have effectively changed hands. Total private hotel investments soared to over \$1.3 billion. Another two hotels, Paramount Hotel and Mitre Hotel, are either under negotiation or waiting for a finalised offer.

About 53 per cent or nine out of the total 17 hotel properties (including government sites), were sold to international investment funds, foreign hoteliers and investors since 2006. In the recent Beach Road tender, US-based Elad Group and Dubai-based Istithmar are joining forces to develop a \$2.7 billion integrated hotel, office and retail project. The strong interest from foreign investors shows their astute reading of the opportunities arising from the shortage of Singapore hotel rooms, as well as the potential of reaping higher yields from room-rate increases. It is this overwhelmingly positive outlook that is driving investors' appetite.

In the first half of this year, the average occupancy rate (AOR) hit a high of 86 per cent with average room rates (ARR) reaching \$189. STB recently announced that ARR had increased to \$210 in June, the highest rate ever achieved. AOR in July hit 91 per cent, a whisker shy away of November 2006's 13-month peak of 92 per cent.

With the third and fourth quarters typically being the busy period for hoteliers, room charges and occupancy rates are likely to be maintained or surge further.

For 2008, we are projecting that AOR will test the 90 per cent level with ARR expected to grow by at least 15 per cent from current levels.

With higher occupancy and rising room rates, the burning question is: Can Singapore hotels maintain their competitiveness to continue attracting foreign visitors? The answer is a resounding yes, based on the following reasons.

Singapore ranks sixth out of 15 key Asian cities in terms of ARR, according to a recent Cushman & Wakefield survey. Tokyo has the distinction of having the highest room rates in Asia followed by Hong Kong.

The government has been releasing more three-star hotel sites as part of its strategy to have enough affordable class hotels. These hotels cater to budget-conscious tourists, predominantly from South-east Asia, China and India.

The hotel sites on the government sale list tend to be located at the city fringe such as Alexandra Road and Bencoolen Street. The latter is where Accor's Ibis three-star 538-room hotel will be built.

The opening of Changi Airport's Terminal 3 in January next year is set to bring in a steady stream of foreign visitors. The new terminal is capable of handling up to 22 million passengers a year and some of the world's largest aircraft.

Despite the US sub-prime lending setback, Singapore's hospitality sector is experiencing

one of its strongest recoveries in over a decade. The market is at the initial stages of takeoff as the high-impact tourism projects start to unveil from 2008. This is when the world's tallest observatory, the Singapore Flyer and the F1 Grand Prix take centre stage in thrilling visitors from around the world.

A year later, all eyes will be on the opening of Marina Bay Sands, which will be the most expensive casino-cumintegrated resort ever built. In 2010, Universal Studios and Resorts World will open their doors to charm a global audience.

Some cities looking to break onto the world stage have looked to hosting mega catalytic events like the Olympic Games, which would instantly give them global city status. Singapore has its own booster in the high-impact tourism projects that will be ready between 2008 and 2010. These should collectively propel Singapore to a different league in the global travel and hospitality industry.

Source: Business Times 27 Sept 07

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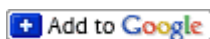
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