

# Hotel projects capturing interest of investors, developers

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IBIS Singapore Novena, currently owned by Alpha Investment Partners, is understood to be on the market for an asking price of some S\$240 million - underscoring the rising interest in hotel developments from developers and investors here.

Alpha Investment Partners, the private fund management arm of Keppel Capital Holdings, had scooped up the 241-room business hotel in 2013 from the Kum family for S\$150 million through the Alpha Asia Macro Trends Fund (AAMTF) II.

Following the purchase, Alpha Investment Partners performed some works on the property to make it more green-friendly.

An Alpha spokesperson told The Business Times (BT): "We continually review strategic options for properties held under our funds. We will make an announcement if there is any transaction."

Industry players report increased interest in hotel development, and investment sales in Singapore have seen a pick-up of late, driven by what is seen as brighter prospects for the hospitality industry, amid a more tepid outlook for residential development.

A plum site on Club Street drew eight bids from local and regional players and a record price for a 99-year leasehold hotel site at a state tender that closed this month. The top bid from Worldwide Hotels Group stood at S\$562.2 million or S\$2,148.50 per sq ft per plot ratio (psf ppr).

Other hospitality transactions recorded this year included the potential sale of Oxley Holdings' Mercure and Novotel hotels for almost S\$1 billion and the sale of serviced residences Ascott Raffles Place to investor Cheong Sim Lam for S\$353.3 million.

Late last year, Fragrance Group said its existing commercial building - Tower 15 at Hoe Chiang Road - is in the process of being re-zoned for full hotel use.

## Hotel deals in 2018



Source: RCA, Cushman & Wakefield Research

## Incoming hotel room supply

YEAR	LUXURY	UPSCALE	MID-TIER	ECONOMY
2019	155	719	903	130
2020		204	324	169
2021		350	135	

Source: Cushman & Wakefield Research

In 2018, hotel investment sales hit a four-year high of S\$1.36 billion, according to data from Cushman & Wakefield, though that made up just 4 per cent of all investment sales that year.

Shaun Poh, executive director of the capital markets team in Singapore at Cushman & Wakefield, said: "We are seeing a lot more interest from investors looking to trade hospitality assets ... The optimism around the hospitality sector has emboldened investors to look at this asset class seriously."

Colliers International executive director of valuation and advisory Govinda Singh said that interest is coming from both high net worth individuals and families, as well as institutional investors.

Teo Junrong, associate director at CBRE Hotels, said he sees interest from owner-operators who are seeking brand expansion and hotels that are in prime locations.

Family offices and high net worth individuals are typically more drawn to hotels with freehold tenure, as well as investment quantum under S\$70 million.

One reason is that developers are turning their attention to the hotel segment, especially after cooling measures for the private housing market announced last July.

Koon Wai Leong, general manager of Hoi Hup Realty which participated in the Club Street tender, told BT the company is looking at increasing its hotel portfolio if suitable opportunities arise, be it as a development project or purchasing to hold. He said: "It is a good recurring income asset, especially at this moment when the hotel supply pipeline is low and residential development is quite challenging."

To date, the company has one hotel asset, Courtyard by Marriott Novena Singapore.

Experts also said the government's flexibility, in light of rising tourism arrivals and expected future hotel room demand, galvanised developers to look into the private market.

The Urban Redevelopment Authority announced last August that it will consider applications for sites to be converted to hotel use, following a few years when applications for such change of use were generally not allowed. However, new proposals for hotel use might not be supported in certain areas deemed to affect commercial or residential uses.

"Now that this de facto moratorium is lifted, I think developers will be looking more at hotels," Mr Singh said.

Mr Poh added: "Except for the sites in the central areas with restrictions on hotel use, the market is looking at all other commercial sites outside of these restricted areas with the potential to be converted to hotel use."

Demand for hotels is expected to catch up with supply, given recent tourism figures. 2016 and 2017 saw record tourism arrivals, and for the period January to November in 2018, inbound tourism grew 6.6 per cent year-on-year.

Meanwhile, the supply pipeline in the next few years is expected to taper - Cushman & Wakefield said it estimates an average of 742 extra rooms per year from 2018 to 2022, down from 3,357 annually between 2014 and 2017.

Still, Mr Teo pointed out that hotel investments have to take into account operational factors, including branding and room mix.

As such, he said: "Traditional real estate investors typically find the returns generated from hotel investments may not commensurate enough for the risks they are taking ... but there can be significant upsides from a hotel investment with the right strategy."