

THE COVID-19 PANDEMIC:

Implications for Asia Pacific Hotels

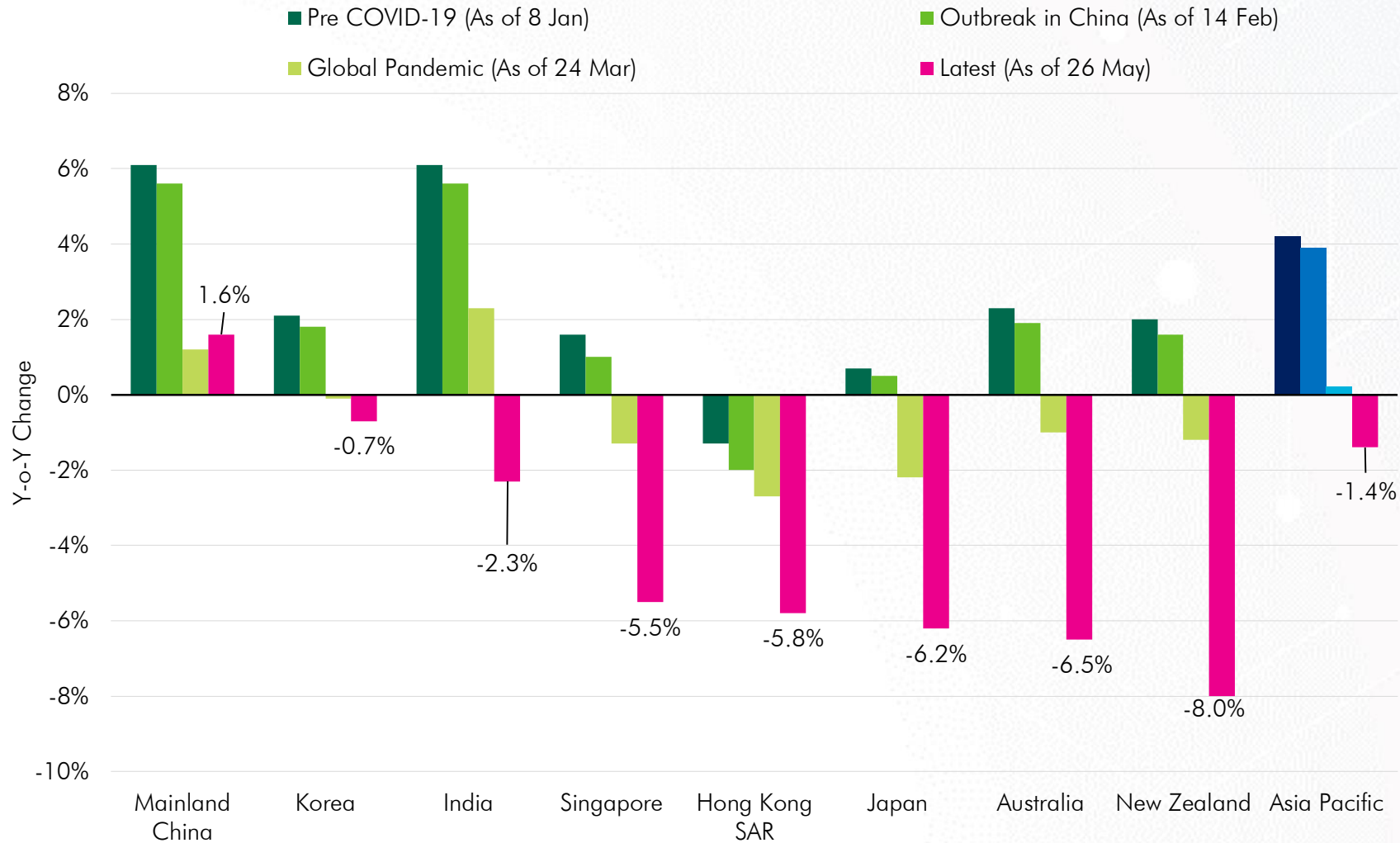
JUNE 2020

CBRE

OVERVIEW

- CBRE retains its forecast of a global recession in 2020, with a sharp downturn in Q2 2020 and the start of a rebound in Q3 2020. In May, Asia Pacific GDP growth forecasts were revised down to -1.4% from the previous forecast of 4.2% made in January.
- Regional travel remains at a standstill owing to tight restrictions by authorities, significantly reduced air traffic and risk aversion by travellers. In April, visitors to Hong Kong SAR fell nearly 100% from the same month last year.
- Lockdown restrictions across the region gradually began lifting in mid-May. Until regional and international travel becomes easily available, growth will be confined to domestic and drive-leisure markets. There has been a substantial uplift in interest in easily accessible resorts.
- Overall occupancy in Asia Pacific remains low at less than 30%. Room rates are close to 50% of what they were a year ago.
- Hotel investors are still in wait and see mode. There is a large gap between vendor and purchaser expectations. CBRE has not yet seen any significant transactions that indicate where prices now sit.

MOST ASIA PACIFIC MARKETS EXPECTED TO FALL INTO RECESSION



Source: CBRE Research, June 2020.

- CBRE expects most Asia Pacific economies to fall into recession this year - the first in 40 years - due to the sharp decline in economic activity resulting from the imposition of lockdown measures and other restrictions.
- Mainland China will likely be the only major economy in Asia Pacific to register full-year GDP growth in 2020.
- Given the uncertain economic and employment market outlook, consumers are expected to be more cautious towards discretionary spending.

MORE MARKETS ARE GRADUALLY OPENING UP



Source: CBRE Research, June 2020.

BUT INTERNATIONAL TRAVEL REMAINS TIGHTLY RESTRICTED

Y-o-Y change in International Tourist Arrivals (Q1 2020)



Asia Pacific Travel Restrictions

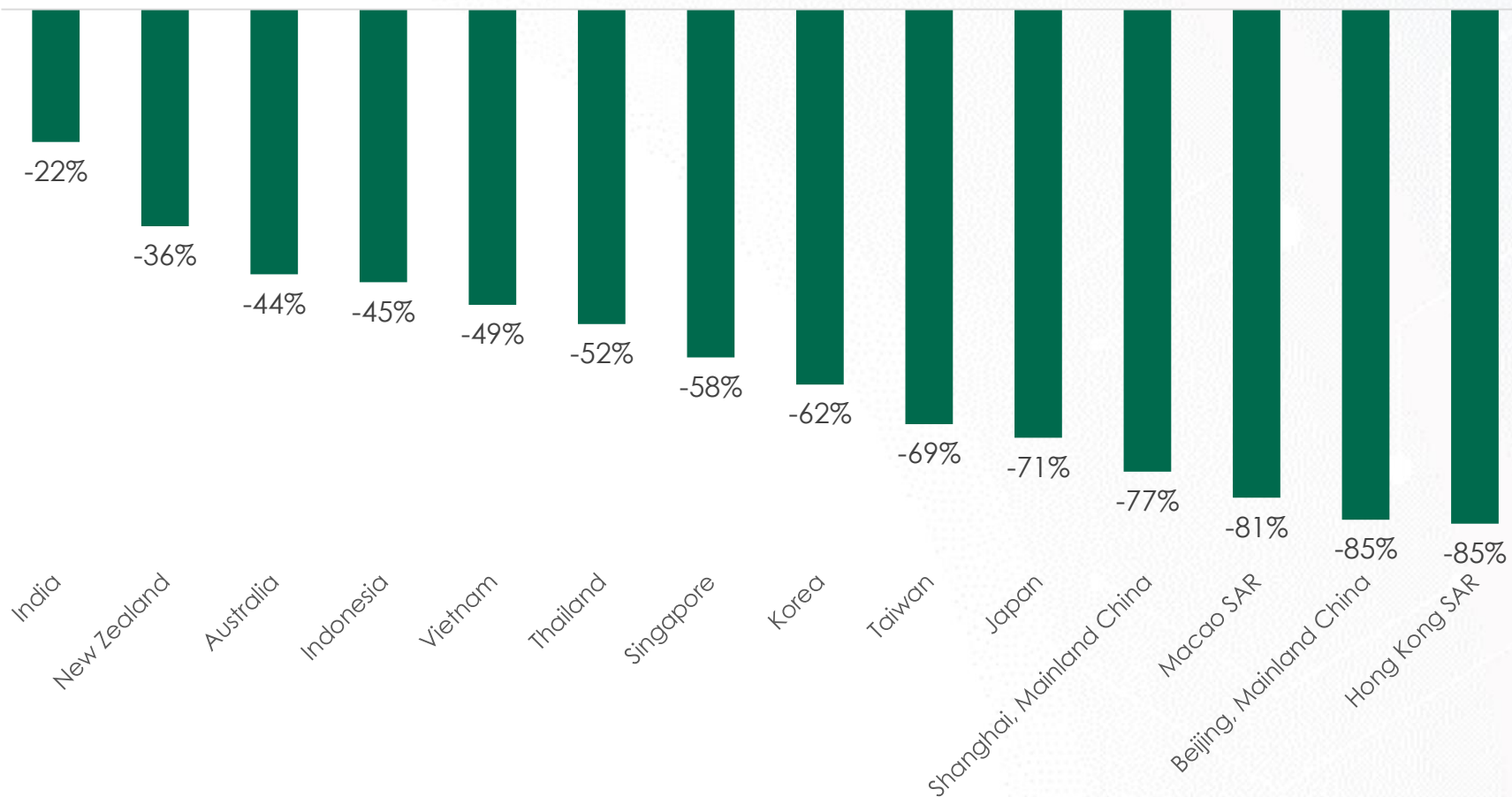
Market	Travelling Restrictions Effective Dates	Restriction on Non-resident Entry
Mainland China	From 28 March	✓
Hong Kong SAR	From 25 March	✓
Taiwan	From 7 April	✓
Singapore	From 10 April	✓
India	From 18 March	✓
Japan	Ongoing	Selected countries
Korea	From 19 March	Selected countries
Australia	From 20 March	✓
New Zealand	From 20 March	✓
Thailand	From 29 March	✓
Malaysia	From 18 March	✓
Vietnam	From 22 March	✓
Philippines	From 22 March	✓
Indonesia	From 2 April	✓

Source: UNWTO, May 2020.

Source: Trip.com, CBRE Research, 27 May 2020.

GREATER CHINA MARKETS HAVE BEEN HARDEST HIT

Y-o-Y change in International Tourist Arrivals
(Jan to April 2020)

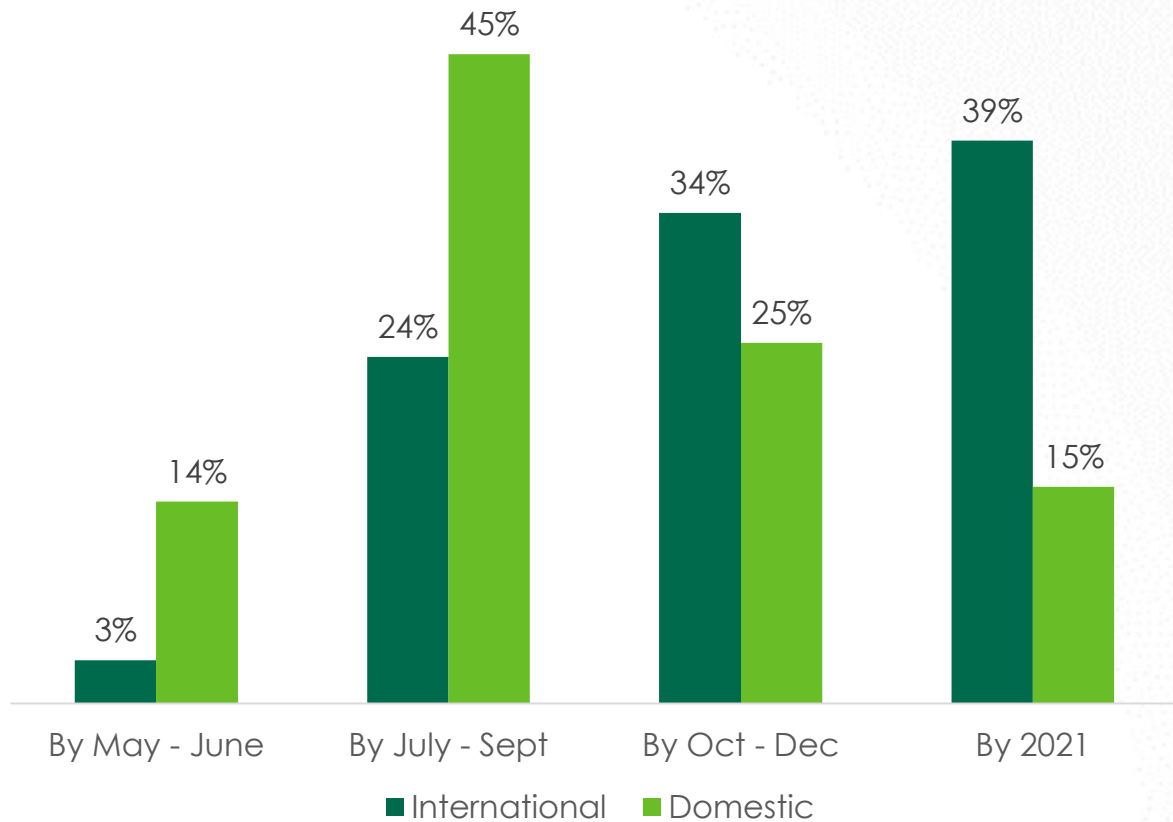


- As most Asia Pacific markets began to close their borders from mid-March, April tourist arrivals were at near zero levels.
- Hong Kong SAR and Macao SAR suffered an especially sharp decline in visitor arrivals owing to their heavy reliance upon Mainland Chinese tourists, which accounted for 78.3% and 70.9%, respectively, of 2019 arrivals.
- Domestic tourism in Mainland China saw signs of improvement in May, despite travellers remaining subject to a range of requirements such as pre-registration. China's "Mini Golden Week" holiday – which ran from May 1 – 5 – saw an average of 23.4 million people per day make holiday-related journeys, 35% of 2019's figure.

Note: Shanghai: non-Mainland resident visitors (including Hong Kong SAR, Macao SAR and Taiwan)
 Beijing: non-Mainland resident visitors in groups (including Hong Kong SAR, Macao SAR and Taiwan)
 India is as of no. of tourist arrivals from Jan to Mar 2020 while Japan, Vietnam and Macau SAR are as of no. of tourist arrivals from Jan to May 2020
 Source: Tourist authorities of local governments, CEIC, UNWTO, CBRE Research, June 2020.

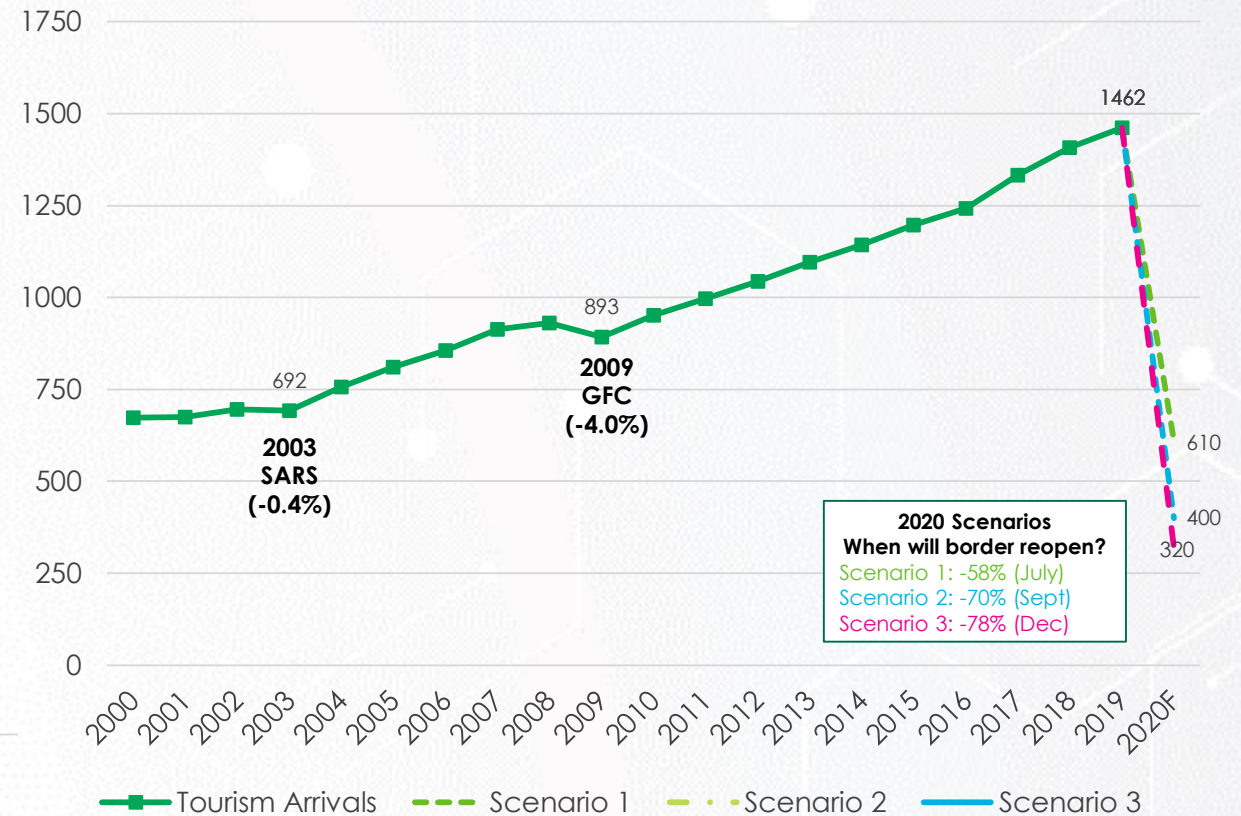
DOMESTIC TRAVEL EXPECTED TO LEAD THE RECOVERY

When do you expect tourism demand for your destination will start to recover?



Source: UNWTO, May 2020.

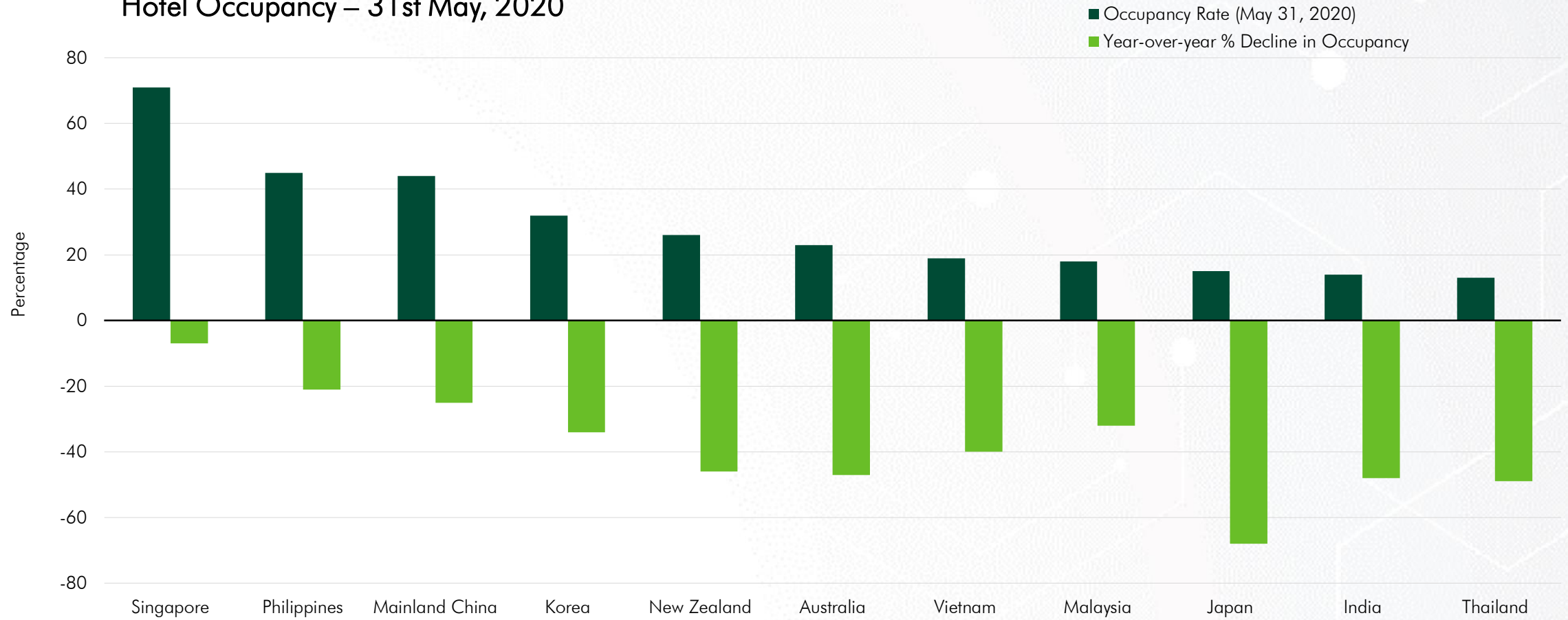
International Tourist Arrivals, 2000-2019 And Scenarios for 2020 (in millions)



Note: The above scenarios are based on the possible openings of national borders and possible lifting of travel restrictions in July, September and December in 2020, respectively.
 Source: UNWTO, May 2020.

LATEST VIEW ON HOTEL PERFORMANCE

Hotel Occupancy – 31st May, 2020



Source: STR, CBRE Research, June 2020.

WHAT WILL THE NEW HOTEL EXPERIENCE LOOK LIKE?



Possible temperature checks before entering the hotel



Contactless check-in and check-out to minimise human contact



High-frequency cleaning and sanitation of surfaces and rooms



Physical distancing measures to be observed



Possible extension of room turnaround time to 24 hr minimum

Source: CBRE Research, June 2020.

WHAT WILL THE NEW HOTEL EXPERIENCE LOOK LIKE?



Gyms, pools and spa facilities could be restricted in use



Max no. of guests allowed in meeting and communal areas



Check-out and check-in areas to be separated to avoid crowding



Guest transport to adhere to strict hygiene standards



Reduced number of tables and lower seat capacity in bars and restaurants

Source: CBRE Research, June 2020.

CONTACTS

ASIA PACIFIC HOTELS

Robert McIntosh

Executive Director
CBRE Hotels Asia Pacific
robert.mcintosh@cbrehotels.com

Zhang Jiahao

Associate Director,
CBRE Hotels Asia Pacific
jjiahao.zhang@cbrehotels.com

ASIA PACIFIC RESEARCH

Henry Chin, Ph.D.

Head of Research,
APAC/EMEA
henry.chin@cbre.com.hk

Liz Hung

Associate Director,
Asia Pacific
liz.hung@cbre.com.hk

Jonathan Hills

Senior Director,
Asia Pacific
jonathan.hills@cbre.com.hk

FOLLOW CBRE



CBRE RESEARCH

This report was prepared by the CBRE Asia Pacific Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate investors and occupiers around the globe.

All materials presented in this report, unless specifically indicated otherwise, is under copyright and proprietary to CBRE. Information contained herein, including projections, has been obtained from materials and sources believed to be reliable at the date of publication. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. Readers are responsible for independently assessing the relevance, accuracy, completeness and currency of the information of this publication. This report is presented for information purposes only exclusively for CBRE clients and professionals, and is not to be used or considered as an offer or the solicitation of an offer to sell or buy or subscribe for securities or other financial instruments. All rights to the material are reserved and none of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without prior express written permission of CBRE. Any unauthorized publication or redistribution of CBRE research reports is prohibited. CBRE will not be liable for any loss, damage, cost or expense incurred or arising by reason of any person using or relying on information in this publication.

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/research-and-reports