

Singapore Flash Note

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DBS Group Research . Equity

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Singapore Hospitality

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Vacations (staycations) – here we come!

- Hotels allowed to be attractive local staycations
- First wave of demand from families and couples looking for the vacation vibe!
- Hotels in Sentosa remain prime beneficiaries; downside risk for Singapore hotels further mitigated
- CDL HT and FEHT are prime beneficiaries given their significant exposure in Singapore

What's New

The Singapore Tourism Board (STB), in an advisory dated 3 July 2020, indicated that hotels in Singapore will be allowed to open for staycations and recreational areas for children. However, the hotels must first comply with safe management rules and submit an application to the STB for assessment before re-opening for business.

Some of these safe-management rules include (i) limiting occupancy to no more than one person per 10psm in public spaces accessible to guests at any one time (excluding hotel staff), and (ii) reducing face-to-face mingling through staggering guest time at lobbies and guest facilities.

Our thoughts.

Any business is business! The tourism industry has been worst hit by the Covid-19 pandemic with almost zero tourists arriving at our shores over the past few months. Hotels have been able to generate cashflows through government-related businesses – through the mandatory stay home notices (SHN) for returning Singaporeans but that has also tapered off from June 2020. While food establishments at the hotel premises have re-opened in phase 2, as a % of revenues, food & beverage (F&B) typically consist of a smaller proportion of total sales (up to

30% for most hotels, 60% for vacation hotels) and will be insufficient to compensate for the drop in revenues from the sale of hotel rooms.

This re-opening for staycations will be positive for all hoteliers, Ascott Residence Trust (ART), Frasers Hospitality Trust (FHT), and we believe the prime beneficiaries are the likes of Far East Hospitality Trust (FEHT) and CDL Hospitality Trusts (CDLHT) given their significant exposure in Singapore at c.100% and c.65% of revenues respectively. While staycations have never been a significant business for the hospitality groups, this first wave of demand will bode well given the limited business alternatives.

We note that the hospitality S-REITs derive rental income based on a rental formula that has a fixed component that is set by their respective sponsors, the ability to generate businesses from staycations will help alleviate cashflow issues for the sponsors – thus improving the sentiment for the sector over time, in our view.

Where do one go to get the vacation vibe? We believe that this first wave will likely come from families (with/without children) and couples looking for the vacation vibe. Among the various hotels in Singapore, we believe that the Sentosa hotels will likely benefit first as they are probably the more attractive alternatives, given that most are still confined within local shores. **CDL HT (BUY, TP S\$1.30)** and **FEHT (BUY, TP S\$0.60)** will benefit given their exposure in Sentosa. For CDL HT, the prospective purchase of the W Hotel (expected to complete in July 2020) will also set the stage for a gradual recovery over time.

Link to our old report: Please click here for report: [Singapore Hotel REITs: The next privatisation candidate.](#)



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**Share price appreciation + dividends*

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