

**Phocuswright**  
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Phocuswright Special Series

# COVID-19 HOTEL FORECAST: SINGAPORE

April 2020

In cooperation with



Written and researched by  
**Robert Cole**

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# Introduction



The global hospitality industry has been ravaged by COVID-19, a classic example of a black swan event. While many are looking backwards to compare the current market environment with the post-9/11 or 2008 Great Recession periods, Phocuswright prefers to look forward – trying to address the tough questions weighing on our collective minds.

Over the coming months, by teaming up with the data science team at LodgIQ, Phocuswright will evaluate a broad swath of hotel-related and other data across a variety of key metropolitan areas. Our key objectives are to model the:

- Level of disruption
- Duration of disruption
- Shape of the recovery curve

The goal is to understand the similarities and differences in hotel market dynamics between destinations. This is especially relevant, as some markets may have yet to peak in terms of the level of infections, while others are seeing active coronavirus case counts decline.

Travel’s multimodal nature and interdependency of origin and destination markets within different sectors adds necessary, but not always welcome complexity to the model. Therefore, this forecast is probabilistic, with a high degree of uncertainty. The spread of the virus is path-dependent, non-linear and impacted by measures such as local social distancing and broader geographic quarantines.

The forecasting model will be continually evaluated and refined as more data is collected, stronger signals identified, and new outcomes revealed. Understanding the impact of the virus and the path to recovery across major global markets will help the industry regain solid footing through more informed decision making. The simplest way to understand the impact of the virus is to observe the change to the forecast as the spread progresses.

*“My interest is in the future because I am going to spend the rest of my life there.”*

C.F. Kettering

# Singapore

## 2020

### January

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

### February

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

### March

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

### April

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Singapore has been heralded as a shining example of best practices to confront and control the spread of COVID-19. Given its strong trading relationships with China, the destination identified its first cases early, in the last week of January 2020. Despite still being in the early stages of the pandemic’s lifecycle, Singapore provides an excellent example of how the hotel industry is impacted by the interplay of viral spread, government policy and social behavior – both at home and outside its borders.

Despite keeping the spread of coronavirus controlled for nearly two months through diligent testing and quarantining, new challenges arose in mid-March as Singapore elected to keep its borders open while neighboring Malaysia announced a lockdown. This resulted in thousands of workers who reside in Malaysia and work in Singapore gathering their belongings from home and staying in Singapore.

## Timeline

Singapore’s timeline reflects major swings in the virus’ progression, as well as continuously evolving government policy:

- **January 23:** The first coronavirus case reported in Singapore.
- **February 17:** Stay-at-home Notices announced for Singapore residents and long-term pass holders returning from China.
- **March 12:** Singapore government announces it will not cut off from the world, but instead resort to temporary control measures.
- **March 16:** Movement Control Order announced in neighboring Malaysia effective March 18. Hotel demand increases for Malaysian nationals working in Singapore as they seek to avoid lockdown.
- **March 18:** Singapore announces all travelers entering Singapore will be subject to a 14-day Stay-at-home Notice.
- **March 21:** First two deaths attributed to coronavirus.
- **April 3:** Singapore announces school and most workplaces to close for a month, except those offering “essential services,” beginning April 7.
- **April 5:** 120 new coronavirus cases represents the largest daily tally for Singapore.

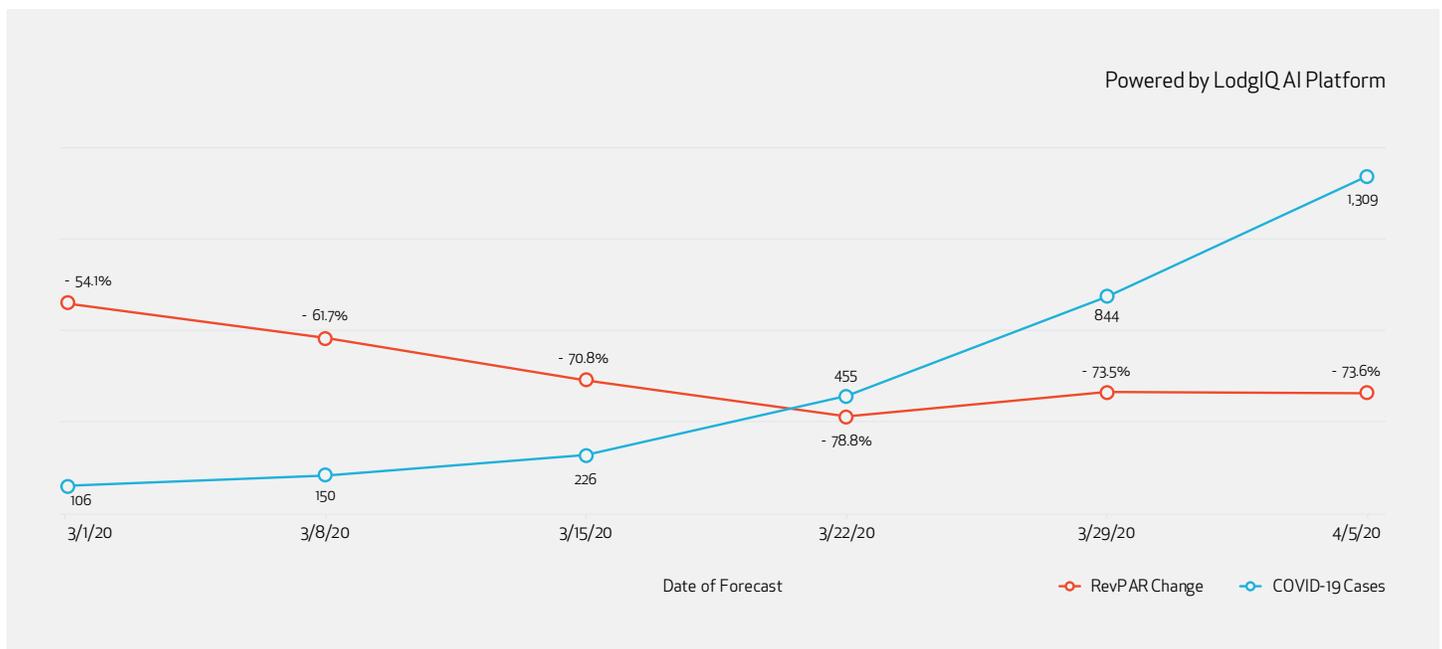
These events reflect the difficulty in anticipating and preparing for all potential scenarios. With case counts rising, most destinations would see a corresponding reduction in hotel demand, pushing occupancies and RevPAR even lower. However, Singapore’s approach has produced a different outcome.

Non-citizens represent thirty percent of Singapore’s population. Instead of completely shutting down its borders, Singapore’s government has contracted 7,500 hotel rooms to serve as quarantine quarters for all persons returning to the city-state. The Stay-at-home Notice prohibits returning individuals from rejoining their families until the 14-day quarantine period has passed. These contracts reportedly vary in length and are planned to continue through May and June.

The impact of this policy on local hotel occupancy has been dramatic. In virtually all locales globally, the group segment has evaporated for hoteliers. In Singapore, the April group occupancy percentage is expected to be in the low double digits, exceeding the total occupancy for most international gateway cities.

April’s RevPAR projections for Singapore reflect the typical inverse correlation between the number of confirmed cases and RevPAR, with the notable exception of the government contracting rooms, which reversed and stabilized the slide.

**Figure 1:**  
Forecast YoY RevPAR Decline – April 2020



Incorporating the group bump, the model forecasts April RevPAR to fall approximately 75% compared with 2019, driven by a 62% YoY drop in occupancy coupled with a 33% YoY decline in average daily rate. It should be noted that the ADR drop is not the result of widespread hotelier discounting or aggressive revenue management initiatives. Instead, it reflects a change in market mix from transient to group rooms, and the shift of hotel demand from luxury properties to more affordable lodging alternatives.

April 2020 - Declines

<p><b>~ 62%</b> April YoY Occupancy loss</p>	<p><b>33%</b> April ADR decline YoY</p>	<p><b>~ 75%</b> April YoY RevPAR loss</p>
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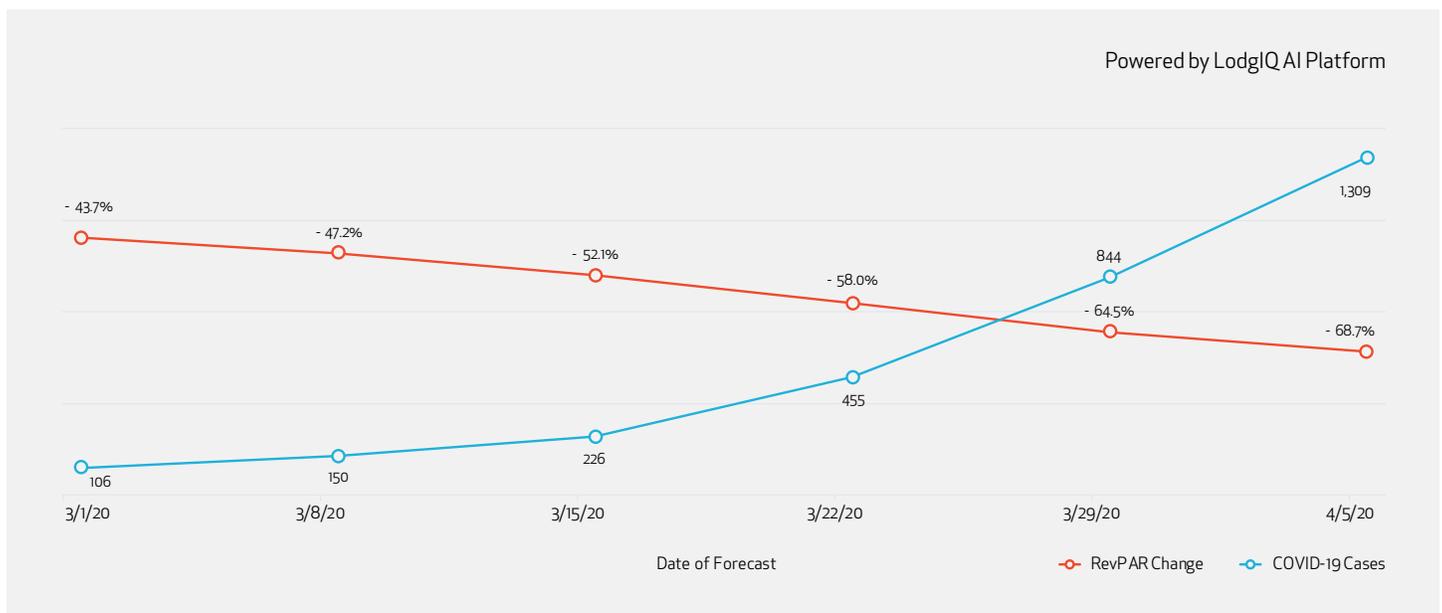
Singapore’s projected YoY RevPAR variances offer a valuable lesson for any destination that feels a quick rebound is at hand in the absence of herd immunity. For the March 1 forecast, it appeared that while business would be bad, the dip would be relatively short-lived due to the apparent control of the virus’ spread. The dynamics changed radically, triggering a nearly 25-point downturn in the projections within three weeks.

**Figure 2:**  
Forecast Change in YoY Revenue Per Available Room  
Comparing March 1, 2020 Forecast with April 5, 2020 Forecast

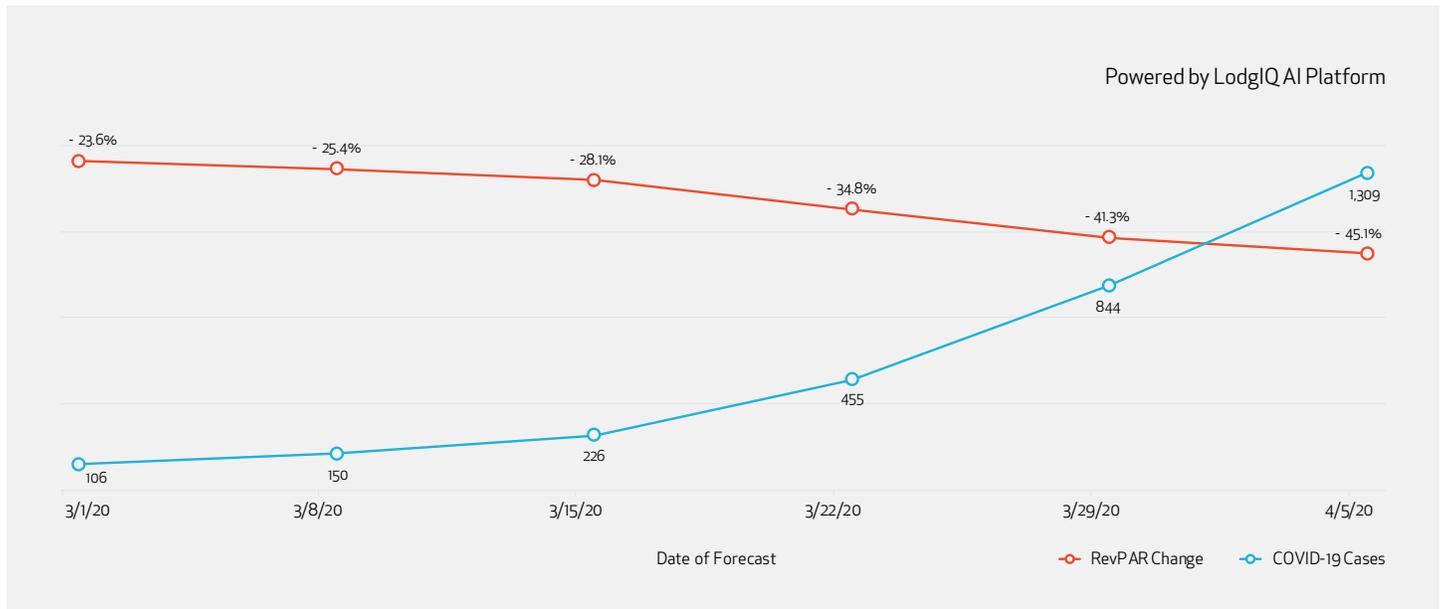
RevPAR YoY Change	Date of Forecast	
	March 1	April 5
April 2020	-54%	-74%
May 2020	-44%	-69%
June 2020	-24%	-45%

While these figures appear dismal, it should be noted that Singapore, with a population of 5.7 million, has only experienced eight coronavirus-related deaths as of April 13. This is partly due to their earlier experience with SARS, as those learnings have obviously been institutionalized. Singapore’s RevPAR decline has been far less dramatic than New York’s, which was forecast to drop more than 90% YoY in April and May.

**Figure 3:**  
Forecast YoY RevPAR Decline – May 2020



**Figure 4:**  
Forecast YoY RevPAR Decline – June 2020



The March 1 occupancy forecasts had already factored in the anticipated impact of COVID-19. The April 5 forecast model currently projects room occupancy levels to bottom out at near 30% throughout April and May, with some recovery beginning in June to achieve occupancy rates approaching 50%.

**Figure 5:**  
Difference in Occupancy Forecast  
Comparing March 1, 2020 Forecast to  
April 5, 2020 Forecast

Occupancy	Date of Forecast	
	March 1	April 5
April	42.1%	31.1%
May	48.2%	28.3%
June	64.9%	48.1%

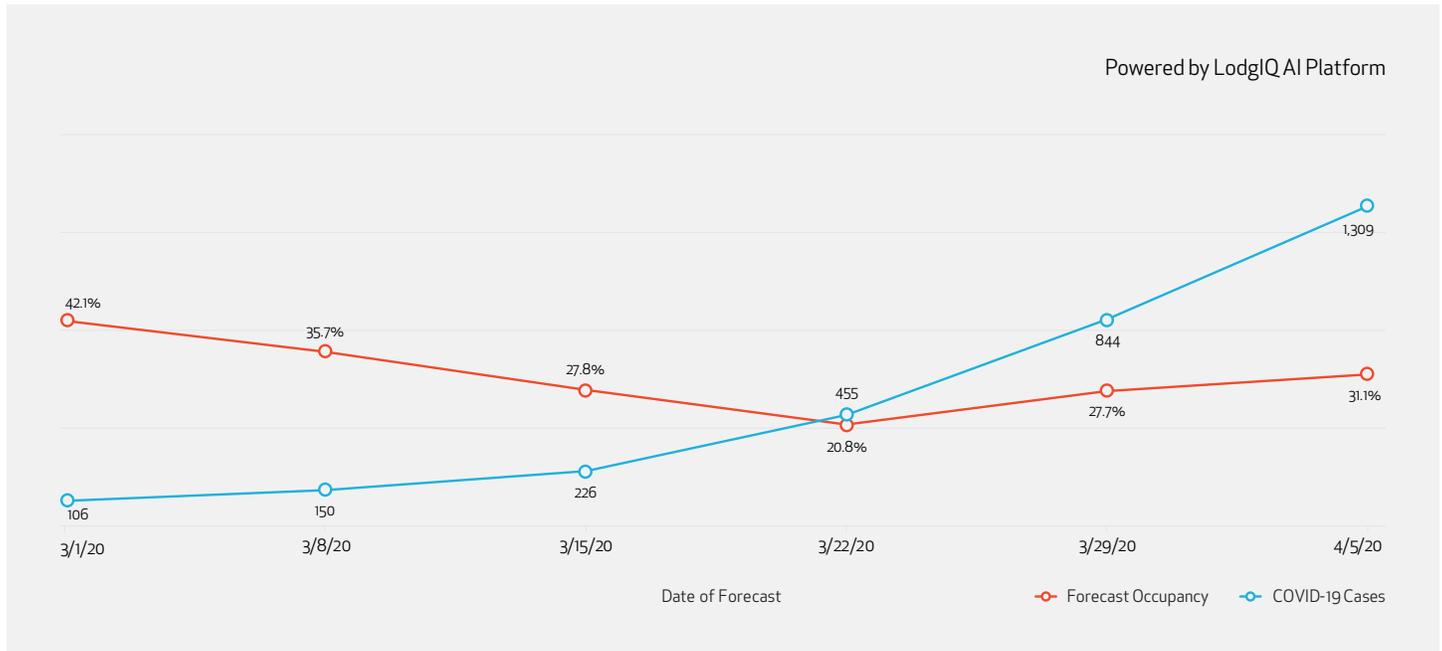
One key uncertainty is the forward-looking impact of the latest government policy “circuit-breaker,” which strictly prohibits social gatherings of any size – in homes or public spaces – and only allows outdoor exercise alone or with someone who currently shares a residence. All non-essential travel has been banned, as are staycations. The restrictions are currently scheduled to remain in place through May 4.

With the government contracting of group rooms, there may be less pressure on some hotels to close, but none are allowed to accept transient reservations during the duration of the circuit-breaker. [TRIPBAM's Hotel Closures Report](#) currently includes 63 Singapore

hotels as not accepting transient reservations. The dozen properties providing the 7,500 government contracted rooms are all included on the list.

We will be continually revisiting the forecast to evaluate the success of these measures and their impact on hotel performance over the coming months.

**Figure 6:**  
Forecast Occupancy – April 2020



**Figure 7:**  
Forecast Occupancy – May 2020

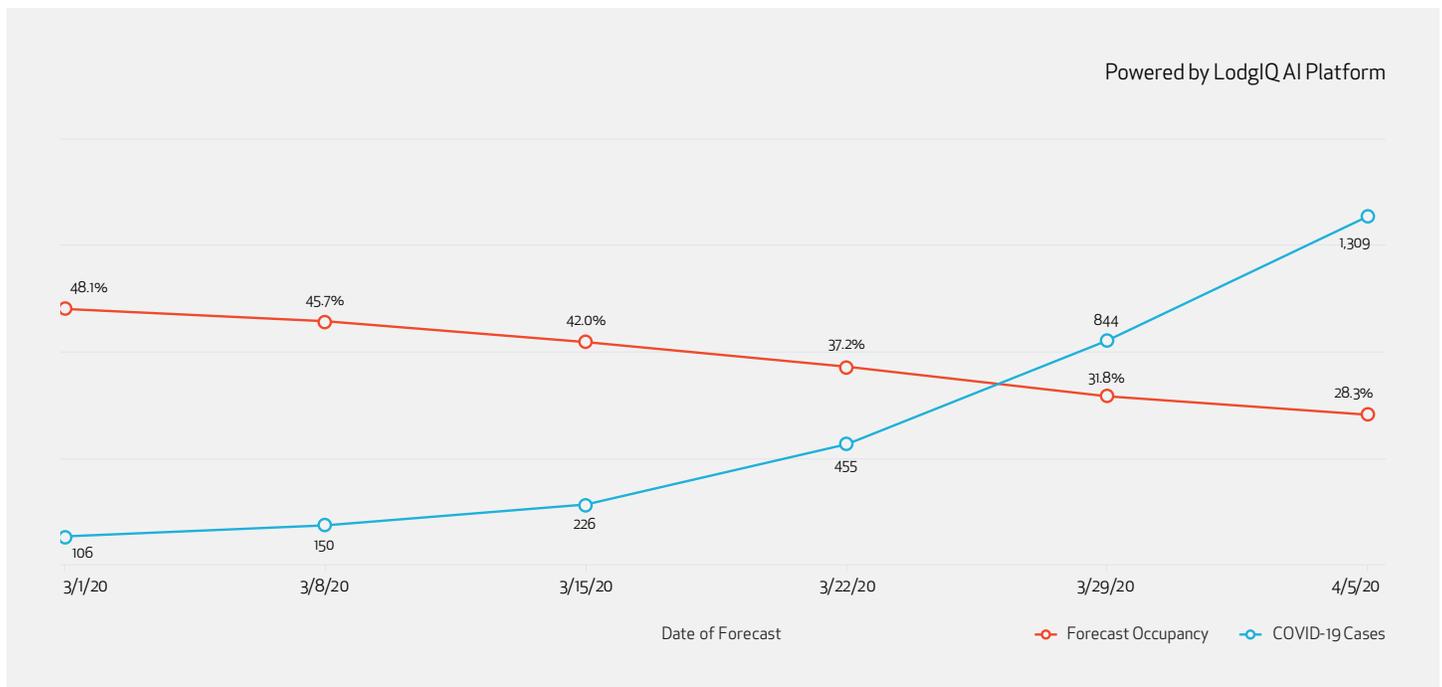
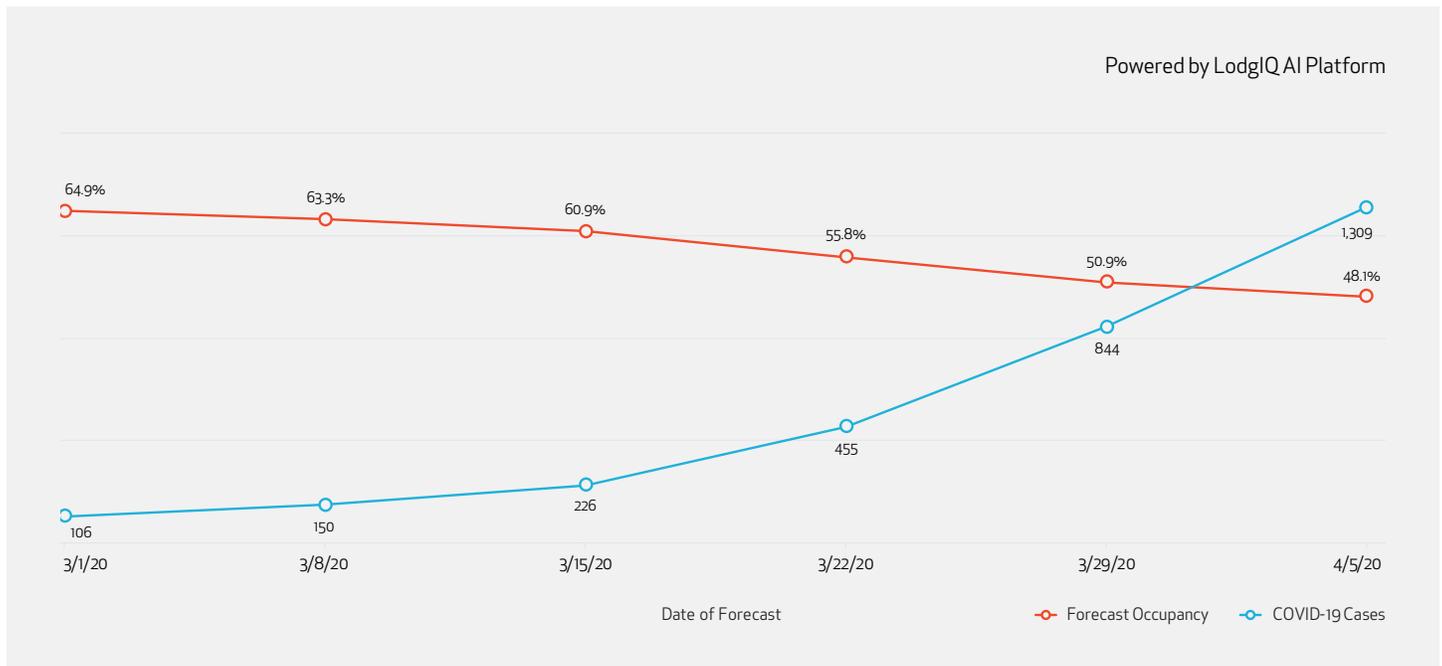


Figure 8:  
Forecast Occupancy – June 2020



It should be noted that Singapore has acted quickly, has been responsive to changing conditions and has done most things right. Still, 100 days after its first reported case, the city-state continues to struggle, combating a virus that doesn't recognize borders and capitalizes on opportunities to spread when the population begins to feel that the worst has passed.





## About the Hotel Forecast Model

We continue to identify leading indicators that signal likely pricing strategies as markets decline and recover. ADRs can be misleading in a market experiencing severe supply contraction, as the mix of available rooms may shift to offer higher ratios of economy or luxury properties. Logically, during significant periods of disruption, travelers may become more price-sensitive, but anxious hoteliers engaging in rate wars may suppress pricing not only for their competitive set, but for the destination overall.

It is also important to remember that as the time horizon expands, greater variation may be expected. As more global markets recover from peak virus caseloads, their outcomes will be captured, with the model continually refined to enhance its precision.

This crisis will pass, but until then, the most urgent questions focus on the depth of the decline, the length of its duration and how the recovery will manifest itself. As the analysis continues, the following factors will be closely monitored to identify early signs of recovery:

- Active cases and mortality rates
- Test counts per million
- Government travel policies
- Stock market and volatility indexes
- Unemployment rates



## About Phocuswright

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States, Europe and Asia Pacific. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

Phocuswright also operates PhocusWire (<http://www.phocuswire.com>), a media service that covers the world of digital travel 365 days a year with a range of news, analysis, commentary and opinion from across the travel, tourism and hospitality sector.

The company is headquartered in the United States with Europe and Asia Pacific operations and local analysts on five continents.

Phocuswright is a wholly owned subsidiary of Northstar Travel Group.

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## About LodgIQ

LodgIQ uses state of the art BigData Analytics and AI / Machine Learning algorithms to forecast demand and price hotel rooms. LodgIQ is led by a team of experienced hospitality technologists, data scientists and engineers. Seed funded by Highgate Ventures, LodgIQ is re-imagining revenue management with predictive and prescriptive analytics methods. Our flagship product – LodgIQ RM is used by hotels across the globe, day-in and day-out to understand demand and optimize revenue.

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