

Quarterly | Manila | 09 February 2022

# Rebound and reboot

## Hotel operators prepare for gradual recovery of arrivals and leisure spending

### Insights & recommendations

Disappointing foreign tourist arrival numbers, due to the Omicron variant, continue to stall the leisure sector's recovery. Over the next 12 months we still see hotel occupancy across the country being propelled by local tourists as well as Filipinos returning from abroad. Colliers recommends that developers:

- Reevaluate the supply pipeline in the next 12-24 months
- Strictly comply with health and safety protocols implemented by the government
- Coordinate with agencies such as Health and Tourism departments
- Implement hybrid MICE activities to jumpstart the sector's recovery

		H2 2021	Full Year 2022	2022-24 Annual Avg
 <p><b>Demand</b></p>	<p>We attribute dampened demand to the substantial drop in foreign tourists. Colliers expects a slow recovery which should start by H2 2022.</p>	 58,177 arrivals*	 2 million arrivals	 4 million arrivals
 <p><b>Supply</b></p>	<p>Colliers saw the delivery of 191 rooms in H2 2021. In 2022, we project the completion of 1,600 rooms, up 122% YOY. We expect the Bay Area to account for 57% of new supply.</p>	 191 units	 1,600 units	 2,270 units
 <p><b>Occupancy</b></p>	<p>Occupancy improved in H2 2021 partly due to the arrival of more Filipinos using hotels as quarantine facilities. Travel restrictions will continue to stifle demand.</p>	HOH/ End H2  +20pp 44%	YOY/ End 2022  +6pp 50%	Annual Avg Growth 2021-26/ End 2026  +5pp 70%
 <p><b>Room Rates**</b></p>	<p>Colliers expects a slow recovery in daily rates starting 2022, backed by slight improvement in foreign arrivals and demand from Filipinos returning to the country.</p>	 +4.0% USD63	 +4.0% USD66	 +4.8% USD82

Source: Colliers.

Note: USD1 to PHP50 as of the end of H2 2021. Demand is tourist arrivals.

\*Jan. to June 2021 figure; \*\*Average Daily Rates.

“We do not see an immediate rebound for foreign tourist arrivals especially given the impact of the Omicron variant on global air travel. In our view, local tourists, especially Filipinos returning from abroad, will continue to drive occupancy. We remain cautiously optimistic on the leisure sector’s potential for rebound, partly due to the improvement in Filipinos’ propensity to spend on leisure-related expenditures and as the government allows the reopening of more multi-use hotels. Meanwhile, hotel operators should continue sanitizing their facilities; complying with government’s protocols; and lining up marketing initiatives. ”

**Joey Roi Bondoc**  
Associate Director, Research

## Recommendations

### Strict compliance with protocols

Colliers believes that hotel operators should strictly comply with government-mandated health and safety protocols. Quarantine as well as multiple-use hotels should also ensure that they have fully-vaccinated staff and implement frequent disinfection of common areas. Data from the Department of Tourism (DOT) show that 282,780 individuals, or 88% of the target 325,489 workers from various tourism-related industries have already been inoculated against Covid. Hotels should also coordinate with government agencies such as Bureau of Quarantine and the DOT to ensure a worry-free stay and check-out for guests returning from abroad.<sup>1</sup>

### Assess supply pipeline

Colliers encourages developers to be cautious of new supply in the next 12 to 24 months. Developers have been mindful of delivering new hotels, and this was apparent in 2020 and 2021 where a total of only 1,095 rooms were completed, or about 550 rooms per year. This is significantly lower than the annual delivery of about 2,000 rooms from 2017 to 2019. Aside from construction constraints, the decline in new supply is also due to an anemic demand brought about by Covid globally. Colliers believes that the lifting of global travel restrictions, decline in Covid cases, rebound in leisure spending and improvement in consumer confidence should be considered in lining up new projects.

<sup>1</sup>[Booster shots rolled out for fully vaxxed tourism workers; 50% of NCR hotel staff already "boosted"](#)

### Hybrid MICE

According to Colliers’ [Q3 2020 Hotel Insights](#) report, the Meetings, Incentives, Conferences and Exhibitions (MICE) segment will recover the slowest post-Covid. While hotel operators prepare for the potential rebound of this segment, we encourage them to explore the viability of implementing hybrid MICE events where there is a mix of face-to-face and virtual participants. This should partly buoy the MICE segment which suffered heavily due to limited physical meetings.

### Repurpose facilities

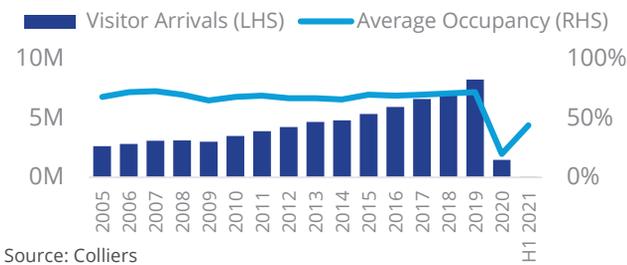
Go Hotels, Summit Hotels, Manila Marriot and The Linden Suites Ortigas, have converted their facilities into private offices and flexible workspaces. In our view, the demand for these facilities is likely to rise given that more firms are implementing alternative work schemes. Some of the amenities that hotels offer include high-speed internet, free parking spaces, 20% discounts on in-room dining, and access to a common pantry area.

## Arrival growth at a tepid pace

Foreign arrivals to the Philippines remain subdued as global travel restrictions remain in place. The latest data from the DOT show that foreign arrivals reached 58,177 in H1 2021, down 96% YOY. The tourism department expects arrivals to reach at least 500,000 in 2021 before a slow recovery of between 2 to 5 million in 2022.<sup>2</sup> This is only a fraction of the record-high of 8.3 million foreign tourists that visited the country in 2019.

<sup>2</sup>[DOT forecasts 2 million to 5 million foreign tourists by 2022](#)

## Foreign arrivals and Metro Manila hotel occupancies, 2005 – H1 2021



Source: Colliers

## Domestic-led occupancy

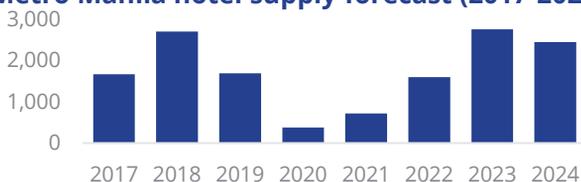
Colliers saw hotel occupancy in Metro Manila reaching 44% in H2 2021 from 24% in H1 2021. This is also higher than the 20% occupancy recorded in H2 2020 and our earlier projection of a 30% occupancy by the end of 2021. We attribute the improvement to the return of more Filipinos from abroad in time for the holiday season. Colliers believes that the improvement in demand for staycation hotels was partly fueled by local guests especially prior to the spread of the Omicron variant.

Moving forward, Colliers believes that the recovery in hotel rates and occupancy will partly be driven by Filipinos' improving propensity to spend on leisure-related expenditures. The fourth quarter has traditionally been a strong quarter on leisure spending, but this was partly clipped by the spread of the Omicron variant.

In 2022, Colliers projects hotel occupancy to hover at sub-50%. Foreign arrivals are still unlikely to reach pre-pandemic levels while we see domestic spending being stifled by the spread of the Omicron variant and locals skimping on leisure-related expenditures.

In our opinion, among the factors that are likely to influence slow recovery in hotel occupancy are the government's aggressive vaccination program; macroeconomic recovery; and the recovery of local and international air travel.

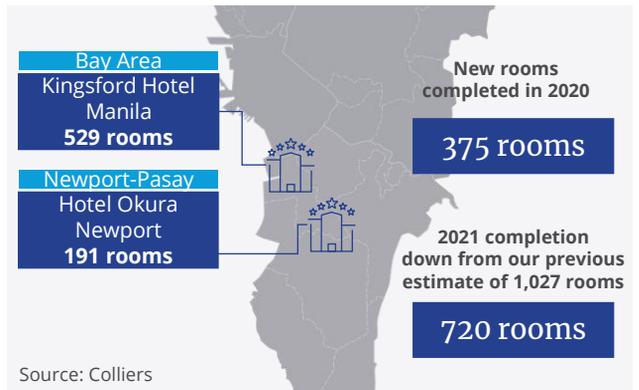
### Metro Manila hotel supply forecast (2017-2024)



Source: Colliers

In 2021, IATA projects total passenger numbers to reach 2.3 billion in 2021. By 2022, this is expected to reach 3.4 billion, similar to 2014 levels. However, this is still below the record-high of about 4.5 billion travelers in 2019.<sup>3</sup>

## New hotels completed in Metro Manila in 2021



Source: Colliers

## Limited new supply

In 2022, we see the completion of about 1,600 new rooms, lower than our previous forecast of 1,900 rooms. Among the hotels likely to be completed during the period are the 245-room Red Planet The Fort, 303-room Westin Manila Sonata Place Hotel and the 250-room Lansons Place Hotel. We do not see a substantial delay in completion beyond 2022 as hotel operators anticipate a gradual rebound in demand. We also expect operators to be more cautious in completing in-hotel restaurants, gyms, and MICE facilities as establishments gradually embrace the new normal and adjust to social and physical distancing protocols mandated by the national government.

## Average daily rates by classification, H1 2021 vs. H2 2021

Star classification	H1 2021	H2 2021	% change (HOH)
3-star	PHP3,461 (USD69)	PHP3,480 (USD70)	+0.5%
4-star	PHP4,457 (USD89)	PHP4,738 (USD95)	+6.3%
5-star	PHP8,392 (USD167)	PHP8,361 (USD167)	-0.4%

Source: Colliers; Note: USD1 to PHP50 as of the end of H2 2021.

<sup>3</sup>Losses Reduce but Challenges Continue - Cumulative \$201 Billion Losses for 2020-2022

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