

Sector Update

Singapore Hospitality Monitor – Watching for downside risks

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Summary Points

- May was a weak month for Singapore in terms of visitor arrivals and hotel performance, potentially as SGD strength and elevated air fares deter budget travellers
- While there is some recovery in commercial air traffic through Middle Eastern airspace, travel patterns still suggest a preference for direct flights along the Asia-Europe corridor
- A potential resolution of the Iran war does not imply an immediate return to pre-war normalcy, and we remain watchful of second order effects

Visitor Arrivals

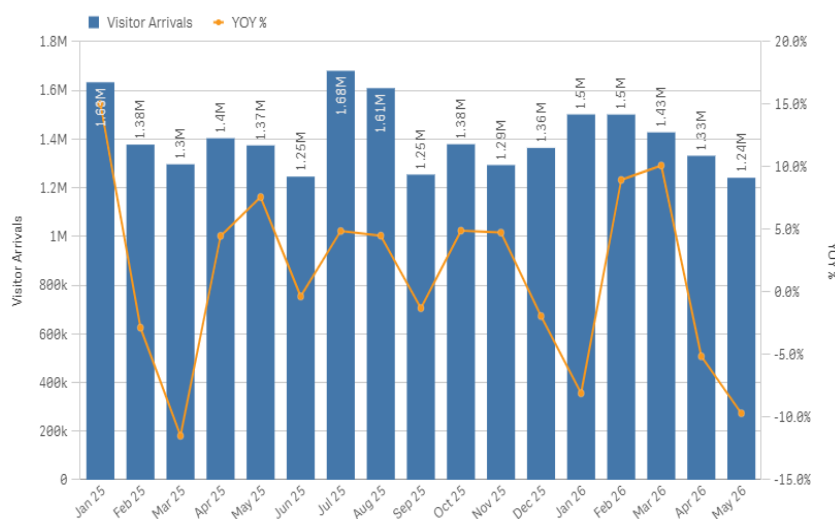
According to data from the Singapore Tourism Board (STB), international visitation continued to slide to a new year-to-date (YTD) low in May 2026, plunging 9.7% year-on-year (YoY) to 1.2 million arrivals. China and Indonesia as two of the largest source markets led declines at -15.4% and -14.0% YoY, respectively, potentially as the SGD's relative strength weighs on affordability for budget-conscious travellers. For the first five months of the year, visitor arrivals totalled 7.0 million – 1.2% lower YoY and tracking at 90.1% of pre-Covid levels.

Singapore hospitality and hospitality-related names under our coverage

Security name	FV (SGD)	Upside (%)
Genting Singapore (GENS SP)	0.77	25
CapitaLand Ascott Trust (CLAS SP)	0.95	13
OUE REIT (OUEREIT SP)	0.41	20
Starhill Global REIT (SGREIT SP)	0.525	3
China Aviation Oil (CAO SP)	2.48	33
Singapore Airlines (SIA SP)	6.65	-13
SIA Engineering (SIE SP)	4.00	15
SATS Ltd (SATS SP)	4.20	-6

Note: Upside based on last close price as 3 Jul 2026. Source: Bloomberg, OCBC Group Research

Exhibit 1: Monthly trend of visitor arrivals in Singapore

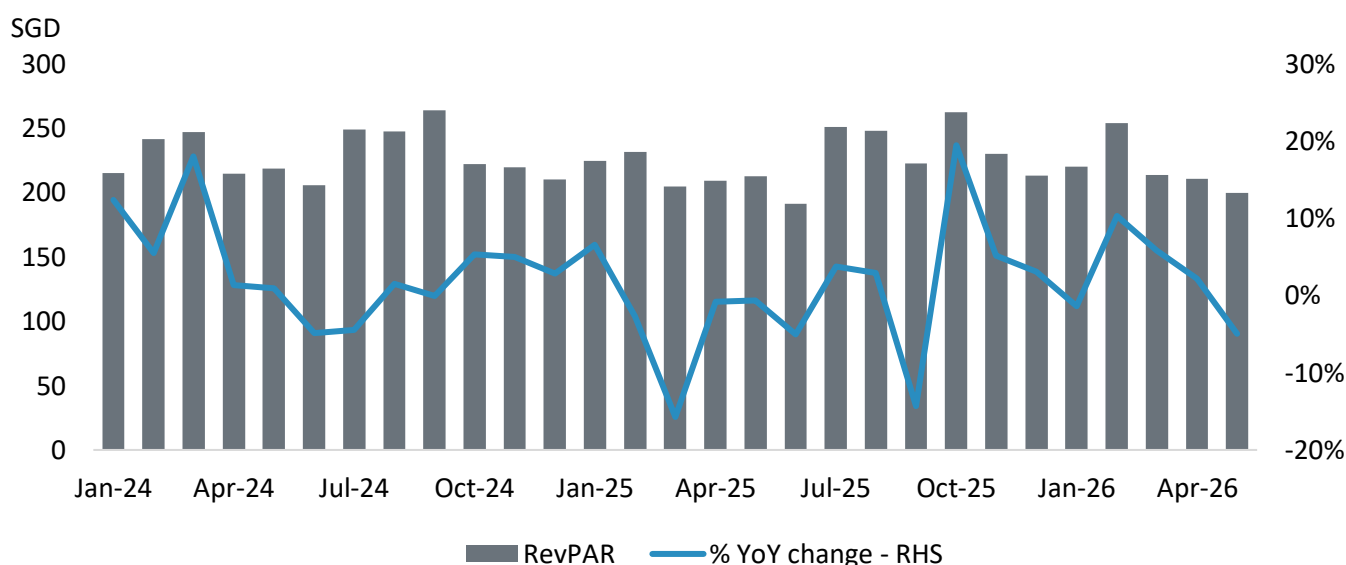


Source: Singapore Tourism Analytics Network

Hotel Performance

Hotel performance in the month of May was soft alongside the moderation in visitor arrivals. A 0.4% YoY improvement in average room rates (ADR) to SGD265 was outweighed by a 4.2 percentage point (ppt) dip in average occupancy to 75.4%; as a result, revenue per available room (RevPAR) for the month fell 5.0% YoY to SGD200. This remains a healthy 18% above pre-Covid levels, but marks the weakest month since September 2025 when RevPAR corrected 14.4% YoY due to the timing shift of the Singapore Grand Prix.

Exhibit 2: Singapore hotel industry RevPAR performance



Source: STB

In late June, **OUE REIT [OUEREIT SP; FV: SGD0.410]** announced the proposed divestment of Crowne Plaza Changi Airport, ahead of the expiry of its master lease in 2028. The divestment consideration of SGD500m translates to a 1.3% premium to the average of two independent valuations, albeit a loss of SGD15m against the asset's book value. Net cash proceeds are estimated to be SGD498.5m, of which SGD20m will be disbursed to unitholders evenly over the first two years following the completion of the divestment as a special distribution. The divestment is part of OUE REIT's capital recycling strategy. The exit from a mature asset helps to strengthen its balance sheet – with pro forma aggregate leverage as at 31 Mar 2026 improving from 41.5% to 36.6% - and provide it with the fiscal flexibility to acquire high quality assets with better returns. Given that this is a sizeable transaction, in our view – with Crowne Plaza Changi Airport contributing to around 10% of FY25 revenue and 9.3% of portfolio value – we are watchful of how the REIT eventually deploys the proceeds, as well as the timing and quality of any potential acquisitions.

Looking ahead, The Mora Singapore by TUI Hotels & Resorts is expected to open its doors come September, featuring 20 luxury guest accommodations within the Labrador Nature Reserve. Meanwhile, the opening of luxury lifestyle hotel NoMad Hilton Singapore has been brought forward from early 2027 to late 2026, and will reportedly add 173 guest rooms to the Orchard Road belt.

Aviation

Global passenger traffic moderated a further 2.2% YoY in May, based on data from the International Air Transport Association (IATA). This was driven by the domestic segment, where traffic contraction deepened from -0.4% YoY in

April to -3.1% YoY in May, led by the US and China which together account for two-thirds of global domestic traffic. Meanwhile, the decline in international traffic improved to -1.6% YoY (April: -5.4% YoY).

Notably, traffic between Europe and Asia remained robust, rising 15% YoY and reflecting a continued preference for direct services. Airlines have responded by increasing capacity along this corridor by 12.4% YoY. Traffic carried by Middle Eastern carriers remained under pressure at -28.4% YoY, but this has eased from -59.2% and -46.6% YoY in March and April, respectively, alongside gradual reopening of airspaces.

Forward ticket sales in May for travel in the second half of the year fell by 7.4% YoY (April: -3.3% YoY), led by international markets (-10.2% YoY), while domestic ticket sales remained resilient (+6.0% YoY). While we acknowledge the incremental positives arising from a potential resolution in the Middle East conflict, we caution that a peace deal does not imply an immediate return to pre-war normalcy. It will take time for jet fuel prices to normalise given that it is a refined product, as well as for travellers to regain confidence in the Middle East as a travel hub. Second order effects may still emerge with a lag time, with economic indicators being a key watchpoint as a slowdown in global growth and/or return of stagflation concerns will likely weigh on consumer sentiment and travel appetite, particularly for more cost-conscious segments.

Exhibit 3: Air passenger market – May 2026

	May 2026 (YoY, %)				May 2026 (Year-to-date, %)			
	RPK	ASK	PLF (ppt)	PLF (level)	RPK	ASK	PLF (ppt)	PLF (level)
Total market	-2.2	-2.3	0.1	83.5	1.1	0.3	0.7	82.7
International	-1.6	-2.4	0.7	83.7	0.8	-0.6	1.1	83.0
Domestic	-3.1	-2.1	-0.8	83.0	1.7	1.8	-0.1	82.4

Source: IATA; Note: RPK = Revenue passenger-kilometre; ASK = Available seat-kilometre; PLF = Passenger load factor

Singapore Airlines [SIA SP; FV: SGD6.65]: SIA carried 3.6 million passengers in May 2026, which is 5.2% higher YoY. Passenger traffic rose 4.9% YoY, but this was outpaced by a 5.3% capacity increase; consequently, PLF was 0.4ppt lower at 86.0%. The company noted that while it continued to benefit from spillover traffic, it did so to a lesser extent due to easing capacity constraints through the Middle East. On the cargo front, cargo load factor (CLF) rose 0.9ppt to 58.1%, as a 3.2% YoY increase in cargo loads outpaced a 1.5% expansion in capacity.

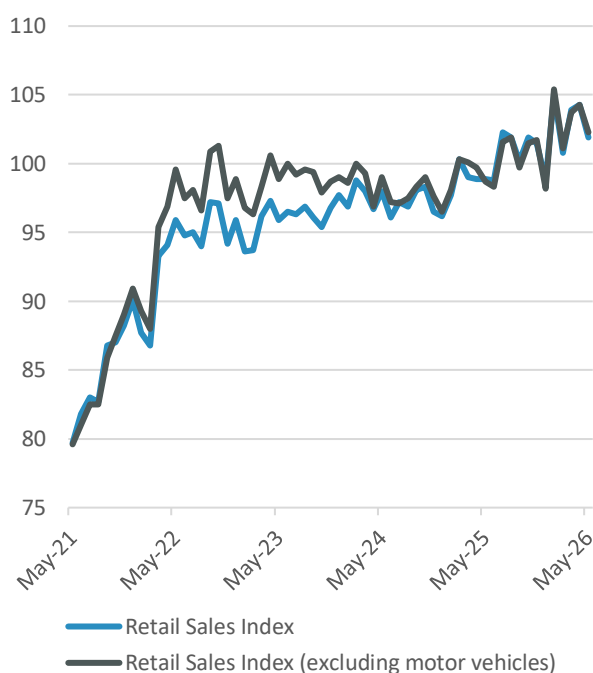
SIA Engineering [SIE SP; FV: SGD4.00]: SIA Engineering and Safran Aircraft Engines have signed a joint venture (JV) agreement to establish a full-fledged CFM LEAP engine shop in Singapore to provide maintenance, repair and overhaul (MRO) services for the LEAP-1A and LEAP-1B engines. SIA Engineering's current LEAP engine Quick Turn maintenance operations for Safran Aircraft Engines will also be integrated into the JV company. According to the company, the JV will enhance SIA Engineering's next generation engine capability to meet global LEAP engine maintenance demand. LEAP-1A is one of two engine choices for the Airbus A320neo family – the other being Pratt & Whitney's Geared Turbofan (GTF) – while LEAP-1B is the exclusive engine for the Boeing 737 MAX family. Additionally, SIA Engineering has signed a Memorandum of Understanding (MOU) with Air India to explore collaboration opportunities in MRO. We have previously highlighted this as a potential positive for SIA Engineering, given that it provides the company with a foothold in the fast-growing Indian aviation market.

SATS Ltd [SATS SP; FV: SGD4.20]: Buoyed by a strong set of FY26 (financial year ended 31 Mar 2026) results and improving investor sentiment amidst progress towards ending conflict in the Middle East, SATS's share price has performed well and now exceeds our fair value (FV) estimate of SGD4.20. We maintained our forecasts in an update on 24 Jun 2026, but downgraded our rating to a non-consensus HOLD, as we see the stock's risk-reward profile becoming more balanced post-rally. Nonetheless, we remain constructive on the company's long-term outlook, supported by resilient air cargo demand and an extensive global network post-acquisition of Worldwide Flight Services (WFS).

Retail Spending

Singapore's May retail sales grew 3.0% YoY, missing Bloomberg's average consensus forecast of 5.1% YoY. This extends the 5.4% YoY increase in April 2026, but marks a month-on-month (MoM) moderation of 2.3% on a seasonally adjusted basis. Growth was driven by recreational goods (+23.6% YoY) and watches and jewellery (+11.7% YoY). Excluding motor vehicles, parts and accessories, retail sales rose 3.7% YoY (April: +4.5% YoY).

Exhibit 4: Retail Sales Index (2025 = 100%), sa



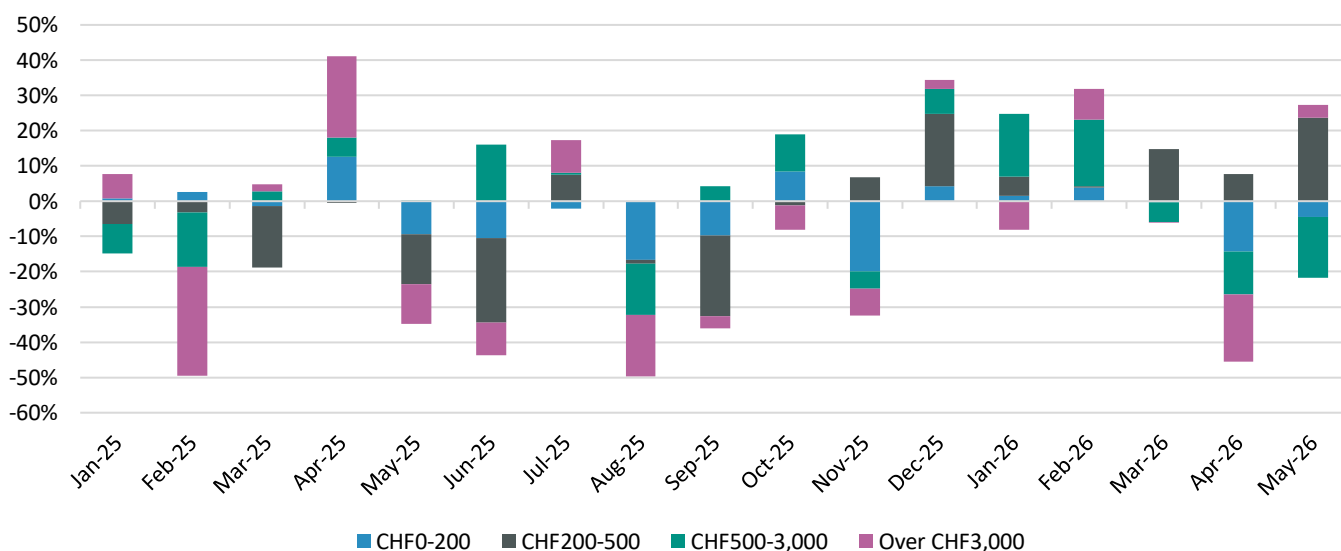
Source: Singapore Department of Statistics, OCBC Group Research

Exhibit 5: Retail Sales Index by industry (2025 = 100%)

	YoY (%)	MoM (%), sa
Total	3.0	-2.3
Total (excluding motor vehicles, parts and accessories)	3.7	-1.8
Department stores	-3.3	-0.1
Supermarkets and hypermarkets	1.1	-2.9
Mini-marts and convenience stores	1.4	-3.7
Food and alcohol	-3.7	-4.6
Motor vehicles, parts and accessories	-0.8	-4.8
Petrol service stations	9.5	-2.8
Cosmetics, toiletries and medical goods	4.9	0.5
Wearing apparel and footwear	0.1	-4.9
Furniture and household equipment	4.5	3.2
Recreational goods	23.6	11.6
Watches and jewellery	11.7	-4.3
Computer and telecommunications equipment	7.6	0.8
Optical goods and books	4.6	1.3
Others	-4.1	-2.6

Source: Singapore Department of Statistics, OCBC Group Research
Note: MoM = month-on-month; sa = seasonally adjusted

Exhibit 6: Swiss watch export growth (%) data by price category



Source: Bloomberg, Federation of the Swiss Watch Industry

Exhibit 7: Singapore hospitality and hospitality-related names under our coverage

Name	Ticker	Currency	Sector	Market Cap (USD b)	Last Price	Fair Value	Potential Upside (%)	Rating
GENTING SINGAPORE LTD	GENS SP	SGD	Consumer Discretionary	5.7	0.615	0.770	25	Buy
CAPITALAND ASCOTT TRUST	CLAS SP	SGD	Real Estate	2.7	0.895	0.950	13	Buy
QUE REIT	OUEREIT SP	SGD	Real Estate	1.5	0.36	0.41	20	Buy
STARHILL GLOBAL REIT	SGREIT SP	SGD	Real Estate	1.0	0.545	0.525	3	Hold
CHINA AVIATION OIL SINGAPORE	CAO SP	SGD	Energy	1.2	1.87	2.48	33	Buy
SINGAPORE AIRLINES LTD	SIA SP	SGD	Industrials	18.6	7.62	6.65	-13	Hold
SIA ENGINEERING CO LTD	SIE SP	SGD	Industrials	3.0	3.47	4.00	15	Buy
SATS LTD	SATS SP	SGD	Industrials	5.1	4.45	4.20	-6	Hold

Source: Bloomberg, OCBC Group Research; Upside based on last close price as of 3 Jul 2026.

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