



Horwath HTL™

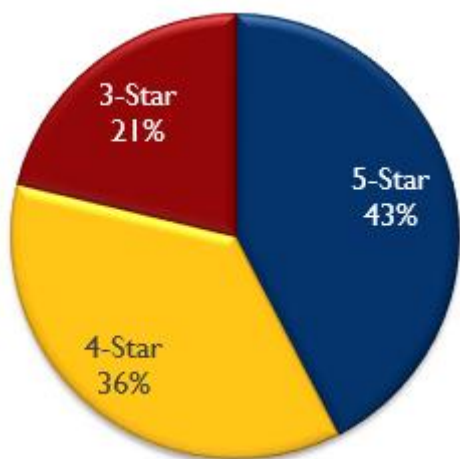
*Hotel, Tourism and Leisure*

Global leader in  
hospitality consulting

Hong Kong  
Hotel Market  
Sentiment Survey  
March 2014



**SHARE OF RESPONDENTS**

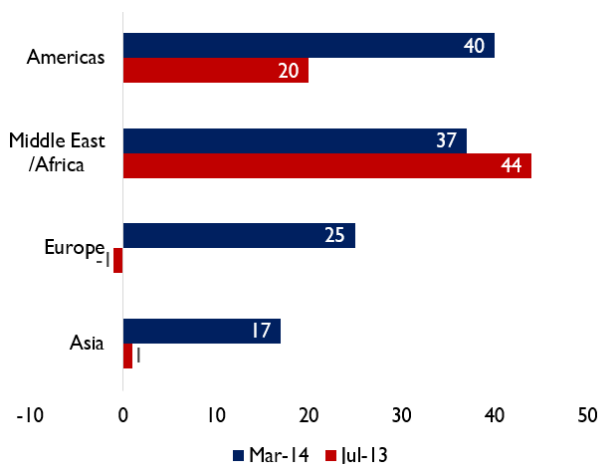


**INTRODUCTION**

The Horwath HTL Hong Kong Hotel Market Sentiment Survey, part of a global initiative, provides the local hotel industry with a quick assessment of the future market outlook. The survey focuses on the outlook for occupancy, average room rates and total revenue. Besides, hoteliers have also been asked to comment on the change in hotel performances in 2013 compared to 2012 as well as on the impact of several macro-economic factors on room night demand. This summary report aggregates responses from 33 individual hotels in Hong Kong, from classification levels: 5-star (43 percent), 4-star (36 percent) and 3-star (21 percent).

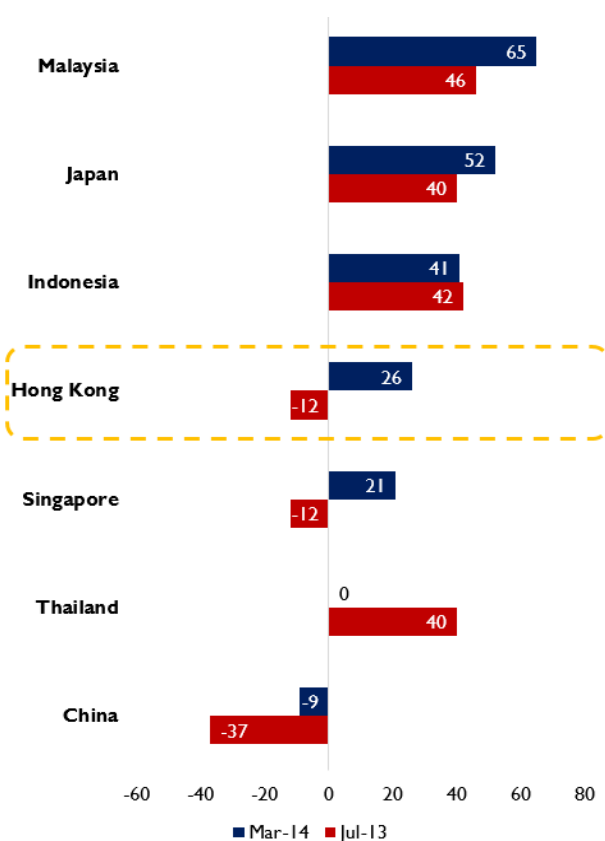
While 2013 proved challenging for hotel operators as a consequence of the slowing Chinese economy, Hong Kong hoteliers are generally more optimistic in 2014. There are hopes that the macro-economic landscape will improve, as local tourism authorities step up on newer initiatives to boost Hong Kong as a destination for tourism.

**SENTIMENT RANKINGS BY REGIONS – RANKED BY MARCH 2014 SURVEY RESULTS**



*“Asia hoteliers seem to be the least optimistic amongst the different regions surveyed.”*

**KEY ASIA PACIFIC HOTEL MARKETS – RANKED BY MARCH 2014 SURVEY RESULTS**



**SENTIMENT RANKINGS**

As a way to measure and compare the results, we have created an index to formulate an overall average sentiment score. Points are assigned to each corresponding response and compounded accordingly. The index utilizes a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook.

After a deterioration of the market sentiment in the July 2013 global survey, hoteliers have returned to a positive frame of mind in 2014. Naturally, the positive outlook for 2014 is relative to the poor performances recorded across the globe in 2013 and should be viewed in that context. A positive sentiment, nonetheless, indicates that in most markets across the world, we should expect to see a return to growth.

Specifically within Asia, Hong Kong can be seen as one of the more optimistic markets, as noted in the sharp rebound in sentiment score, as opposed to July 2013 (from -12 to 26). In comparison with the other Asian hotel markets’ sentiment, Hong Kong is ranked fifth, after Malaysia, Japan, Vietnam and Indonesia.

With the global economy set to recover, coupled with new tourism initiatives to further promote Hong Kong as work and leisure destination, hotel operators are generally upbeat about the overall market conditions in 2014.

**2014 OVERALL MARKET EXPECTATIONS**

**Question 1: What is your assessment of the hotel market outlook for 2014 vs 2013?**

**OCCUPANCY**

In response to expectations on market-wide occupancy performance, 16 percent of the hoteliers expect the market’s occupancy to be worse in 2014. While 31 percent of the respondents feel that performance should be better, 53 percent of the hoteliers replied that occupancy levels in 2014 should be similar to that of the previous year.

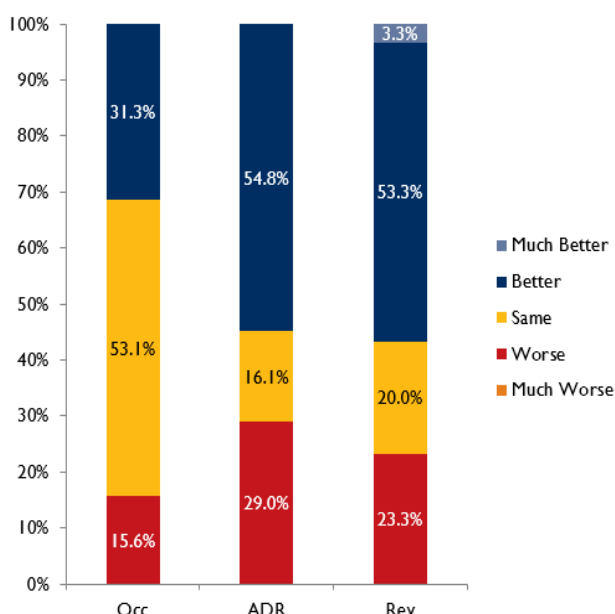
**AVERAGE ROOM RATE**

More than half (55 percent) of the Hong Kong hoteliers feel that the market ARR in 2014 should be higher than 2013. Separately, 29 percent of the representatives are pessimistic in terms of ARR growth in 2014. A further 16 percent of the respondents replied that the overall ARR is expected to be somewhat similar to that of 2013.

**TOTAL REVENUE**

The expectations pertaining to revenue growth in 2014 followed a similar trend to that of the ARR wherein 53 percent of respondents felt that the total revenue should be superior to that of 2013. A marginal proportion of hoteliers (3 percent) believe that overall revenues will increase substantially in 2014. Conversely, 23 percent of the sample projected that revenues to be worse than what it was in 2013. 20 percent stated that revenues achieved in 2014 should be in line with the last year.

**HOTEL MARKET INDICATORS**

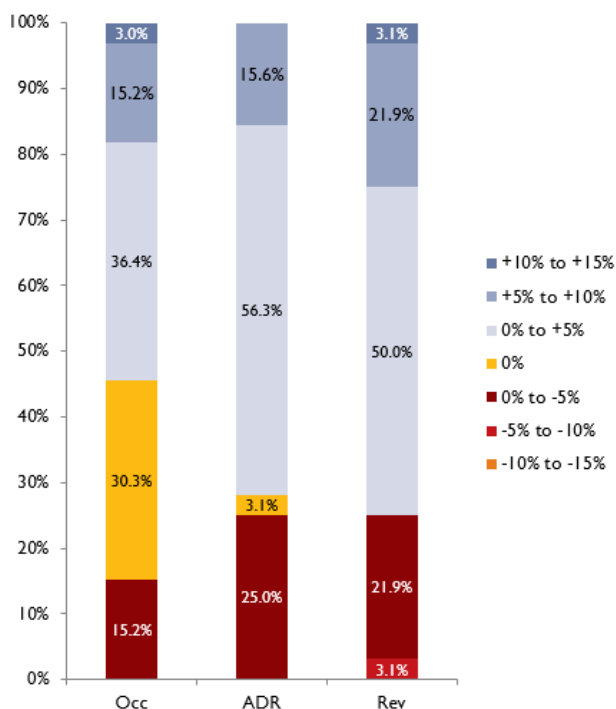


*“More than half of Hong Kong hoteliers remain optimistic about the overall market ARR and revenue growth in 2014.”*

**HOTELIERS' EXPECTATIONS OF GROWTH/DECLINE IN 2014**

**Question 2: For your hotel, what is your expectation for growth/decline in 2014 vs 2013?**

**EXPECTATIONS OF GROWTH/DECLINE IN OCCUPANCY, ARR AND TOTAL REVENUE**



*“Hong Kong hotel operators are generally upbeat about their hotels’ performance in 2014, particularly with regards to ARR performance.”*

**OCCUPANCY**

In response to occupancy expectations in 2014, 54 percent of the respondents expect to see a positive growth. Specifically, 36 percent of the hoteliers express a growth of between 0 to 5 percent in occupancy levels; 15 percent expect a 5 to 10 percent jump; while the remaining 3 percent are hopeful of witnessing a 10 to 15 percent increase in occupancy. However, 15 percent of the sample expect to see a dip of 0 to 5 percent in 2014 occupancy, as 30 percent of the hoteliers expect a stable occupancy performance.

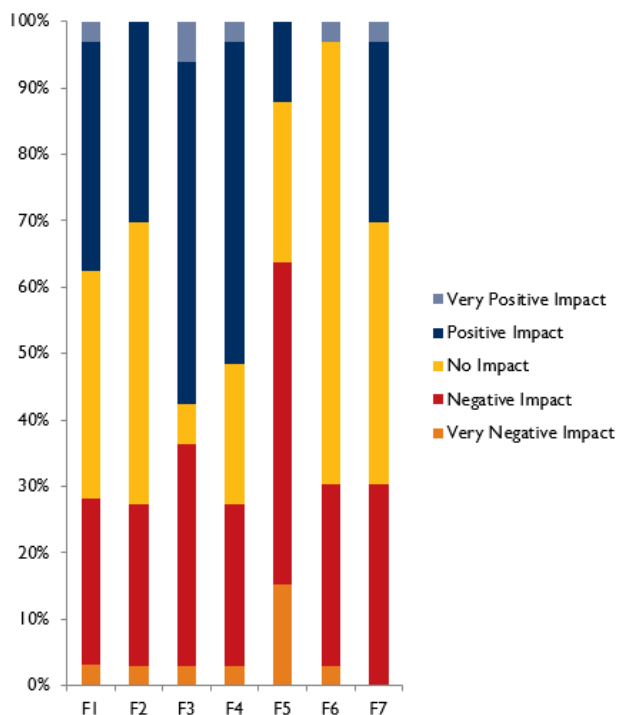
**AVERAGE ROOM RATE**

One-quarter of the sample feedback reflected negative sentiment of between 0 and -5 percent in terms of ARR growth in 2014. While 3 percent of the hoteliers expect stagnancy in ARR, the remaining respondents remain optimistic pertaining to rate growth. 56 percent of the representatives hope to see ARR growth of 0 to 5 percent, with another 16 percent of hoteliers hoping to see ARR growth of between 5 to 10 percent in 2014.

**TOTAL REVENUE**

The outlook of the total revenue is similar to that of the ARR, generally inclining towards optimism. Half the hoteliers surveyed expect to see total revenue increasing by 0 to 5 percent in 2014. 22 percent of the respondents are expecting incremental revenues of between 5 to 10 percent, while another 3 percent are hoping for revenues to grow by 10 to 15 percent. Conversely, 22 percent of the hoteliers expect revenues to shrink between 0 to 5 percent; and 3 percent of the representatives reflected that revenues should reduce by 5 to 10 percent, relative to 2013 performance.

**MACRO-ENVIRONMENTAL TRENDS VS. HONG KONG HOTELIERS' EXPECTATIONS**



*“While hotel operators believe that global economic growth and local tourism initiatives may positively affect the Hong Kong hotel market, they are nevertheless sceptical of new competitive hotel supply.”*

**FACTORS AFFECTING PERFORMANCE RANKING**

F1. Local/Global Stock Market Performance	7
F2. Local Economic Growth Trends	0
F3. Global Economic Growth Trends	18
F4. Local Tourism Trends	18
F5. New Competitive Supply Additions	(50)
F6. Global Oil Prices	(20)
F7. Currency Exchange Rates	2

**MACRO-ENVIRONMENTAL TRENDS AND THEIR IMPACT ON HONG KONG HOTEL PERFORMANCE IN 2014**

**Question 3: How are each of the factors below expected to influence hotel market performance in 2014?**

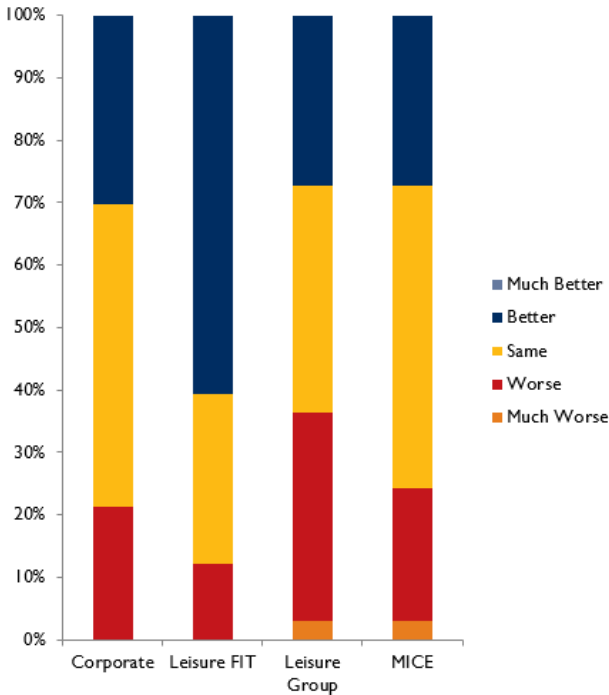
Utilizing the index, the five factors (namely F1, F2, F3, F4 and F8) registered positive results, while the remaining three were negative. It is worthwhile mentioning that amongst the seven factors, three (F2, F6 and F7) had the majority of respondents feeling they would have no impact on performance.

Both global economic growth and local tourism trends scored the highest sentiment score of 18 among the 7 factors, with 58 and 52 percent of the respondents expecting a positive impact from the previous and latter respectively. The most negative factor, on the other hand, was the new competitive supply additions at a score of negative 50, as 64 percent of the hoteliers believe that these additional supply is directly correlated with negative hotel market performance.

The HKTB reported that new hotel supply contributed approximately 630 rooms on a nightly basis in 2013, including the opening of Hotel Indigo, Penta Hotel Kowloon and Mira Moon. An estimated 3,419 additional rooms are set to open in 2014, as this is projected to pose larger challenge for hotel operators in the near future.

Separately, hoteliers are expecting an uplift from the global economy, driven by the rebound in western economies. As Hong Kong continues to receive an influx of tourists from Mainland China, this is also substantial in generating room night demand.

**SENTIMENT BY DEMAND SEGMENTS**



*“Most hoteliers are conservative with regards to the demand outlook for most segments, but remain optimistic over the expansion of the leisure FIT base in 2014.”*

**MARKET SEGMENT PERFORMANCE**

1. Corporate	7
2. Leisure FIT	36
3. Leisure Group	(9)
4. MICE	0

**2014 PERFORMANCE EXPECTATIONS BY DEMAND SEGMENTS**

**Question 4: How are each of the major demand segments expected to perform in 2014 vs 2013?**

The majority of the respondents had positive opinions about the future performance of the leisure FIT demand segment, with 61 percent of the hoteliers expecting a better performance for this particular demand base. For the remaining segments, the majority of respondents felt that their performances will be more or less stable in 2014.

Employing the scoring system to obtain an average score, corporate and MICE segments yielded positive results, indicating that respondents generally think performance across these two demand bases will improve in 2014. Operators are marginally more optimistic pertaining to these two segments, as the sentiment performance rose by 3 and 2 points respectively in 2014’s survey.

However, leisure FIT demand sentiment dipped slightly by 2 points, from 38 to 36, as opposed to the previous survey. The most apparent sentiment change was the leisure group, whereby sentiment score has decreased by 27 points, from 18 to -9.

Overall, these responses capture a relatively flat performance in terms of the demand sentiment, based on the precedent survey conducted in July 2013. While sentiment scores are more or less similar across different segments, the outlook for leisure group in 2014 is generally pessimistic.

## OTHER MARKET SENTIMENT REPORTS

### BY REGION

ASEAN  
Benelux  
South East Europe  
South East Asia

### BY COUNTRY

Austria  
Brazil  
China  
Hungary  
Indonesia  
Italy  
Ireland  
Japan  
Norway  
Switzerland

### BY CITY / DESTINATION

Beijing  
Shanghai  
Hong Kong

## CONCLUSION

In conclusion, results from the Hong Kong Market Sentiment Survey indicate that the general outlook of the Hong Kong market is optimistic, with the outlook that overall performance in ARR and total revenue will improve in 2014.

The overall sentiment score of Hong Kong is 26, up by 38 in comparison to that of July 2013, being one of the regions to register positive sentiment scores in Asia. In essence, there seems to be favourable sentiment on an improved ARR, which drives a positive RevPAR outlook. This is largely based on the beliefs an improved global economic outlook and enhanced local tourism initiatives. Nevertheless, going forward, hoteliers predict that business across most segments is more or less similar to the previous year, though the prospect of hosting more leisure groups remains relatively negative.



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