

PRESS RELEASE

2011 China Hotel Market Sentiment Survey Results Released China Hoteliers Optimistic about Outlook Despite New Supply

Beijing, March 24, 2011

At the 7th Annual China Hotel Development and Financing Conference that kicked off today, Horwath HTL released results from its China Hotel Market Sentiment Survey. Part of a global initiative and conducted twice a year, the China Hotel Market Sentiment Survey was designed to provide the China hotel industry a quick assessment of the future market outlook. The report summarizes the outcome of 283 surveys gathered from across 23 provinces and municipalities.

According to the Sentiment Survey, 58% of hoteliers believe that occupancy would get better or much better than 2010, 28% felt that performance would remain the same, and only 13% felt that it would get worse or much worse. For the first time since the Survey was launched in 2009, the outlook on the growth of average room rates (ARR) was more positive than occupancy – 67% stated that market-wide ARR performance was expected to be better or much better than 2010, 21% stated that ARR would remain constant, while only 12% were worried that ARR would decline.

Local economic trends, local tourism trends and global economic growth trends were perceived to have the most positive impact on hotel market performance. Survey respondents also anticipated that all demand segments will perform better in 2011, with more optimistic outlook on domestic and MICE markets than foreign demand. All surveyed cities expressed keen optimism in 2011, with the exception of Shanghai. Almost 70% of hoteliers in Shanghai expect that there will be a significant drop in occupancy levels.

In addition, Horwath HTL reported on the top gainers in occupancy and ARR in 2010. The strongest occupancy growth rates in 2010 were recorded by Shanghai, Beijing and Xiamen; at 13%, 11% and 11% respectively. Shanghai, Sanya and Guangzhou recorded the strongest ARR growth rates at 20%, 19% and 17% respectively. In terms of Revenue Per Available Room (RevPAR), Shanghai led the pack with a 50% year-on-year growth in 2010, followed by Guangzhou at 37% and Beijing at 29%. Shanghai's gains in occupancy and ARR were largely credited to the Shanghai Expo, which was held between May and October.

Within the next 3 to 5 years, about 630 new projects are expected to enter the China hotel market, injecting more than 200,000 hotel rooms. About 275 of these new projects, representing more than 85,000 hotel rooms, will be opening in the top 15 Chinese cities. Shanghai and Sanya will be recipients of the bulk of this new supply, with 16,000 and 10,000 new rooms respectively in the next 3 to 5 years. Other cities like Tianjin and Guangzhou are also expecting inventory to grow significantly.

About the China Hotel Development and Financing Conference

The China Hotel Development and Financing Conference, co-organized by Horwath HTL, STR Global and the China Tourist Hotels Association (CTHA), is the premier hotel investment event that gathers hospitality industry professionals involved in hotel development in China. In its 7th year running, this 3-day conference has attracted about 600 participants in 2011. Participants include real estate developers, hotel operators, architects, designers, lawyers, fund managers and banks.

About Horwath HTL

Horwath HTL (Hotels Tourism and Leisure) is one of the world's pre-eminent consulting specialists in the hotel, tourism and leisure industries, providing unequalled experience and expertise for client projects around the world through a combination of detailed local knowledge and international understanding. Horwath HTL is currently the world's largest consulting organisation specialised in hospitality, with 50 offices in 39 countries. Very well established in China, Horwath HTL has completed numerous hospitality-related consulting projects in the country and works closely with the China Tourist Hotels Association in its annual publication of the China Hotel Industry Survey of Operations.

Horwath HTL is a member of Crowe Horwath International, a professional association of accounting and management consulting firms founded in New York in 1915. Crowe Horwath International is currently ranked among the top ten international professional service groups with offices in close to 586 cities in 108 countries.

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