

Press Release

China Hotel Profitability Slumps Further

Beijing, 1st July 2010

Gross Operating Profit (GOP) levels of the 5-star hotel sector in China have fallen to the lowest level recorded in the eight years the China Hotel Industry Study has been published. The GOP level of RMB 91,752 per room (USD 13,375) is 39 percent lower than the peak recorded in 2005 and is the fourth straight year the figure has declined.

In Beijing and Shanghai, the two largest hotel markets in the country, GOP levels in 2009 were RMB 86,194 and RMB 119,645 respectively. The Beijing hotel market in particular suffered dramatically recording an occupancy of only 47.5 percent and an average room rate of RMB 836, which resulted in a RevPAR of only RMB 397.

“Quite clearly, the continued decline that we have witnessed in hotel profitability in China over the last few years can be attributed to the over supply that we see in many markets across the country,” says Julie Dai a Director of Horwath HTL based in Beijing.

“The post Olympic slump in Beijing was quite spectacular given the combination of a massively over-supplied market and the global financial crisis.”

However, not all markets suffered. The resort destination of Sanya (China’s Hawaii) posted a 29 per cent growth in GOP to RMB 210,926 per room.

“As the only real tropical area in China and its status as the premier resort destination in China, the success of Sanya lies in the excessive demand for the market during the peak winter season, particularly over the Chinese New Year period. ” says Nigel Summers, a Director of Horwath HTL based in Hong Kong.

“This gives hotels in the market an incredible ability to yield extremely high room rates during peak season, premiums which add directly to the bottom line.”

Ironically, new supply in Sanya has been driving much of this growth bringing international brands and quality supply to the market. This in turn has resulted in higher average room rates and a greater recognition of the destination.

The China Hotel Industry Study is jointly published by Horwath HTL and the China Tourist Hotel Association and is the most comprehensive source of information on hotel performance statistics in China. The 2010 version of the study to be released at the end of July will be the eighth publication.



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About Horwath HTL

Horwath HTL (Hotels Tourism and Leisure) is one of the 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 organization specialized in the hospitality industry, with 50 offices in 39 countries.

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 400 cities in 88 countries.

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