

A woman with long dark hair, wearing a white blouse, is seen from behind, looking out over a panoramic view of a city skyline. The skyline includes several prominent skyscrapers and the Oriental Pearl Tower. In the foreground, a laptop is open on a table, and a black suitcase is visible on the right. The scene is set in a hotel room with a bed in the lower left corner.

Hotels & Leisure | China

Hospitality Insights

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2023 Rebound

China's tourism recovery following the reopening of its international borders in March 2023 was symbolically marked by the nation's first public holiday – Labour Day – in May 2023.

According to the latest statistics released by Ministry of Culture and Tourism of China, during the Labour Day Holiday:

- The most popular domestic markets were Beijing, Shanghai, Nanjing, Chengdu, Chongqing, Xi'an, Changsha, Wuhan, Hangzhou, Guangzhou, Hong Kong SAR (Hong Kong), and Macau SAR (Macau).
- There was a total of 274 million domestic tour visits within China during the public holiday, representing a year-on-year (y-o-y) increase of 70.83% compared and a recovery of 119.09% compared with the same period in 2019.
- Domestic tourism revenue reached RMB 148.06 billion which represents a y-o-y increase of 128.9%, and is essentially an equivalent spend in the same timeframe in 2019.
- In terms of international destinations, the regional Southeast Asia countries of Thailand, Malaysia, and Indonesia experienced the highest levels of outbound Chinese tourists.

According to the International Air Transport Association (IATA), global air traffic continued to recover. As of March 2023, 79% of global aviation routes had recovered operational levels compared to 2019, albeit with the Asia Pacific at a comparatively lower 62% of air routes compared to 2019.

In the first quarter of 2023, the China civil aviation industry recorded a total of 129 million domestic passenger trips, which is equivalent to circa 80% of the same quarter in 2019. However, there is a significant lag in take-up for international flights, with passenger traffic volume in this category at only 18.1% compared to before the pandemic.



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China Outlook

Impacted by COVID, the national annual GDP growth rate decelerated to 2.2% in 2020 according to the National Bureau of Statistics of the PRC. As the government exerted full efforts in controlling the pandemic, the GDP growth rate rebounded to 8.4% to RMB 114.9 trillion in 2021. However, prevailing pandemic restrictions and global economic uncertainty led

to China's economy struggling to fully rebound. As of end of 2022, nationwide GDP grew by 3% y-o-y to RMB 121 trillion. In Q1 2023, China's GDP was recorded at RMB 28,499.7 billion, up 4.5% y-o-y or 2.2% quarter on quarter (q-o-q). Retail sales of consumer goods in Q1 2023 were resurgent at RMB 11,492.2 billion and a y-o-y increase of 5.8%.

Domestic tour visits and tourism consumption has long maintained a steady momentum of growth prior to 2020. In 2019, China recorded a total of 6.01 billion tour visits domestically, with total tourism consumption at RMB 5.73 trillion. In the three years since 2019 China's tourism industry has been severely challenged with travel restrictions and declining tourism consumption, but as the

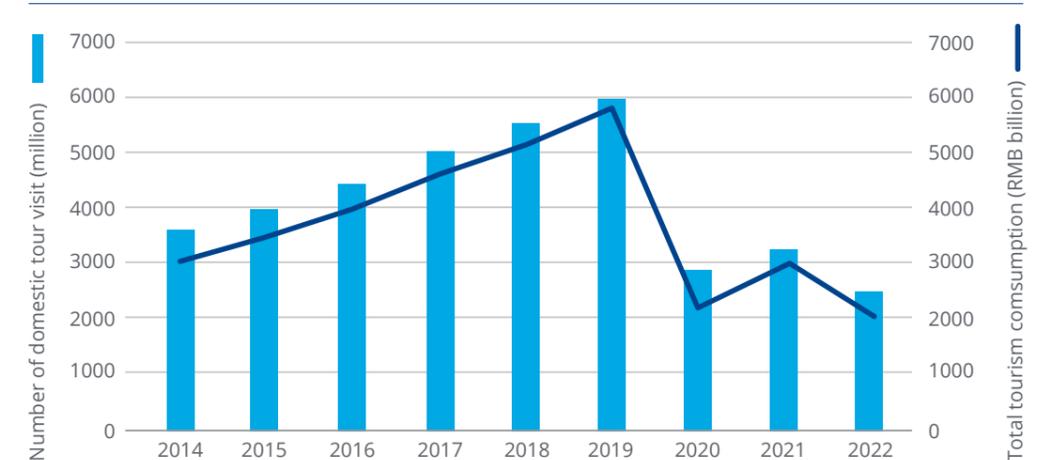
government ended the "Zero COVID" policy approach in December 2022, the number of domestic tour visits quickly rebounded to 1.22 billion in Q1 2023, reflecting an increase of 46.5% of visitors over the same period of the previous year. Domestic tourism income has rebounded to RMB 1.3 trillion, or an increase of RMB 0.53 trillion or 69.5% over the same period of the previous year.

Key economic factors: China | 2016 – 2022

Items	Unit	2016	2017	2018	2019	2020	2021	2022
Gross Domestic Product	RMB trillion	74.6	83.2	91.9	98.7	101.4	114.9	121.0
GDP Growth Rate	%	6.8	6.9	6.7	6.0	2.2	8.4	3.0
Total Retail Sales of Consumer Goods	RMB trillion	33.2	36.6	38.1	41.2	39.2	44.1	44.0
TRS Growth Rate	%	10.4	10.2	9.0	8.0	-3.9	12.5	-0.2
Disposable Income of Urban Households	RMB per capita	33,616	36,396	39,251	42,359	43,834	47,412	49,283

Source: National Bureau of Statistics of the PRC

China domestic tour visits and consumptions | 2014 - 2022



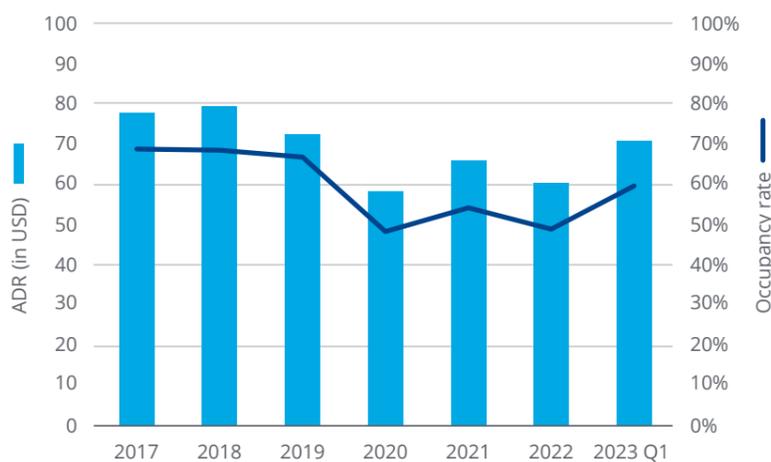
Source: National Bureau of Statistics of the PRC

China Hotel Market Performance Overview

In 2019 the nationwide occupancy rate of overall hotel market was 66.4%, with annual average average daily rate (ADR) maintaining around USD 72.2. However, 2020 metrics were depressed with both occupancy and ADR falling dramatically to 48.9% and USD 48 respectively as a result of community lockdowns and travel restrictions.

Despite a marginal rebound during 2021 and 2022, with resurgent instances of COVID variants and under the effects of strict government protocols, performance in the China hotel market during the pandemic period remained subdued until the swift lifting of the “Zero COVID” policy stance in late 2022, including an 18% leap in ADR and a 10 percentage point rise in market-wide occupancy to USD 71.2 and 59.1%, respectively.

China hotel performance | 2017 - 2023 Q1



Source: STR



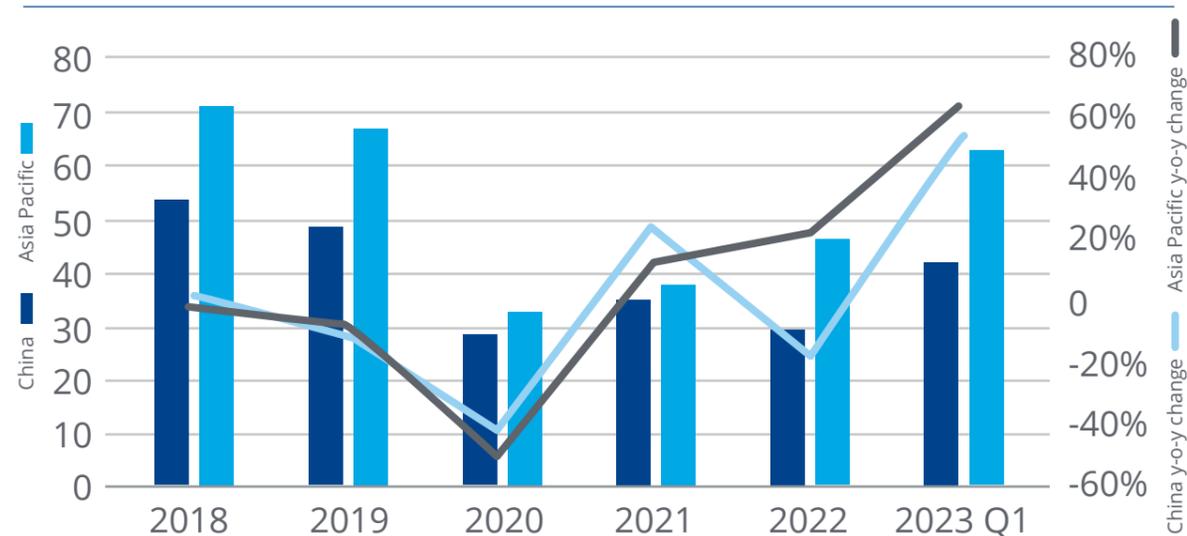


RevPAR (revenue per available room) across China and Asia Pacific were already in steady decline between 2018 and 2019 before the onset of COVID, primarily as a result of trade tensions and declining economic conditions in the region. With the global onset of the pandemic in 2020, RevPAR in China and Asia Pacific dropped by 40.9% and 50.6% respectively. Under China's strict preventive measures, 2021 saw a marginal recovery, driven by upheld domestic travel, whilst RevPAR across Asia Pacific benefitted from large captivated domestic markets even

despite the absence of international visitors. However, whilst the rebound for Asia Pacific continued into 2022 with the regressing of the pandemic and heightened vaccination levels regionally, new COVID variant outbreaks and movement of people within China remained restrained, and the market recovery only took hold in Q1 2023.

In comparison, by Q1 2023, RevPAR of Asia Pacific had already rebounded to reach over 94% of the pre-pandemic level, whilst China lagged at 88% of pre-pandemic levels in Q1 2023.

China and Asia Pacific RevPAR | 2018 - 2023 Q1



Source: STR

The metropolis of Beijing and Shanghai rank the highest for business trips, while Sanya on Hainan island is one of the most popular leisure destinations in China.

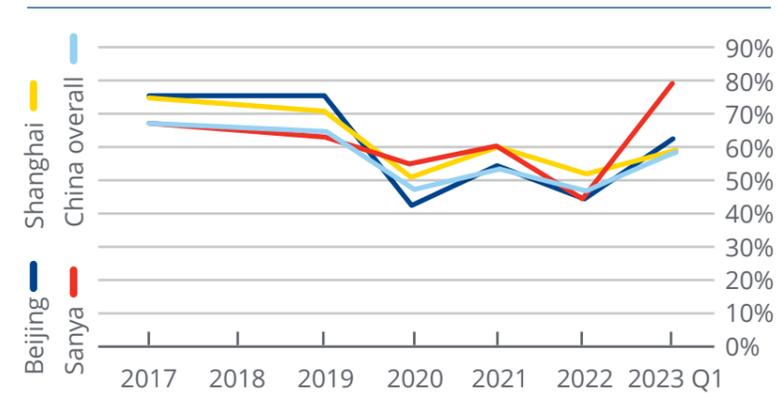
With large resident populations, the trends for occupancy and ADR in Beijing and Shanghai over recent years has generally reflected that of the overall trend for China's market during COVID. Whilst typically with an occupancy rate below Beijing, Shanghai, and the nationwide average levels, Sanya has been long maintaining the highest ADRs among the top tier cities.

Driven by pent-up domestic demand and heavy restrictions on international travel, during 2020 to 2021 the occupancy

rate of Sanya surpassed that of even Beijing and Shanghai, standing at 55.2% and 60.5% each year respectively, in comparison to the nationwide average occupancy averages of 48.9% and 54.1% for each year. The ADR in Sanya managed to generally maintain positive growth in recent years as demand has remained resilient throughout COVID with the rate of RMB 1,081 representing an increase of nearly 37% compared to pre-COVID levels.

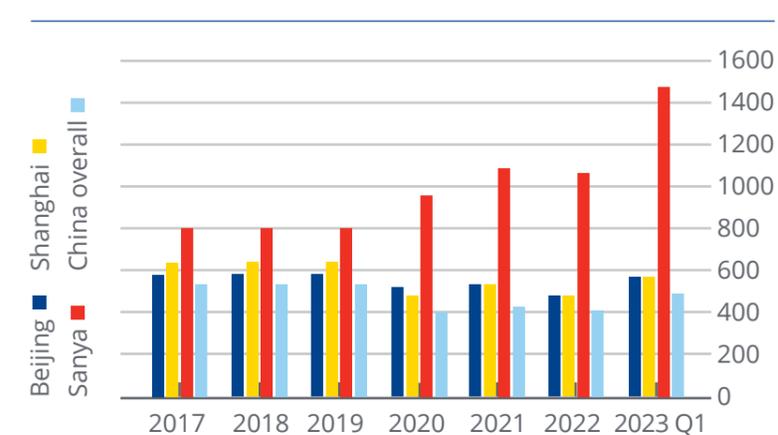
In Q1 2023, both occupancy and ADR for the Sanya market have surged to 78.6% and RMB 1,468 respectively on the return of open tourism during the peak of Chinese New Year Holiday.

Occupancy rate | 2017 - 2023 Q1

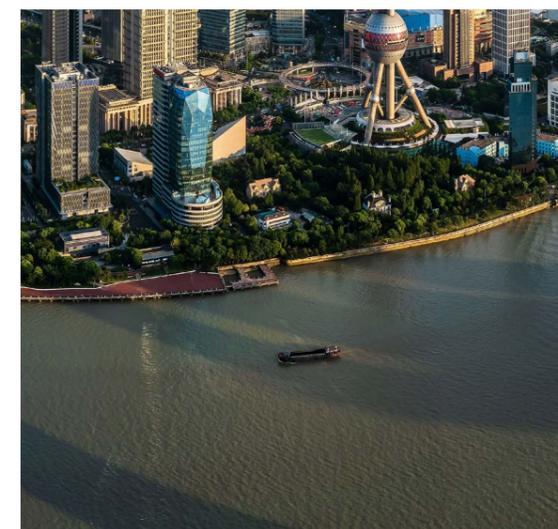


Source: STR

Average daily rate | 2017 - 2023 Q1



Source: STR



Hong Kong SAR Market Overview



Tourism has long been one of the major pillars of the economy of Hong Kong. However, due to a multiple of factors, between 2014 to 2016 the number of tourists visiting Hong Kong had been gradually declining despite the Hong Kong SAR government's active promotion of Hong Kong's tourism offering. Despite fluctuation between 2014 and 2019, the average number of visitor arrivals to Hong Kong held at circa 60 million per annum. However under strict quarantine measures in addition to entry barriers to discourage travellers from visiting the city, the number of visitors to Hong Kong hit a new historical low in 2020. Under prolonged mandatory hotel quarantine protocols for

inbound travellers, the arrival statistics did little to recover in 2021 and H1 2022.

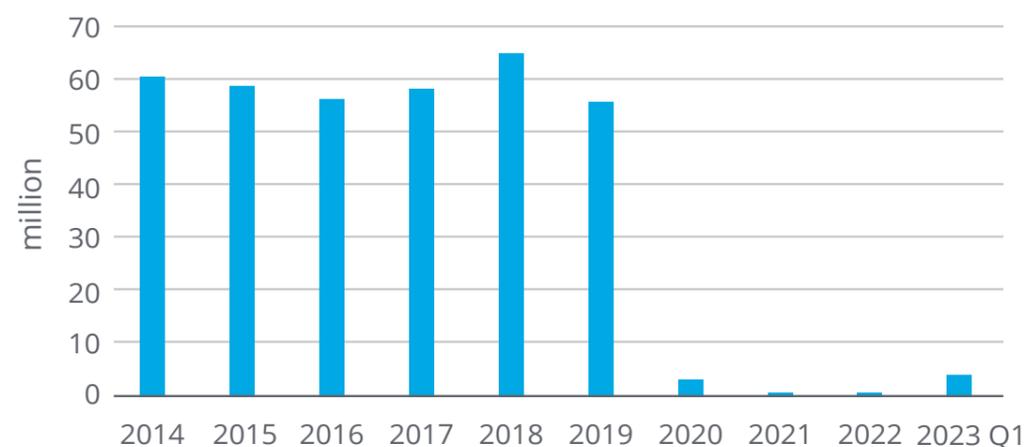
Beginning Q3 2022, Hong Kong officials loosened mandatory hotel quarantine requirements and by February 2023 had fully re-opened its border with mainland China after three consecutive years of closure. As a result, the number of tourists visiting Hong Kong in the first quarter of 2023 rebounded to record circa 4.4 million arrivals, which is a recovery of sorts but remains a fraction of the average of 15.5 million in the typical Quarter 1 arrivals between 2016 and 2019.

Between 2014 and 2018, the RevPAR of Hong Kong hotels had been relatively stable with an average of circa HKD 1,200. However, whilst the effects of social unrest and the pandemic have challenged Hong Kong's wider tourism sector, local demand such as long-stay guests and staycations have acted

to sustain a gradual growth trend for RevPAR rates in recent years despite the broader challenges.

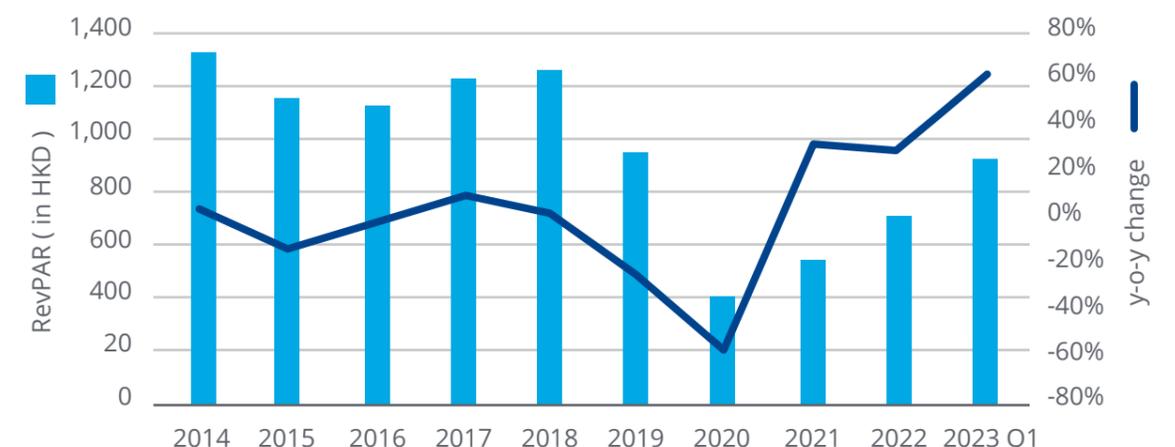
In Q1 2023, the occupancy rate was recorded at 76% and ADR in Hong Kong rebounded to the approximate average level of that prior to the pandemic at HKD 1,200.

Number of visitors arrival to Hong Kong | 2014 - 2023 Q1



Source: Census and Statistics Department of Hong Kong SAR

Hong Kong hotel RevPAR | 2014 - 2023 Q1



Source: Hong Kong Tourism Board

What to expect in 2023-2025

In addition to a short-term steep decline in the Chinese hospitality industry's performance, COVID has also triggered and accelerated changes in lifestyles and travel patterns. Despite the market becoming more subdivided with consumption capacities continuing to diverge, new travelling ideologies have emerged.



Travellers

Localised trips

Local tours and 1-2 days short tours around cities have become more popular. Demand for near-city tours is gaining popularity as these journeys are flexible, affordable, and easily achievable during a weekend or personal leave days.

Travel "+"

Tours with purposes, such as travel "+" entertainment (a show/concert), travel "+" study, travel "+" sports events, travel "+" conferences (alumni/industry), etc. Travel "+" tours are becoming more diversified and incorporating other activities and interests within traditional leisure travel.

Ecological tours

People choose more diverse types of tourism that embrace and more closely interact with nature, whilst also seeking to reduce the carbon footprint associated with travel

Road trips

Self-driving tours have become the primary mode of independent travel as people have become more cautious in relation to social distancing and personal space during travel, and the price of commercial travel remains high. It is relatively time and cost effective, and provides flexibility and independent choices on routes to travellers, in addition to allowing them to experience the diverse lifestyles, cultures, and cuisines of various "drive-time" cities.

Investors and Operators

Investors will continue to pursue assets within core locations which are typically tightly held by owners. Limited-service hotels offering high returns are attracting interest from investors.

Facing limited land supply in the Tier-1 cities and in popular tourist destinations for new-build projects, developers and operators will continue to pursue assets with potential for renovation and rebranding.

Despite a notable rise in the supply of Bed & Breakfast lodgings across China due to changes in personal preferences, many consumers continue to pursue branded hotel accommodation as they seek the standardised service offered by branded hotels. As China's cultural and tourism sectors continue to evolve this may bring to rise more large-scale and branded operations.

Hotel operators will continue to seek to optimize their brands and services by targeting a variety of different guest segments in the market.

Operators will seek opportunities to reposition their products with new hotels which offer tailored products and experiences to cater for a constantly changing market.



Notable Hotel Openings in 2023 & 2024

As numerous new hotel projects have been postponed due to the pandemic, the market will surge during 2023 and 2024 with new openings. Our research reveals that there will be about 24 five-star hotels and circa 7,000 rooms of total market supply entering the China market in the

near term future. We would note that the majority of the new openings will be in the South Region (47%) and the East Region (44%), together with a number of significant properties in Macau as the city seeks to re-establish its standing as a major regional MICE destination.

 Project	 Region	 City	 Hotel group	 Number of rooms	 Year of opening
Intercontinental Shanghai Harbour City	East	Shanghai	IHG	281	2023 (Opened in January)
MGM Shanghai West Bund	East	Shanghai	DYT MGM	219	2023 (Opened in February)
Regent Hong Kong	South	Hong Kong	IHG	497	2023 (Opened in March)
JW Marriott Hotel Xi'an	West	Xi'an	Marriott	333	2023 (Opened in April)
Andaz Nanjing	East	Nanjing	Hyatt	362	2023 (Opened in April)
Andaz Macau	South	Macau	Hyatt	700	2023
Andaz Xi'an	West	Xi'an	Hyatt	184	2023
Banyan Tree and Angsana Suzhou Shishan	East	Suzhou	Banyan Tree	290	2023
Conrad Shenzhen	South	Shenzhen	Hilton	298	2023
Club Med Joyview Nanjing	East	Nanjing	Club Med	220	2023
Four Seasons Suzhou	East	Suzhou	Four Seasons	200	2023

 Project	 Region	 City	 Hotel group	 Number of rooms	 Year of opening
Indigo Hangzhou Xianghu	East	Hangzhou	IHG	156	2023
MGM & Diaoyutai MGM Qingdao	East	Qingdao	DYT MGM	450	2023
Regent Shanghai on The Bund	East	Shanghai	IHG	130	2023
Rissai Valley, A Ritz-Carlton Reserve	West	Jiuzhaigou	Marriott	87	2023
Raffles at Galaxy Macau	South	Macau	Accor	450	2023
Sofitel North Bund	East	Shanghai	Accor	300	2023
W Hotel Macau	South	Macau	Marriott	557	2023
Alila Donghu Wuhan	South	Wuhan	Hyatt	115	2024
Alila Dongao Island	South	Zhuhai	Hyatt	100	2024
Dusit Thani Mogan Mountain Phase Two	East	Huzhou	Dusit	250	2024
Grand Hyatt Kunming	South	Kunming	Hyatt	332	2024
Park Hyatt Changsha	South	Changsha	Hyatt	230	2024
Ritz-Carlton Suzhou	East	Suzhou	Marriott	200	2024
Total number of projects				24	Total number of rooms:
					6,941

Source: Colliers
Notes: information collected from hotel chains' official websites and market news.

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