

Chinese hotel industry looks for Olympic boost

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First half of 2008 comes up short, RevPAR declines in major markets

The Chinese hotel industry has experienced nationwide declines in RevPAR (room yield) through the first six months of 2008, according to STR Global's monthly survey of 528 internationally branded Chinese hotel properties. Several major markets have experienced occupancy declines as new hotel openings have stretched demand. With the world watching China for the 2008 Olympic Games in August, expectations are high for second half performance.

Chinese national occupancy fell 6.9 percent in the first half of 2008 to 60.8 percent. Average daily rate increased 2.3 percent to CNY 936.23 (US\$133.31). These metrics led to a 4.8-percent decline in revenue per available room.

'The Chinese hotel industry has thus far faced a year of significant challenges ranging from natural disaster to an uncertain global economy,' said James Chappell, managing director of STR Global. 'However, with the twenty ninth Olympiad in Beijing only days away, the Chinese hotel industry will be looking to the event to provide the profits in 2008.'

Locally, Chinese market performance is also down. In Beijing, new hotel openings and lighter than expected pre-Olympic demand have caused occupancy to drop 10.7 percent to 61.8 percent. However, a 7.6-percent boost in rates has helped offset this. Year-to-date ADR is CNY 964.48 (US\$137.51) and RevPAR is down 3.9 percent.

In Shanghai, occupancy has also fallen by 8.5 percent to 59.1 percent. To compound this, rates have also fallen slightly, by 1.6 percent. Year-to-date ADR in Shanghai is CNY 1023.72 (US\$145.91). Shanghai showed the poorest year-over-year RevPAR change among major Chinese cities, a 10.0-percent drop.

Performance in Hong Kong was flat. Occupancy was down 0.8 percent at 80.6 percent, the highest in our Chinese survey. Rates increased 1.5 percent to reach CNY 1470.68 (US\$209.27) also the highest. RevPAR increased marginally, by 0.7 percent.

The 12 May 2008 earthquake in Chengdu, Sichuan Province rattled the hotel industry there. Year-to-date, occupancy is down by 22.6 percent to 52.0 percent. Rates increased by a substantial 22.5 percent to cover the gap. Rates have reached 612.32 CNY (US\$87.08) and RevPAR has decreased by 5.2 percent.

'Many of the new hotels in Northern China were developed specifically to meet the needs of the Olympics,' added Mr. Chappell. 'It will be interesting to see if Chinese markets can adapt to the new supply levels when the Games move on.'

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