

**THE HONGKONG HOTEL INDUSTRY:  
HOW BAD IS THE SITUATION, REALLY ?**

Innkeepers will tell people one thing, but the statistics speak much louder than twaddle.

The situation, succinctly put, is that, in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), 5-star hotels on Hongkong Island are suffering reduced occupancy levels.

How badly Hongkong Island hotels are suffering in respect of revenue depends on one's perception and interpretation of the statistics, of course, but it is bad enough.

**TARGET** () undertook a survey of most of the best, 5-star hotels on Hongkong Island with one exception due to the fact that this hotel – Four Seasons Hotel, Hongkong – is too young to have a track record that would indicate anything of any real value and add little of any merit to this **TARGET** survey.

**TARGET**, also, paid scant attention to the fact that 2007 was a bumper year for the HKSAR, with everybody and his cat, making money, either on the equity market, the housing market, the gold market, etc, etc, etc.

Regardless of all of the factors, both positive and negative, that affected business in 2007, the truth of the matter is that the hospitality industry of the HKSAR, today, is hurting, with the tourist traffic figures, dropping, the sales of luxury goods, waning, and the hotel industry, noting the lack of people, putting their heads on hotel pillows.

Managements of 5-star hotels, throughout the territory, are looking for ways and means to improve revenue levels, mainly by raising fees for certain services, where-ever possible, or cutting out, completely, or cutting down, materially, on certain services/in-house 'goodies' that used to be considered standard in every bedroom.

Hoteliers are caught, holding onto the short-end of the stick, actually, due to the fact that it is difficult to raise room rates – because Occupancy Levels are, in a word, terrible, and are continuing to wane.

And it appears that Occupancy Levels are, more than likely, to continue to decline for the remainder of the year, according to **TARGET**'s survey of the situation.

November may be a good month for the Hongkong hotel industry, in general, but December promises to be an exceptionally bad one, according to **TARGET**'s information, gleaned from some of the senior managements of certain, 5-star hotels on Hongkong Island.

For the first half of this month, for instance, for some of the largest, and considered by their respective managements as being the best of the 5-star hotels on Hongkong Island, On-The-Books bookings for the entire month of November were, on average, running at about 56.72 percent.

For the like month in 2007, actual Occupancy Levels, for the 6, major Hongkong Island hotels, were, on average, 88.06 percent.

The 6 hotels, used in this **TARGET** survey, were, in alphabetical order:

Conrad Hongkong  
Grand Hyatt Hongkong  
Island Shangri-La Hongkong  
JW Marriott Hongkong  
Mandarin Oriental Hongkong  
The Landmark Mandarin Oriental

The hotel that prides itself as being the crème de la crème of Hongkong Island is Grand Hyatt Hongkong, but the statistics in respect of actual Occupancy Levels, achieved in the month of October, were the lowest of all of the above-named hotels.

During the entire 31 days of October, the Average Occupancy Level of Grand Hyatt Hongkong was 68.27 percent.

This figure compared with the like month of 2007 when the Average Occupancy Level of this Wanchai-based hotel stood at about 88.70 percent.

The Grand Hyatt Hongkong may have the appearance of being the grandest-looking hotel on Hongkong Island, but its performance, in terms of the Average Occupancy Levels for the month of October, on the face of it, left a lot to be desired, clearly.

Up until November 17, 2008, On-The-Books bookings for Grand Hyatt Hongkong were about 53.70 percent – down about 21 percentile points on October's actual Average Occupancy Levels.

However, as was pointed out by a senior member of this hotel: *'There are, still, some days left in the month of November.'*

True enough; and, pigs have yet to learn to fly.

At the same time, **TARGET** recognises that On-The-Books bookings for any HKSAR hotel for a period of 30 days hence are subject to change, from day to day, and, in addition, this medium is cognizant of the fact that the date on which the November, On-The-Books bookings were declared may not be a completely accurate figure by the end of the month.

Turning to the very staid (and very British) Mandarin Oriental Group, whose service is, generally, quite good, as well as the quality of its food outlets, it left Grand Hyatt Hongkong, eating its dust with regard to the Average Occupancy Levels for the month of October.

**TARGET**'s survey indicated that Mandarin Oriental's 2 HKSAR hotels had Average Occupancy Levels for the month of October of about 76.23 percent.

Of these 2, Mandarin Oriental hotels, The Landmark Oriental outshone its older rival, Mandarin Oriental, hitting an Average Occupancy Level, during the month of October, of about 78.39 percent.

The Mandarin Oriental, on the other hand, was only able to achieve an Average Occupancy Level of about 74.07 percent, during the month of October.

The actual Average Occupancy Level of The Landmark Oriental for October 2007 was about 87.90 percent, while Mandarin Oriental's Occupancy Level hit about 87.60 percent.

As for the first half of the month of November, the On-The-Books booking for The Landmark Oriental were running at about 54.90 percent while Mandarin Oriental's On-The-Books booking were running at about 56.30 percent.

These figures are slightly ahead of those of Grand Hyatt Hongkong, but still way down on the 2007 statistics, according to the database of **TOLFIN** (), The Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider).

Turning to JW Marriott Hongkong, which, in reality, should not class itself as a 5-star hotel, all things taken into consideration as the situation stands, today, but, nevertheless, it is, for statistical purposes, considered in the same class as the other 5, 5-star hotels on Hongkong Island.

For the month of October, the Average Occupancy Level of JW Marriott Hongkong stood at about 79.58 percent.

Which was the best result, compared with the other 5 hotels in **TARGET**'s survey.

This US-based hotel chain was able to achieve that success by dropping its Average Room Rate, during October.

The Average Room Rate, known in the industry's parlance as **Revenue Per Average Room (REVpar)**, was, for JW Marriott Hongkong, a low \$HK1,891.

That REVpar compared with Grand Hyatt Hongkong (\$HK2,226), The Landmark Oriental (\$HK2,924) and Mandarin Oriental (\$HK2,510).

In respect of Island Shangri-La Hongkong, during the month of October, the Average Occupancy Level was about 73.14 percent at a REVpar of about \$HK2,342.

For the first half of November, however, On-The-Books bookings were standing at about 53.10 percent, which is in line with the average level for the 6 hotels, surveyed by this medium.

For the like month of 2007, the actual October Occupancy Level for Island Shangri-La Hongkong was about 84.20 percent, but the REVpar was higher than the October 2008 level, at about \$HK2,662.

Therefore, REVpar at Island Shangri-La Hongkong has fallen by about 12 percent, Year-On-Year.

Since Island Shangri-La Hongkong is on a par with Mandarin Oriental Group, it appears to be doing reasonably well, all things considered.

Which leaves only Conrad Hongkong to be analysed.

For the month of October, the On-The-Books bookings for the month of November stood at about 62.50 percent.

This was the highest level of all of the other, 5-star hotels on Hongkong Island.

During the month of October, the Average Occupancy Level was 76 percent on a REVpar of \$HK2,082.

Compared with October 2007, the Average Occupancy Level has fallen by about 11.73 percent.

**TARGET** attempted to discuss the above findings of Conrad Hongkong with a senior official of the hotel, but was rebuffed by a lady who would only repeat, to every **TARGET** question: '*No comment.*'

This is par for the course for this hotel where management has never been very open about anything except when it came to collecting money from people, eating at one of the food outlets at the hotel.

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