

HOTEL yearbook 2010

What to expect in the year ahead

**Sir David Michels on the shape
of the coming recovery**

**The outlook for 20 key markets,
from China and the USA
to Germany, Brazil and Libya**

**Is it time to change in-room
technology standards?**

**How the crisis
will affect luxury in 2010**

**Editorial input from 25 hotel
industry CEOs**

This excerpt from the Hotel Yearbook 2010 is brought to you by :



Ecole hôtelière de Lausanne

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



Boutique DESIGN New York

Boutique DESIGN New York, a new hospitality interiors trade fair, will coincide with the 94-year-old International Hotel/Motel & Restaurant Show (IH/M&RS). Designers, architects, purchasers and developers will join the hotel owners/operators already attending IH/M&RS to view the best hospitality design offerings as well as explore a model room, exciting trend pavilion and an uplifting illy® networking café.



Hospitality Financial and Technology Professionals (HFTP)

HFTP provides first-class educational opportunities, research and publications to more than 4'800 members around the world. Over the years, HFTP has grown into the global professional association for financial and technology personnel working in hotels, clubs and other hospitality-related businesses.



Bench Events

Bench Events host premier hotel investment conferences including the International Hotel Investment Forum; the Arabian Hotel Investment Conference and the Russia & CIS Hotel Investment Conference. Bench Event's sister company, JW Bench, is a benchmarking company that has launched the Conference Bench and the Productivity Bench. An industry first, the Conference Bench, measures performance data for conference space in hotels throughout Europe.



Cornell University School of Hotel Administration

Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.



Hsyndicate

With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea 'ONE Industry, ONE Network', Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate's specific and context-relevant intelligence delivered to them when they need it and how they need it.



WATG

Over the course of the last six decades, WATG has become the world's leading design consultant for the hospitality industry. Having worked in 160 countries and territories across six continents, WATG has designed more great hotels and resorts than any other firm on the planet. Many of WATG's projects have become international landmarks, renowned not only for their design and sense of place but also for their bottom-line success.

elevation



WATG re-invented the resort to reflect the magic of Kauai by paying homage to the unique island and its culture.

[READ MORE ►](#)

VISIONARY CLIENT



Ismail Haluk Kaya
Üçgen Construction and Trade Co. Inc.
Should a client invest in a monument to the architect's ego?

[READ MORE ►](#)



PROJECT SPOTLIGHT



St. Mary's Mixed-Use Residential and Retail

New luxury towers currently under construction in Kuala Lumpur set the bar high for metropolitan living.

[READ MORE ►](#)



THOUGHT LEADER



Shaun Hannah
WATG's director of sustainability talks about how the recession has impacted green design.

[READ MORE ►](#)

[facebook](#) [LinkedIn](#) [twitter](#) [flickr](#) [YouTube](#)



Bring on 2010 !

2009 has been a bad year for China's hoteliers, says **DAMIEN LITTLE**, Director of **HORWARTH HTL** in Beijing.

«2010 can only get better.» But, he asks, will hoteliers have to cut room rates to bring about this «improvement» ?



Trends for 2010 :

1. Occupancy will return to a positive growth trend in 2010.

For most markets, underlying demand growth should hold true and the impact of recent supply entrants should subside.

2. Despite an upside to occupancy, average room rates should continue to decline.

Some key markets may potentially experience double digit declines in some key markets. The push for any significant improvement in occupancy will need to be achieved through discounting.

3. There should be a return to positive growth for international demand sources in key gateway cities.

However, the importance of a strong domestic demand base will not be lost on hoteliers and the focus on building domestic demand sources will continue.

4. The extent of the benefit bought by World Expo 2010 in Shanghai will benefit mid to lower-tier hotels primarily.

While this is still being debated by hoteliers, I sense this will occur.

Looking back on 2009, many around the world are thankful a defiant Chinese economy recorded a relatively strong growth rate.

The Central Government's massive RMB 4 trillion stimulus brought liquidity to the market. This largely found its way into large-scale infrastructure developments, other fixed asset investments, and resulted in continued strong demand for resources. Other measures also boosted domestic consumer demand, particularly for the automobile industry which will likely see China overtake the United States in the volume of car sales for the first time.

Those unfamiliar with China's hotel industry may assume the great success of the 2008 Olympic Games resulted in a golden year for the industry and the strong economic growth in 2009 at least allowed the hotel market to remain stable.

Unfortunately, that could not be further from the truth.

While China blitzed the field in the gold medal count in 2008, the year was largely a disaster for the hotel industry – and not despite the Olympics, but largely because of them. Add a good dose of global economic crisis with a traditional slowdown in demand at year-end... and a supply hangover... and you get every General Manager's worst nightmare for 2009.

China's major hotel markets include Shanghai, Beijing, Guangzhou, Shenzhen, Hangzhou, Sanya, Tianjin and Xiamen. Data sourced from STR Global would indicate that by year-to-date September 2009, the leading hotels in these markets have recorded RevPAR declines of 34 % ; 53 % ; 7 % ; 19 % ; 5 % ; 22 % ; 41 % and 17 % respectively. Aggregated STR Global results for China show a RevPAR decline of 32 % for the same period.

Clearly the stimulus package did not have an impact on this data set.

However, perhaps it would be more beneficial to analyze the data from a different angle. Looking at the same hotel markets as listed above, daily room night demand levels have recorded the following trends: Shanghai -6 % ; Beijing +3 % ; Guangzhou +18 % ; Shenzhen +2 % ; Hangzhou +7 % ; Sanya +5 % ; Tianjin -5 % and Xiamen +5 %. Not all positive, but those numbers seem far more encouraging – perhaps hoteliers in China should kowtow to the Central Government after all.

Jest aside, the average daily demand growth numbers do at least identify that declines in 2009 have largely been a factor of oversupply. Unfortunately, in many instances, the oversupply will continue to have an impact in 2010.

Looking forward to 2010, it will be the continuing impact of new supply that will be causing most headaches for General Managers across the country (see accompanying interview). However, as we can see from the numbers above, with demand continuing to grow in most markets, occupancy levels should begin to rise and the impact of recent supply additions should subside as the year progresses.

Beijing, which suffered a substantial post-Olympic supply hangover in 2009, will require at least another year before occupancy levels threaten to push the 60 % mark. However, with Beijing struggling to crack 50 % in 2009, anything higher than 55 % in 2010 will be cause for celebration.

As occupancies should generally improve in 2010, I believe that the main concern for the coming year will be a continued decrease in average room rates. Year-to-date September 2009, average room rates have declined by 24 % in China, based on STR Global data. Beijing and Shanghai, the country's two primary markets, have experienced average rate declines of roughly 25 % each in 2009 (after removing the impact of the Olympics in August 2008 for Beijing). These two markets set the rate benchmark in China, and there is the potential to again see double digit declines in 2010 as General Managers work hard to shore up occupancy in a competitive market at the expense of rate.

Even in markets that experienced relatively strong underlying demand growth in 2009, such as Guangzhou and Hangzhou, average room rates have declined (11 % and 2 % respectively). Seemingly, much of the demand growth has been built on a room rate cut as well as increasing domestic demand, which tends to be more price sensitive than international demand sources.

Shanghai continues to see new supply enter the market in preparation for the 2010 World Expo. The benefit of the Expo is still being debated by the city's hoteliers, particularly those placed at the top end of the market, and the last-minute booking pattern of the domestic traveler means that we won't find out anytime soon. I believe the Expo will predominantly benefit the mid and lower-tier hotels and favor less the higher positioned international branded properties.

Finally, the global financial crisis' impact on international demand sources for China's major hotel markets has resulted in a shift of focus to domestic demand sources for many top-tier international branded hotels. Despite an expectation of a return to growth for many international demand sources in 2010, it is expected that these hotels will continue to place a greater priority on securing a more stable base of domestic demand. The changing guest segmentation should have an impact on product and service offerings for many years to come and will present new challenges to the international groups. ■

LOCAL EXPERTISE
MEETS GLOBAL EXCELLENCE

Your Partner
in Hotel Property
Financing

Aareal

**Reliability, in
changing markets.**

As one of the leading international property specialists, we are active across three continents. We provide property financing solutions in more than 25 countries as well as a comprehensive range of services for the institutional housing sector including IT services.

www.aareal-bank.com/en/structured-property-financing/special-expertise/hotel-properties/



**Aareal Bank
Group**