

Hotels - Hong Kong/China

GZ hotel tour takeaways: Not as bad as expected on the ground

Industry Overview

We hosted our Guangzhou hotel tour on 15 Jan during which we visited hotels of core brands under by HTHT, ATAT and Jinjiang. We summarize key takeaways below. We also show photos of the hotels from page 2 to 5.

RevPAR could hold up better than expected

The hotels we visited had decent performance in 2023 due potentially to pent-up travel demand and favorable locations in key business and commercial areas. Occ reached 80%-90% on average in 2023 and business travels accounted for 50-70% of their total bookings. Looking into 2024, most hotels expected RevPAR to post positive growth YoY mainly driven by recovering business demand. The hotel managers expect to see more MICE-related demand as well as increasing international customers thanks to ramp up of flight capacities and visa relaxations. Contract price for corporate clients has increased post COVID as only small-sized companies have cut travel budget. Overall, we believe the sentiment of the GM is not as bad as the equity market. Yet, we note this is only a small sample of the hotels which have favorable locations in Guangzhou, a tier-1 gateway city.

New supply may be limited due to lack of quality property

The hotel managers highlighted the increasing difficulty in obtaining required licenses and the scarcity of ideal locations for hotels in GZ city. Fire license is one of the most difficult licenses to get. We believe location is a key factor to the hotels' performance. Hotels close to the exhibition centers and tourist sites have higher than peers' Occ and ADR. Rental has increased post COVID and the percentage increase per year is locked in contract.

See both new and existing hotel franchisees in the market

We see both new and experienced hotel franchisees from the hotels we visited. The new franchisees are willing to enter the hotel industry thanks to decent payback period as well as good services and clear communication by the hotel development staff. All the hotels we visited were opened within the past year. They achieved short ramp-up periods thanks to strong pent-up travel demand. The better-than-expected RevPAR recovery in 2023 could shorten the franchisees' payback period. We estimate the payback period of the hotels we visited to be below 3 years.

HTHT on the rise in southern China post COVID

HTHT is gaining popularity in southern China post COVID thanks to better RevPAR/profitability than peers. Hotel managers are rotated to different stores within the city or province to pass on their successful management skills. HTHT will put a greater emphasis on service to increase competitiveness. In our view, brands under Jinjiang appear to be losing market share in southern China. Despite new product releases, Jinjiang franchisees are hesitant to upgrade their hotels due to poor profitability during COVID.

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Equity
Hong Kong/China
Hotels

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GZ: Guangzhou

Occ: Occupancy

RevPAR: Revenue per available room

GM: General manager

HTHT: H World Group

ATAT: Atour Lifestyle

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Exhibit 1: Hanting Hotel room tour (Hanting 3.5.1)

Hotel room at Hanting Hotel 3.5.1



Source: BofA Global Research

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Exhibit 2: Wash basin area in Hanting Hotel room (Hanting 3.5.1)

Hotel room at Hanting Hotel 3.5.1

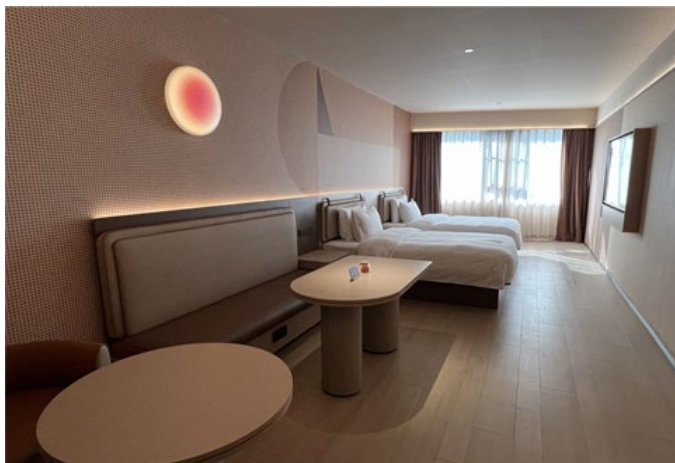


Source: BofA Global Research

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Exhibit 3: Orange Hotel room tour

Hotel room at Orange Hotel



Source: BofA Global Research

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Exhibit 4: Laundry room at Orange Hotel

The hotel has 213 rooms and 10 washing machines



Source: BofA Global Research

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Exhibit 5: Gym room at Atour Hotel

Gym room at Atour Hotel



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Exhibit 6: View at the hotel entrance of Atour Light 3.0

View at the hotel entrance of Atour Light 3.0



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Exhibit 7: Atour Light 3.0 room tour

Hotel room at Atour Light 3.0



Source: BofA Global Research

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Exhibit 8: Dining place at Atour Light 3.0

Dining place at Atour Light 3.0



Source: BofA Global Research

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