



IN COLLABORATION WITH:



2019 MALAYSIA Hotel Industry Survey of Operations

2018 Financial Year

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FOREWORD BY MALAYSIAN ASSOCIATION OF HOTELS



This year marks the 17th year of Horwath HTL's Malaysia Hotel Industry Survey of Operations, and it is indeed a great pleasure for me to write a few words to open this publication. Without the continued support from the hospitality industry, especially those who have participated in this year's surveys, together with the facilitation by Horwath HTL Asia Pacific, the Survey of Operations for Financial Year 2018 would not be possible. I am truly grateful for all your efforts and contribution.

This annual report has been an important resource for hotel investors, owners, management companies and other industry players since its beginning. As the Malaysian hospitality and tourism industry continues to grow and mature and with increasing challenges, this report will continue to be an important source of information for the industry.

On behalf of the Malaysian Association of Hotels, I would like to acknowledge and thank Horwath HTL Asia Pacific for compiling this report, and the contribution from all participants. I look forward to a continued collaboration and increasing support from hotels, for more reports to come.

Sincerely,

Kamaruddin Baharin
President
Malaysian Association of Hotels

FOREWORD BY HORWATH HTL – ASIA PACIFIC



On behalf of Horwath HTL Asia Pacific, it is with great pleasure to present to you the 2019 Malaysian Hotel Industry Survey of Operations (Calendar Year 2018). This year marks the 17th year of publication – an important milestone for this annual report.

We are happy to see more hotels participating, both new openings and new participants, and are honoured to have the continued support of local independent players in this year's survey. Together with the support of our Honorary Advisory Board who have consolidated the participation of their properties in the Asia-Pacific region, this year's report sees 118 properties participating: a bumper year. Your contribution has reinforced the breadth of coverage in this year's survey. A very big thank you.

Our gratitude and heartfelt thanks goes to all properties that have taken part in this endeavour, and special mention to the Malaysian Association of Hotels for their support. We hope for your continued support, participation and collaboration in next year's annual report.

Yours sincerely,

A handwritten signature in black ink that reads "Robert Hecker". The signature is fluid and cursive, written in a professional style.

Robert Hecker
Managing Director
Horwath HTL – Pacific Asia

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TOURISM MARKET

2018 saw a slight decline in the number of tourist arrivals to Malaysia, continuing the downward trend from 2017. However, the decrease is at 0.5% from 25.95 million in 2017 to 25.83 million in 2018, showing improvements compared to the decrease in arrivals by 3% between 2017 and 2016. Despite the decrease in arrivals, there was an increase of 2.4% in tourist receipts; from MYR 82.1 billion in 2017 to MYR 84.1 billion in 2018. Malaysia retains its position with the second highest number of tourists in South East Asia in 2018, after Thailand, which has 38.3 million tourists in 2018.

Amongst the top 10 source countries of tourist arrivals, there is an overall increase in figures, with China (+29.0%), Indonesia (+17.2%) and South Korea (+27.3%) showing double digit growth for the period. Only two source countries in the top 10 posted negative growth, with Brunei seeing a decrease of 16.8%, and Malaysia's top source of arrivals – Singapore – posted a decrease of 14.7%, from 12.4 million in 2017 to 10.6 million in 2018.

Most major long-haul source countries, with the exception of New Zealand (-9.3%) and Sweden (-4.8%), saw an increase in arrivals, with double digit growth from the United States (+27.8%), Germany (+17.4%) and Canada (+26.3%), and modest growth from the Netherlands (7.6%), France (+5.9%) and the United Kingdom (0.7%). Among source countries in the Asia-Pacific region, Australia, Japan and India all showed an increase in arrivals of 0.1%, 0.4% and 8.6%, respectively.

Improved frequencies by major Middle Eastern, East Asian and European carriers from long-haul markets may have led to the increase from long haul destinations, with Germany's Condor Airlines adding a new direct connection from Europe, complementing existing direct connections by Malaysia Airlines, British Airways and KLM Royal Dutch Airlines. Increase in connections by Malaysia Airlines, Air Asia and Malindo Air between major Malaysian international airports to major cities in East Asia and the continuation of the e-visa for Chinese nationals have continued the strong growth from both China and South Korea.

The Tourism Ministry hopes to achieve a target of 28.1 million arrivals in 2019 (an almost 9% growth), with a corresponding projected total receipt of MYR 92.2 billion. It continues to carry out focused initiatives to increase arrivals from key markets, especially from China, Singapore and Australia, including introducing direct flights from China to secondary airports in Penang, Kota Kinabalu, Kuching and Johor Bahru. The e-visa service for Chinese nationals was launched in March 2016, and this appears to continue the upward trend in arrivals from China in 2018. Despite the ongoing tourism promotion programs, the global economic uncertainty from Brexit, trade wars between China and US and rising tensions between Iran and UK/US could negatively impact arrivals in 2019. However, the trend looks to be optimistic as Malaysia continues to target closer, regional markets with growing middle classes who want to travel to closer, more convenient locations. For the first 5 months of 2019, Malaysia recorded an increase of 4.8% growth in arrivals compared to the same period last year.

HOTEL MARKET

In 2018, the following hotels and resorts opened across the country:

Four Seasons Hotel Kuala Lumpur (209 rooms)	Ibis Kuala Lumpur (684 rooms)
Banyan Tree Signature Kuala Lumpur (100 rooms)	Hyatt House Kuala Lumpur (298 apartments/suites)
W Hotel Kuala Lumpur (150 rooms)	Riverside Majestic Astana Wing (272 rooms)
Pavillion Hotel by Banyan Tree (337 rooms)	Movenpick Hotel & Convention Centre (333 rooms)
Alila Kuala Lumpur (126 rooms)	The RuMa (253 rooms)
Hatten Place Melaka (270 rooms)	Marriott Waterfront Kota Kinabalu (355 rooms)
Doubletree by Hilton Melaka (273 rooms)	Aloft Langkawi (208 rooms)

The following properties are target to open or have opened, in 2019:

- EQ Kuala Lumpur (440 rooms, opened)
- CitizenM Kuala Lumpur (210 rooms, opened)
- TH Hotel & Convention Centre Kuching (237 rooms)
- Courtyard by Marriott Penang (200 rooms)
- Westin Desaru Coast (275 rooms, opened)
- Hard Rock Hotel Desaru Coast (365 rooms, opened)

Sen Soon-Mun

Director – Pacific Asia

SURVEY ACCURACY NOTES

The benchmark data presented in this survey of operations for the hotel industry offers users a baseline reference on the operational performance of hotels in each category by and large. With great emphasis on presenting accurate benchmarks, the following fundamentals on the results presented should be noted.

Service Charge: In accordance to the Uniform System of Accounts for the Lodging Industry and IRAS's treatment of Service Charge as taxable income, all respective departmental revenues, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) are exclusive of Service Charge and Sales & Services Tax.

Previous Year Comparisons: The derivation methods of the previous year data (presented in the Summary of Results), has been retroactively adjusted to be consistent with the current year practice. Care should be adopted in interpreting the comparison results as participating hotels may not be same in those years.

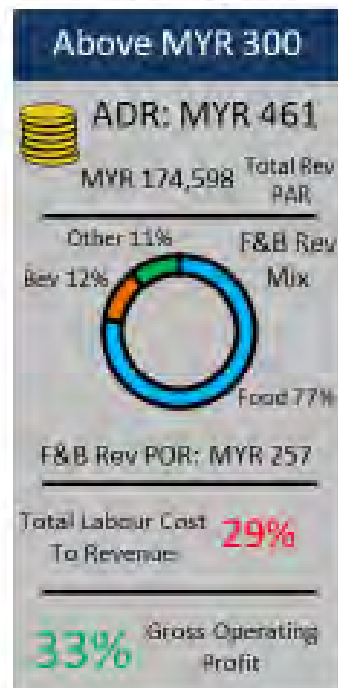
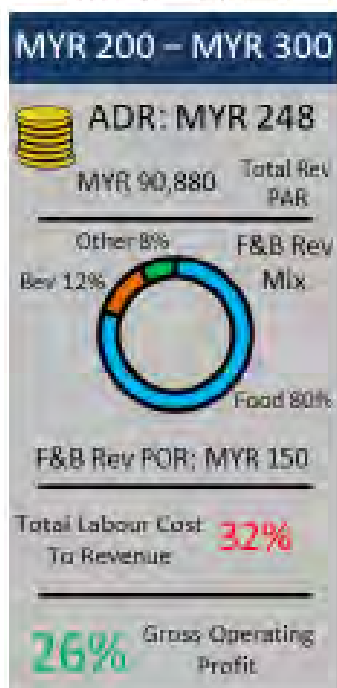
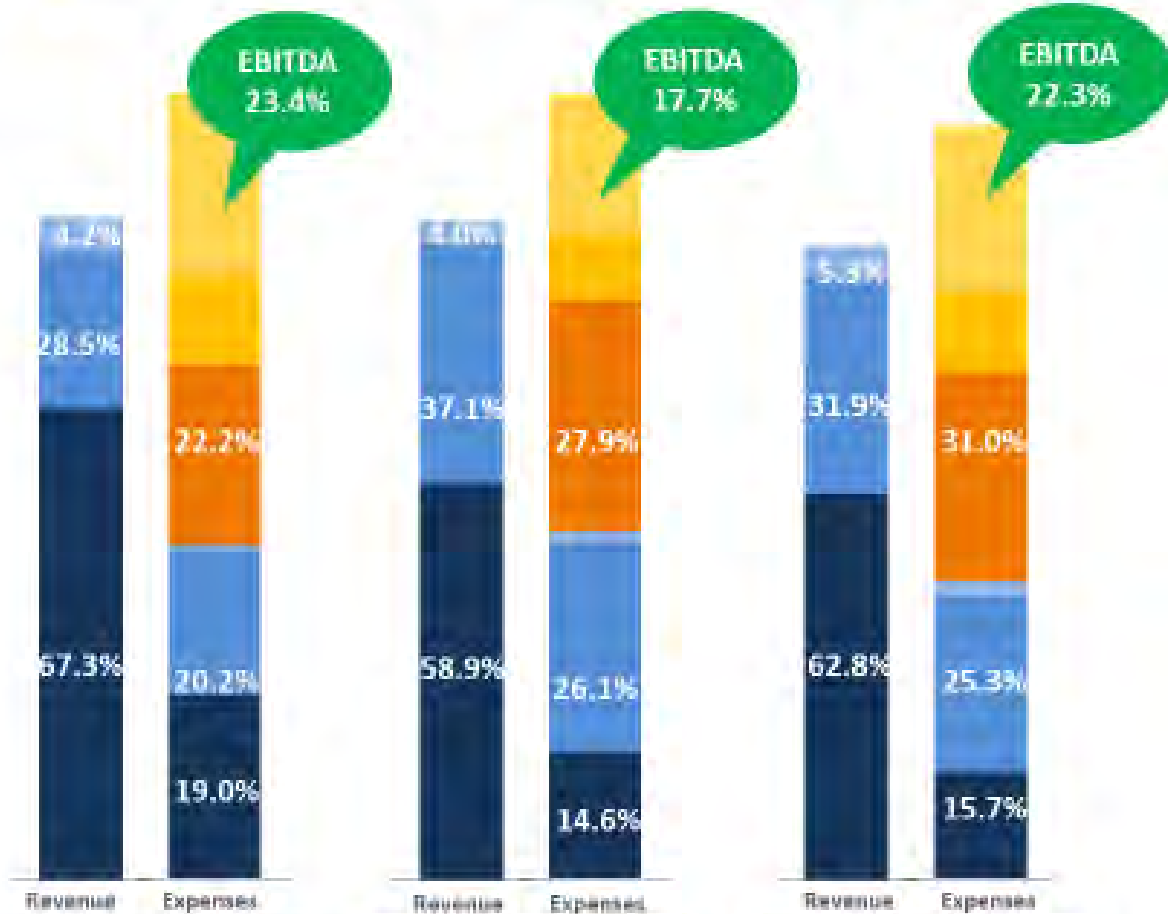
Line Items: Vertical totals and averages may not add up as each average indicator is based on the hotels that contribute data for each specific line item.

Requisite Sample Size: Each average benchmark figure will only be presented if the number of respondents is more than 10 percent of the total respondents in the respective column group. Anything less than 10 percent will be shown as "Not Available (N/A)".

Categories by Number of Rooms: In previous years, we have used number of rooms as a category along with ADR and locations. However, as of 2014, we have chosen not to segment hotels by size to avoid misleading data. If we rely on number of room size, data from hotels in different segments, such as budget and luxury, could be combined and create misleading averages. Analysing hotels based on rate category and location provides a stronger and more accurate data.

REVENUE AND EXPENSE DISTRIBUTION

Fixed Charges Undistributed Other Depts Food & Beverage Rooms



KEY FINDINGS

The 2018 survey had 117 participating hotels excluding the Genting Highlands hotels, representing a total of 43,697 available rooms per day.

TABLE I.1 2018 SUMMARY OF RESULTS

SUMMARY OF RESULTS	2018
Total Number of Hotels	117
Total Number of Available Rooms per Day	43,697
Total Number of Occupied Rooms per Day	30,648
Occupancy	70.2
Average Number of Guests per Occupied Room	2.0
Average Daily Room Rate (MYR)	266
RevPAR (MYR)	187
Average Rate per Guest Night (MYR)	98
Total Revenue per Guest Night (MYR)	157
Total Revenue per Available Room (MYR)	105,588
Total Departmental Expenses and Undistributed Operating Expenses per Available Room (MYR)	73,309
GOP per Available Room (MYR)	33,279
GOP as a Percentage of Revenues	32%