

# Hotel & Retail Industry Overview

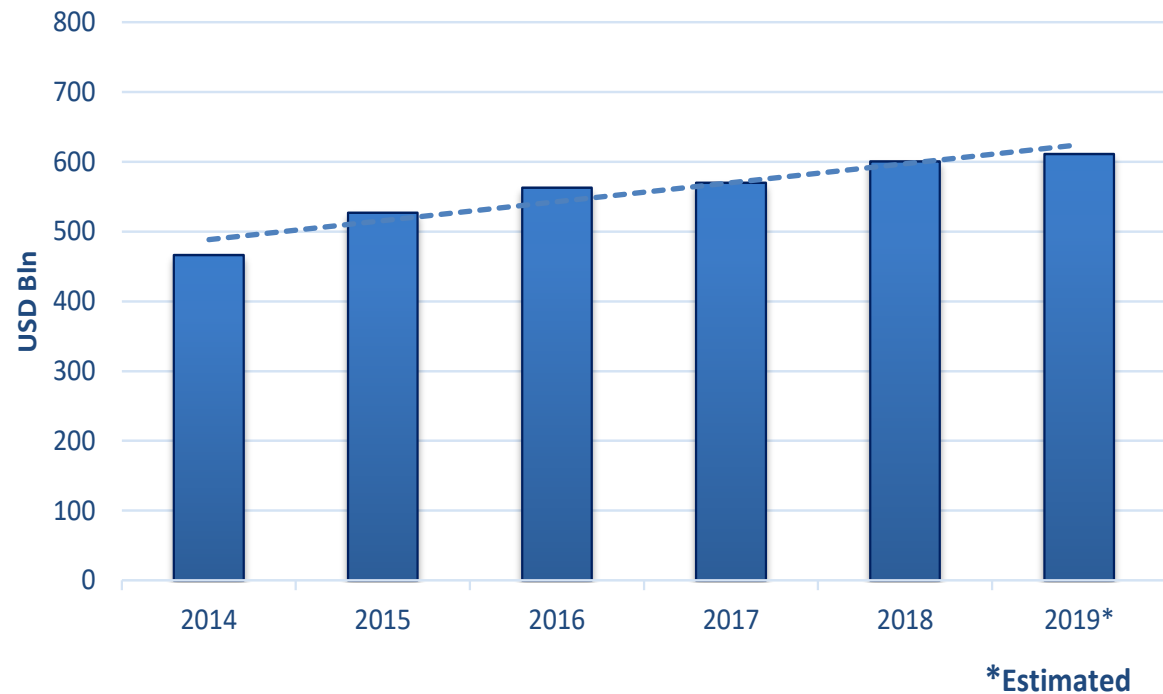
June 2020

## Global Hotel Industry | Size & Growth

The Global hotel industry witnessed decent rate of revenue growth mainly emanating from Europe & Asia-Pacific

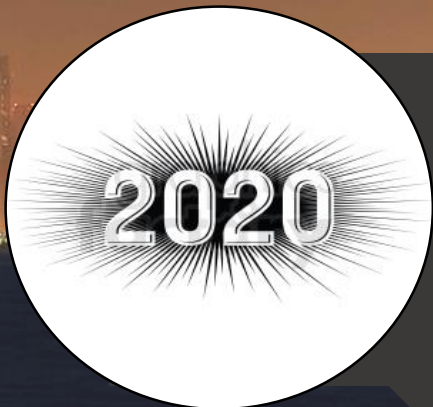
Revenue registered a CAGR from 2014 to 2019 of ~ 4%

Total revenue of the hotel industry in the USA alone is estimated at \$200bln in 2019



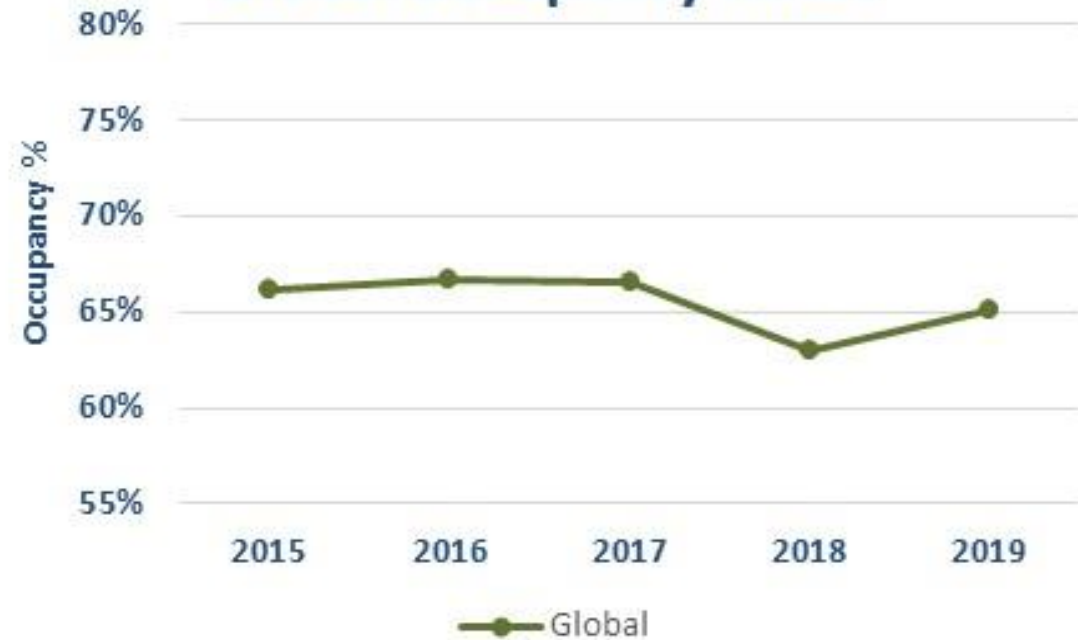
## Global Hotel | Growth Trends

- Last four years indicates that Europe leads in terms of Hotel occupancy rates, with an average of 73% followed by Asia Pacific with 71% and Americas and Middle East/Africa at 65% and 63%.
- The increase in Global average occupancy rates emanates from Asia Pacific and Americas (Latin & North).



- Due to Covid-19, Average Occupancy Rates In Jan-Apr 2020 decreased to ~20%
- Major decrease is witnessed in the months of March April across all regions

### Global Occupancy Rates





## Global Hotel Industry | Outlook 2020

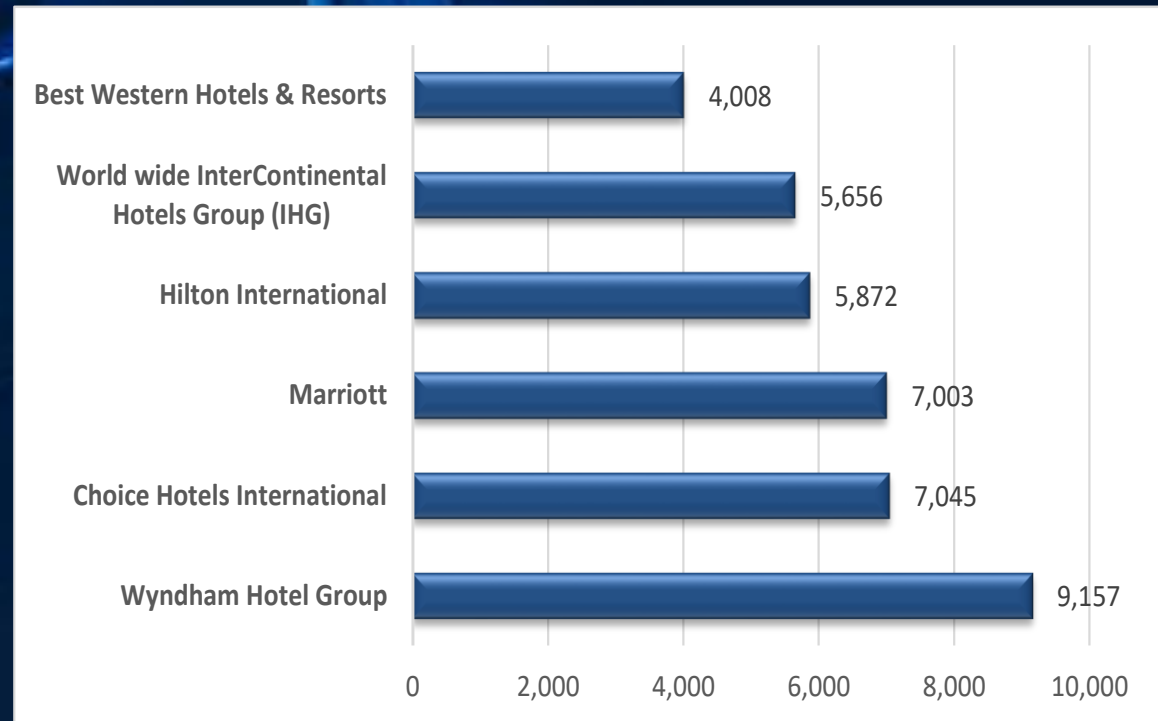
- On the basis of 2008 global recession experience, recovery in hotel industry is not expected to be in “U” or “V” shape it will be in fact in a “Swoosh”( ✓ ) shape.
- Overall ADR is expected to decrease by 10%
- Occupancy rates are expected to decrease to 40%
- European region and Americas to suffer the most
- Asia Pacific region to likely to maintain its 2019 position driven by North East Asia
- Recovery may take till 2022 to reach pre-corona level



## Leading Hotel Companies Worldwide

Global hotel chain, Wyndham Hotel Group, leads the ranking of the top hotel companies by number properties. As of Jun '19, Wyndham accounted for ~9,000 units in its worldwide portfolio, which ranged from economy to upscale accommodation.

-Choice Hotels International and Marriott International, came in second reporting ~7,045 and ~7,003 properties, respectively.



## Global Hotel Industry | Covid-19 Impact

One of the most severely impacted industries

Cancellation of holiday and business trip led to single digit occupancy in some European and American Markets

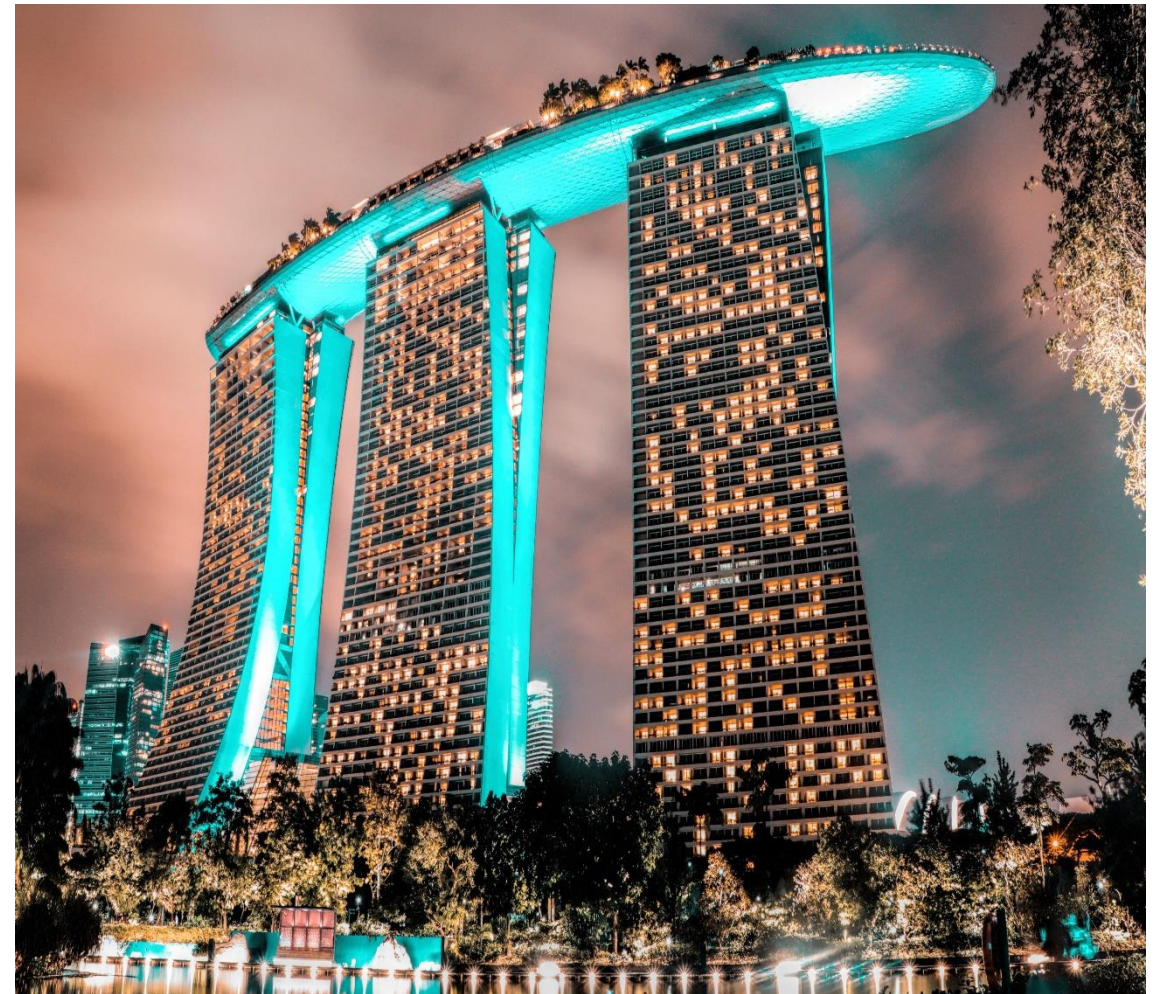
Travel restriction and lockdown caused hundreds of hotels to close

Few hotels have declared bankruptcy and many are mulling to declare bankruptcy

2020 is set to be the worst year since great depression in terms of occupancy and revenue

Future projects have been cancelled or postponed

Global hotel brand valuation to erode by almost 20% (Forbes)





# Hotel and Retail Industry

## Domestic Hotel Industry | Snapshot

- The domestic hotel industry is concentrated with few large players
- The number of small motels and guest houses exist due to their affordable rates
- The average growth rate in Hotel Industry was ~5.0% in hotel establishments and ~3.5% in rooms over the last five years

### Major Players in Pakistan

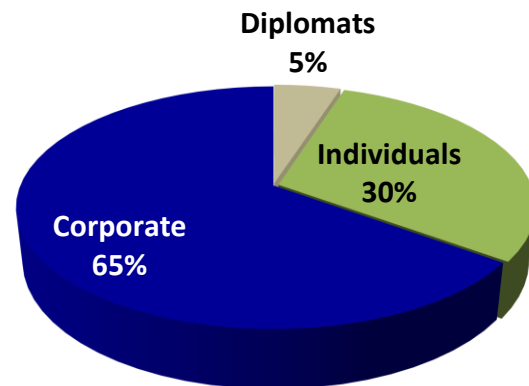
- ❖ Pearl Continental
- ❖ Marriott Hotels
- ❖ Avari Hotels
- ❖ Serena Hotels
- ❖ Nishat Hotels
- ❖ Mövenpick Hotel
- ❖ Ramada Hotels



## Domestic Hotel Industry | Snapshot

Hotel	No of Rooms	Operational Cities
Pearl Continental	1526	6
Serena	828	8
Avari	576	5
Hotel The One	632	16
Marriott	505	2
Movenpick	407	1
Nishat Hotels	261	2

### Domestic Hotel Industry | Revenue Mix



- > Revenue mix split between room revenue and food & beverage income, with a slight inclination towards room revenue
- > The revenue base is concentrated towards the corporate segment
- > Improving Security Situation has led to improvement in occupancy rates.
- > Since Covid-19 outbreak occupancies have fallen to single digit. Occupancies are expected to improve but in a gradual manner.
- > Ban on Marriage halls and restaurants is going to impact food business severely



## Domestic Hotel Industry | Covid-19 Impact

- Travel restrictions and lockdown have severely impacted sector
- Most of the properties (~80%) are closed
- Occupancies of open properties are in single digits with ADR below 10,000
- Closure of banquet halls and restaurants have further impacted performance
- Cancellation of events and conferences have impacted non room revenue
- PACRA issued its Sectorwatch report on Coronavirus in April  
[http://www.pacra.com.pk/uploads/doc\\_report/SectorWatchCoronavirusHospitality21-Apr-20.pdf](http://www.pacra.com.pk/uploads/doc_report/SectorWatchCoronavirusHospitality21-Apr-20.pdf)



## Upcoming Major Projects

Two new projects namely PC Multan and PC Mirpur Azad Kashmir are major Projects of Hashoo Group.

Swiss International and Unicorn Prestige signed Franchise Agreement for the luxury hotel, Royal Swiss Lahore. With 350 rooms and suites, the hotel has plans to completely open in 2020.

Mövenpick is also planning to open two properties in Islamabad and Lahore

Apart from Royal Swiss Lahore which has partially opened, other projects have been put on halt



## Outlook | Hotels

- › Covid-19 has impacted occupancies of Hotels significantly.
- › Occupancies will take over a year to reach at its pre-corona level.
- › Ban on Banquet halls and restaurants will have negative impact on margins.
- › Government and SBP's initiatives will provide much needed relief.
- › Government's announcement to allow tourism may provide respite to Hotel industry





## The Pakistan Credit Rating Agency Limited



The Pakistan Credit Rating Agency Limited (PACRA) was created on August 18, 1994. PACRA is Pakistan's first credit rating agency and has been responsible for introducing credit ratings at a time when even the concept of free capital market was not well-rooted in the country. PACRA has gained a recognition on the perceived value and integrity of its opinion. Today, PACRA is recognized as a national rating agency by apex regulators of the country, the Securities and Exchange Commission of Pakistan and an external credit assessment institution (ECAI) by the State Bank of Pakistan. PACRA is one of founding members of Association of Credit Rating Agencies in Asia (ACRAA). It has a vibrant presence in the region, providing technical collaboration to regional partners.

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