

Hotel sector bustling again

Reopening of borders in China a boon

THE Malaysian hotel sector, which received a huge boost following the reopening of borders in April this year, is set to conclude 2022 on a high.

With China recently announcing the reopening its borders, the hotel sector is expected to resume its post-pandemic recovery into 2023.

Malaysian Association of Hotels president Christina Toh says this year “has been a blessing” for the sector.

“After 2½ years of zero income, the hotel sector has seen a boost in average occupancy rates,” she tells *StarBizWeek*.

With the current holiday season, Toh says hotels within the Kuala Lumpur city centre and resorts in selected states are at maximum capacity.

“The average occupancy rate for hotels in the KL city centre and beach resorts such as Penang, is between 90% and 100%,” she says.

Toh notes that the second week of December tends to be the peak season for the sector.

Toh believes that the peak holiday season will likely taper off after the Chinese New Year next month.

“After that, I believe that the market will decline slightly,” she says, adding that inflationary pressures may also have an impact on the sector.

However, Toh is optimistic that the establishment of a unity government will ensure political stability and provide confidence to foreign investors.

“This will also help to boost foreign business travel and attract investors into the country,” she says.

Malaysia Budget and Business

over potential Covid-19 variants. It will ultimately depend on the guidelines set by our health and tourism ministries.”

Yesterday, the Health Ministry announced that all travellers arriving from abroad, including from China, must go through a fever screening at the international entry points in Malaysia.

Health Minister Dr Zaliha Mustafa said if the travellers were detected to have a fever, they would be referred to a quarantine centre or health authority for re-examination.

Meanwhile, Ganesh believes that China’s reopening will boost the tourism industry.

“For sure, it will spur the sector. However, we believe most of the Chinese tourists will prefer to stay in an Airbnb, rather than a budget hotel.”

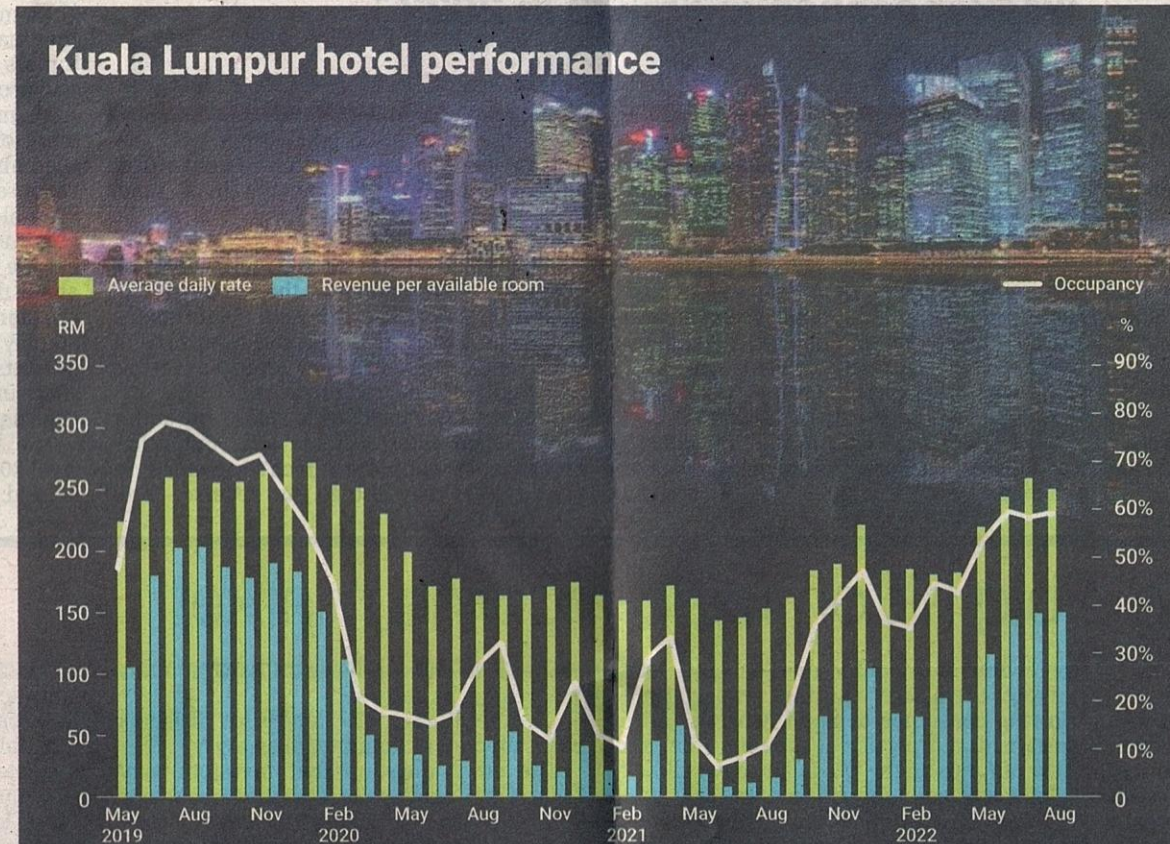
Ganesh explains that an Airbnb is often the preferred choice for many budget travellers because it is excluded from any form of taxes and therefore, cheaper for them.

Steady recovery

Since the beginning of 2022, Knight Frank says international passenger traffic volume at the Kuala Lumpur International Airport (KLIA) has been rebounding with average month-on-month growth of 27%, boosted by the removal of border restrictions, improving flight connectivity, and easing of regional travel restrictions.

“In September, KLIA received 1.64 million international travellers, or 53% of September 2019 of 3.51 million,” it says in an earlier report.

Knight Frank says China’s lifting



Source: Knight Frank

TheStargraphics

Hotel Association president Sri Ganesh Michiel concurs that there has been an influx of foreign tourists into the country since the reopening of local borders earlier this year.

Despite this, he says the budget hotel sector is facing challenges due to short-term rental accommodation, illegal homestays and online travel agencies (OTAs).

Ganesh explains that travellers generally prefer online hospitality services such as Airbnb and OTAs, as opposed to staying in a budget hotel.

As budget hotel operators are desperate for business, Ganesh says many turn to OTAs to manage their hotel bookings, hoping that they can market to a larger group of clients using online platforms.

But this will eat into the hotel operators' profitability, as a percentage of the room rates is paid as a commission to OTAs, he explains.

"This is why we want the OTAs to be regulated.

"The room rates of budget hotels are already low, so as to keep prices competitive. But the hotel operators will end up having lower profit margins."

As such, Ganesh says many budget hotel operators are still struggling despite the reopening of the country's borders earlier this year.

The China factor

According to independent real estate consultancy, Knight Frank, Malaysia's three biggest tourist markets in 2019 were Singapore (10.2 million), Indonesia (3.6 million) and China (3.1 million).

Toh is cautiously optimistic that the reopening of borders in China will boost tourism and travel into Malaysia.

"China is very fast and it will only be a matter of time before the people start travelling to this part of the world again.

"However, the question is whether we will be ready to welcome them."

According to China's Immigration, passport applications from citizens wanting to travel internationally will resume from Jan 8.

The announcement, which was made earlier this week, comes after nearly three years of strict quarantine rules.

According to various news reports, travel sites have already been reporting a spike in traffic.

However, Chinese tourists will not have uninhibited access to other countries.

According to global news reports, US officials are considering new restrictions on Chinese travellers due to concerns about surging Covid-19 cases and lack of transparency from Chinese authorities.

"There are mounting concerns in the international community on the ongoing Covid-19 cases in China and

the lack of transparent details, including viral genomic sequence data.

"Without this data, it is becoming increasingly difficult for public health officials to ensure that they will be able to identify any potential new variants and take prompt measures to reduce the spread," US officials said in a statement quoted by various news agencies.

According to reports, Japan has announced that all travellers from China must show a negative Covid test on arrival, or quarantine for seven days.

Additionally, India has also insisted that Chinese travellers provide a negative Covid test upon arrival.

Taiwan will conduct Covid-19 tests on visitors arriving from mainland China.

On the local front, Toh says there will certainly be similar concerns by the authorities.

"There are definitely concerns

of travel restrictions will provide an added boost.

"The halal tourism provides huge growth potential for the Malaysian hotel market, with international Muslim travellers growing by a 7.5% compounded annual growth rate between 2013 and 2019.

"Malaysia is the top-ranked destination in the Mastercard-Crescent Rating Global Muslim Travel Index 2022 and Kuala Lumpur, Penang and Langkawi are particularly well-positioned to capture this market."

Additionally, Knight Frank says the hotel occupancy rate in Kuala Lumpur has been rising since the start of 2022, reaching 60% in August 2022.

"The city has been successful in pushing up the average daily rate, which was only 6% down from August 2019, although less successful at improving its revenue per available room which was down 28%."