Horwath HTL

2026

China Hotel Investment and Asset Management White Paper



厚海 DATA PLATFORM

www.hohidata.com

Foreword

Structural change in China's economy and property sector is reshaping hotel investment. With less emphasis on new development, owners are giving greater attention to the performance of existing hotels. Changes in demand, competing products and pressure on profitability are testing business models built around property development and expansion. **Professional investment and asset management are increasingly important to improving returns from the existing stock.**

The survey reflects this change. Respondents identify operating improvement and asset repositioning as their main priorities. Refurbishment, changes in brand or management arrangements, and conversion to a different use provide options for properties with different needs. During ownership, the focus is extending from cost savings to the revenue and profit generated by space, staff and energy use. At disposal, a substantial gap remains between assets offered for sale and disclosed transactions. Judicial auctions are an important sales channel, while real estate investment trusts (REITs) provide a potential route to release capital from hotels with established operations.

Investment, operations and exit decisions need to be considered together. Initial investment determines a hotel's product and cost structure. Operating performance affects its value. Exit requirements also influence decisions on cash flow, contracts and future refurbishment. Owners therefore need capabilities that cover the full period from acquisition or development to disposal.

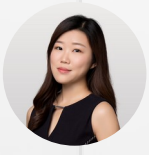
The 2026 China Hotel Investment and Asset Management White Paper combines Horwath HTL's consulting experience, the HOHI Data Platform (www.hohidata.com) and survey responses from experienced investors and owners. It examines development and asset repositioning, asset management and operations, and transactions and exits. A new section on hotel REITs considers asset suitability, application requirements and the implications for investment and ongoing management.

We thank the industry partners who contributed their experience and professional judgement. Their participation supports continuing research into the performance and value of China's existing hotel assets.

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Research methodology and sample

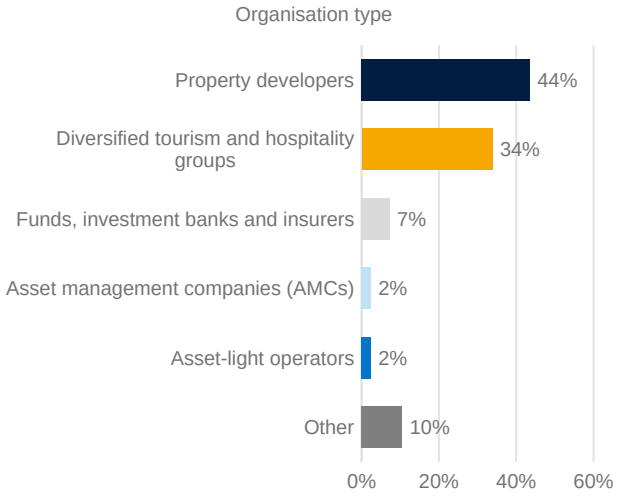
The analysis draws on the **HOHI Data Platform**, the 2026 China Hotel Investment and Asset Management Survey, and publicly available records of hotel asset listings, disclosed sales and REIT projects.

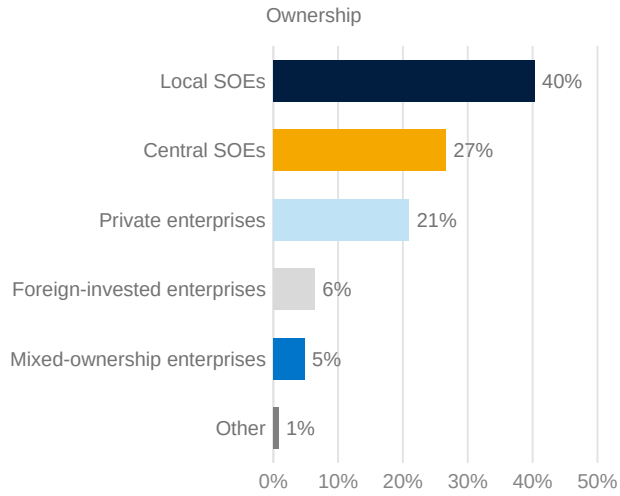
HOHI tracks **nearly 90,000 hotels in the midscale segment and above**, representing **more than eight million rooms across over 330 cities**. Its coverage includes **more than 800 hotel brands and approximately 200 domestic and international hotel management companies**, with over ten years of historical data.

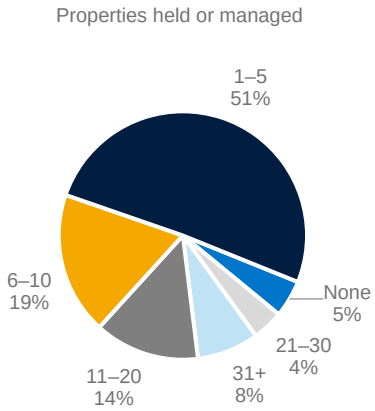
The questionnaire contained more than 20 questions on development and repositioning, asset management and operations, and transactions and exits. It examined current practices, investment preferences and concerns, as well as respondents' plans and expectations.

More than 120 valid responses were received. Participants were primarily **institutional investors and hotel asset owners**, including central and local state-owned enterprises, private developers, specialist asset managers, funds and investment banks. The findings reflect this institutional sample and should be read within that scope.

Percentages are rounded. Multiple-response questions may total more than 100%. Transaction statistics cover tracked listings from January 2025 to September 2026. Disclosed completion rates refer to that sample at the reporting cutoff. Transaction mixes use asset counts and are not value-weighted.





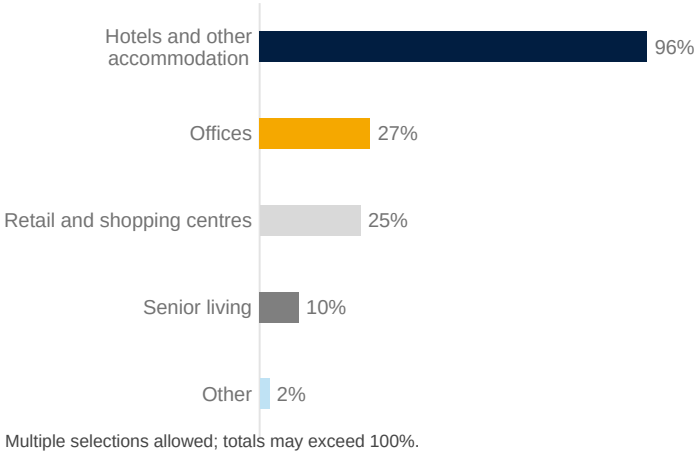


Source: 2026 Horwath HTL / HOHI survey

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Operating skills are stronger than investment and exit expertise

Q: Which property types does your business cover?

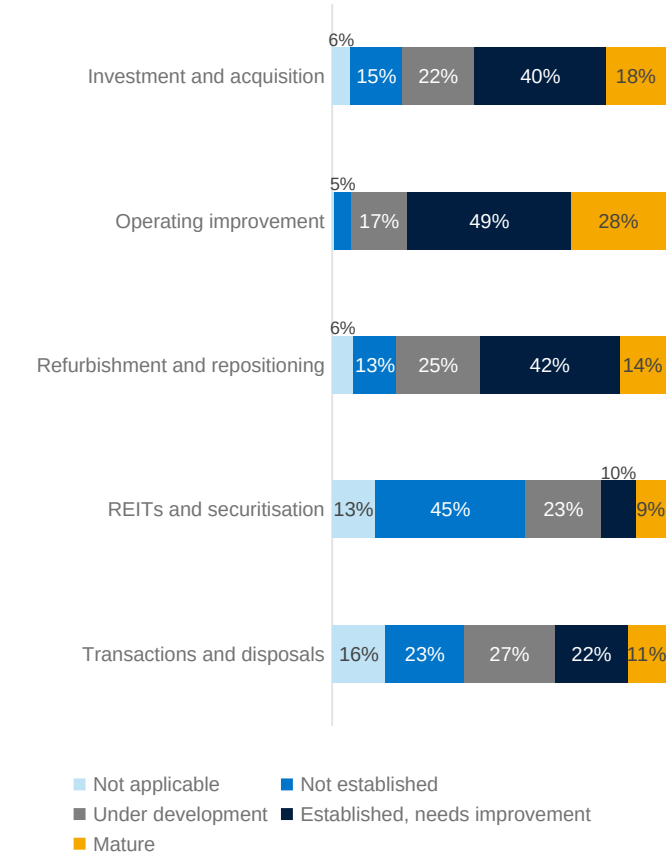


Multiple selections allowed; totals may exceed 100%.

Some 96% of respondents are involved in hotels, apartments or other accommodation. Offices account for 27%, retail and shopping centres for 25%, and senior living for 10%. Some institutions therefore manage investment and operating responsibilities across several property types.

Portfolio strategy, capital allocation, risk management and exit planning can share a common framework. This allows owners to compare the contribution of different asset classes on a consistent basis.

Q: How developed are your capabilities across the hotel asset life cycle?



Hotels also require measures suited to an operating business. Cash flow depends on supply and demand, product positioning and the operator's continuing performance. Measures used for offices or retail property need to be adapted to these characteristics.

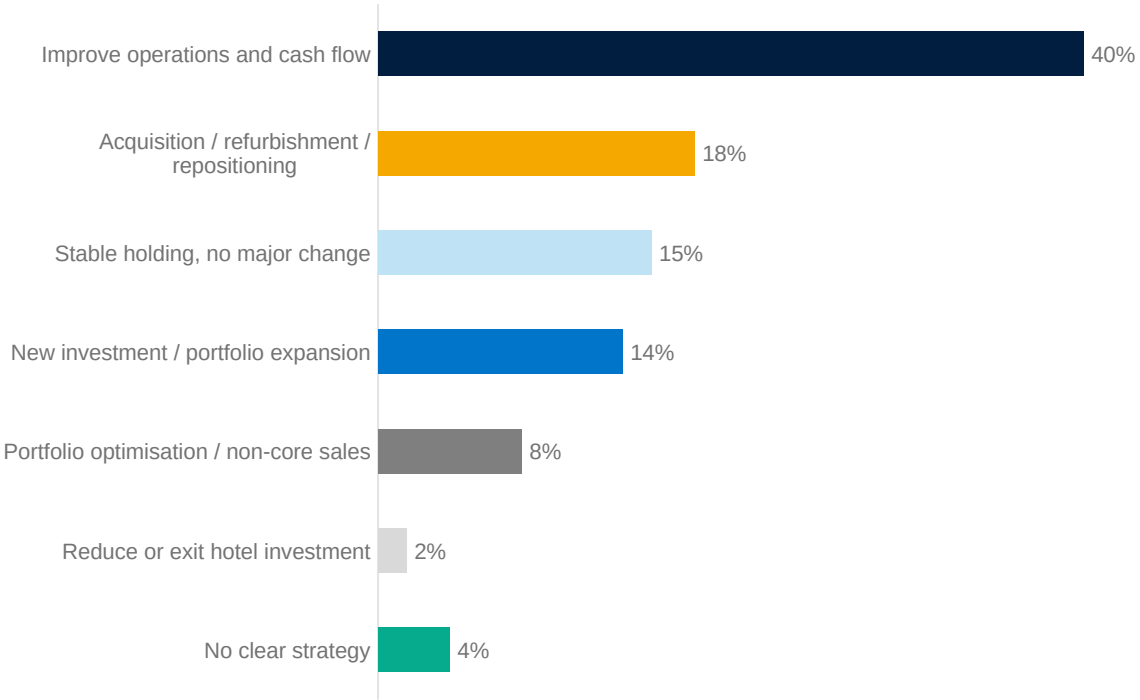
Respondents have the most experience in improving existing operations. Some 28% report mature capabilities and 49% have established capabilities that require further development. The corresponding figures are 18% and 40% for investment screening and acquisition, and 14% and 42% for refurbishment and repositioning. Capabilities in transactions, REITs and other securitisation remain less developed.

Experience still centres on overseeing hotel operations during ownership. Institutions are developing the skills needed to coordinate investment decisions, refurbishment, ongoing management and disposal.

Source: 2026 Horwath HTL / HOHI survey

Operating improvement leads owners' asset strategies

Q: What is your main hotel asset strategy for the next two years?



Over the next two years, **40% of respondents intend to prioritise the operating performance and cash flow of existing assets.** A further 18% will focus on acquisition, refurbishment and repositioning, while 15% plan to hold assets without major changes and 14% favour new investment and portfolio expansion. Improving returns from the existing stock is the most common strategic direction.

Operating improvement and repositioning require different investment decisions. The former works with the existing property and product to improve earnings and cash flow. The latter may involve an acquisition, physical changes or a new market position, with additional capital assessed against the expected return. As new development slows, institutions are concentrating on individual asset performance and portfolio optimisation.

New investment and disposals remain priorities for some owners. Some **8% identify portfolio optimisation and the sale of non-core assets as their main strategy.** Choices between operational improvement, reinvestment, expansion and sale depend on funding requirements, property condition and the owner's objectives.

Others intend to maintain their position or have yet to define a strategy. Hotel asset management in mainland China is still developing. A period of stable ownership can give institutions time to build operating experience and management systems. Consistent monitoring of performance, refurbishment needs and capital returns provides a basis for subsequent decisions.

Source: 2026 Horwath HTL / HOHI survey



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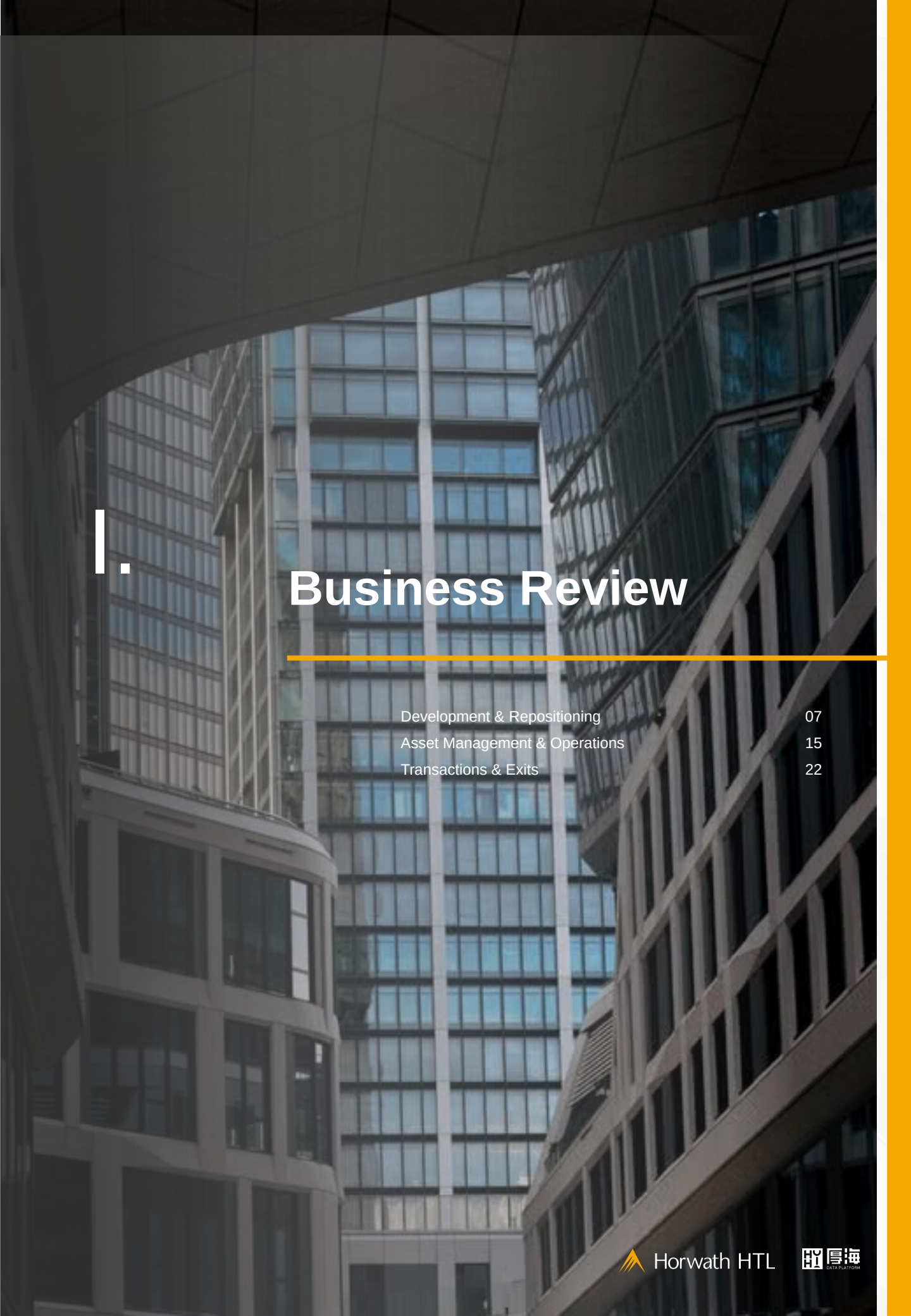
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01 Development & Asset Repositioning

During the previous property-development cycle, hotels often supported mixed-use development, city image or wider portfolio objectives. New construction and expansion absorbed much of the capital. Some projects placed more weight on development targets and building standards than on the hotel's demand base and capacity to generate cash flow as an independent business. With development slowing and older hotels reaching their refurbishment cycle, **investors are reassessing the allocation of capital between new projects and existing assets.**

Both development and refurbishment need to be assessed against incremental revenue and profit, payback periods and cash-flow stability. At existing hotels, investment can extend from replacing facilities to changing the product, brand, management arrangements or building use. These approaches address different forms of mismatch between the property and market demand.

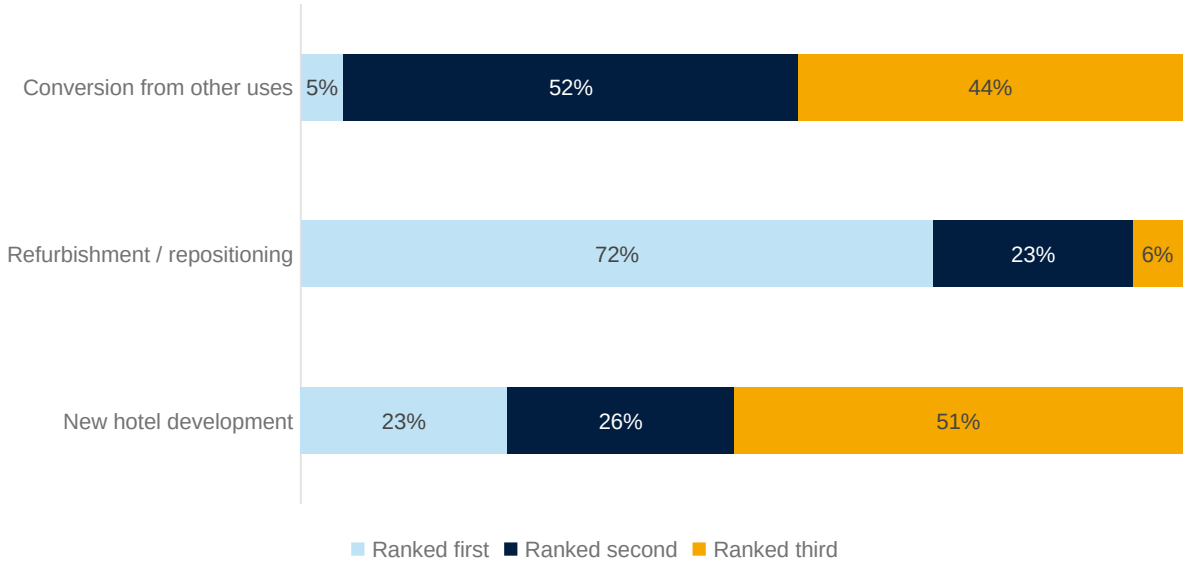
Capital allocation, required returns and the condition of each property determine the appropriate route. The following analysis considers refurbishment, changes in brand and management model, and adaptive reuse, together with their investment requirements and practical constraints.



Capital allocation

Refurbishment is the first investment priority

Q: How do you rank these hotel investment and asset management priorities for 2026?



Refurbishment or repositioning of existing accommodation is the first priority for 72% of respondents, compared with 23% for new development and 5% for converting other property types into hotels. Conversion is the second priority for 52%, indicating a place in many institutions' plans even where it is not their immediate focus.

The emphasis on existing hotels reflects constraints on new development and the condition of the established stock. Good sites in major cities and mature districts are increasingly scarce. Much of the better-located land has already been developed, and hotel supply is well established. Securing a site and a differentiated position for a new hotel has become more difficult. At the same time, older properties require investment in their products and operations. Their operating history allows investors to identify specific weaknesses in positioning, facilities and space use.

New development remains relevant where demand is established, supply is insufficient or the project serves a corporate strategic purpose. Offices and retail properties facing vacancy or rental pressure may also offer conversion opportunities.

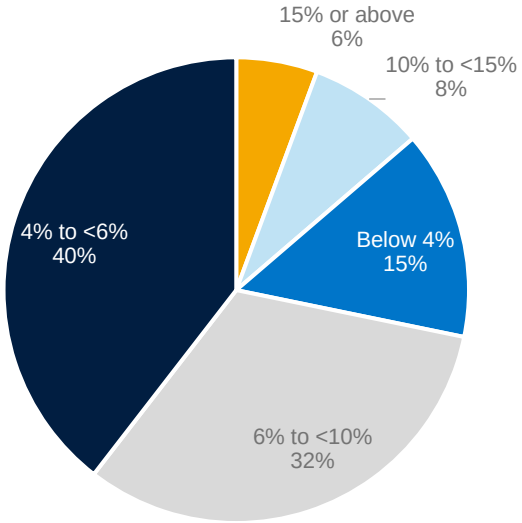
Owners need to assess these choices at portfolio level. Hotels with improvement potential and a place in the long-term portfolio may justify further capital. A different use may suit properties whose hotel function is no longer viable. Additional investment can be limited, or a disposal considered, where continued ownership offers insufficient value.

Source: 2026 Horwath HTL / HOHI survey

Investment return expectations

Investment decisions focus on returns from hotel operations

Q: What return on investment do you require for hotel investment or reinvestment in 2026?



ROI = annual earnings before interest and tax (EBIT) / total investment

Hotel investments previously supported mixed-use property values, city image and corporate objectives as well as the hotel's own earnings. Slower property development, tighter financing and more cautious budgets are **increasing the importance of returns generated by the hotel itself.** New projects need to demonstrate an adequate return on total investment. Reinvestment in existing hotels requires an assessment of the additional revenue and profit, and the period over which the new capital will be recovered.

Some **40% of respondents require an annual return of 4% to below 6%**, principally local state-owned developers and diversified tourism and hospitality groups. Another **32% require 6% to below 10%**. Together, about seven in ten respondents fall within the 4% to below 10% range.

Required returns vary with funding costs, ownership periods, investment objectives and project type. A hotel held for strategic reasons or over a longer period may support a longer payback. Financial investors place greater weight on the timing and stability of operating returns.

The survey defines return on investment as annual earnings before interest and tax divided by total investment. This measure needs to be considered alongside payback, cash-flow stability and future capital expenditure. Refurbishment appraisals should distinguish the additional earnings attributable to the work from a general market recovery and the hotel's existing operating base.

Source: 2026 Horwath HTL / HOHI survey

Refurbishment drivers

Competitive pressure and ageing facilities drive refurbishment

Some **65% of respondents plan to refurbish accommodation assets within the next year.** Renewal is therefore a near-term investment priority for a substantial proportion of the institutional sample.

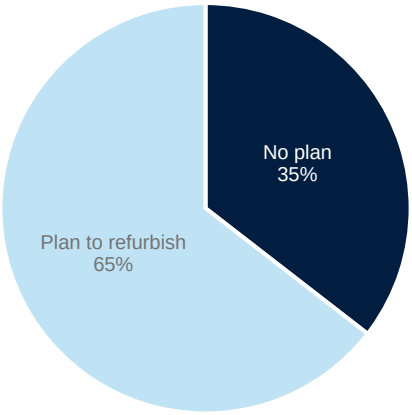
Declining room rates or weaker competitiveness are refurbishment triggers for 60%, while **58% cite ageing facilities and equipment**. Idle or inefficient space is a concern for 37%, and 32% identify a mismatch between their product and current demand. The objectives extend to both the property's physical condition and its operating performance.

Changes in guest demand, new competitors and ageing facilities can weaken the appeal of guestrooms and public areas. Older layouts may also leave space underused and reduce revenue and profit per square metre. These pressures are leading owners to consider further investment to improve cash flow during a difficult operating cycle.

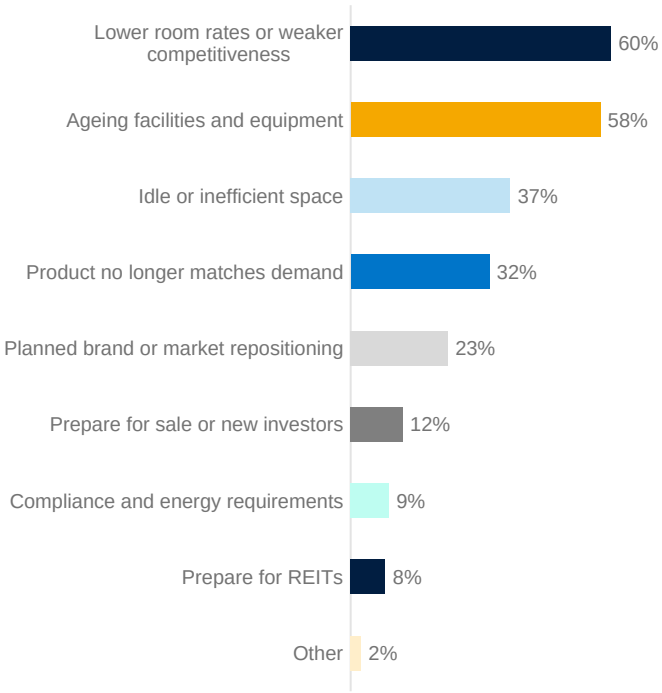


Source: 2026 Horwath HTL / HOHI survey

Q: Do you plan to refurbish your accommodation assets over the next year?



Q: What are the main triggers for refurbishment or repositioning?



Multiple selections allowed; totals may exceed 100%.

Refurbishment intensity

Routine maintenance remains the main refurbishment priority

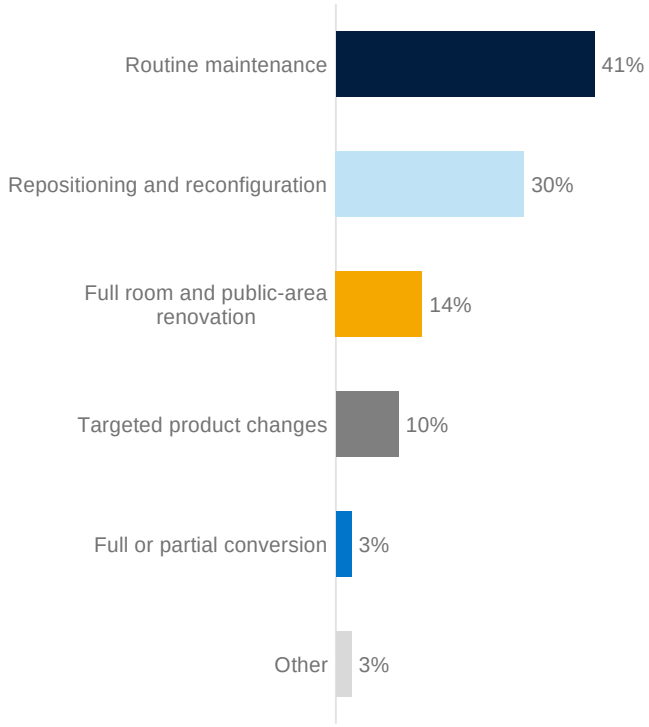
Among respondents with refurbishment plans, **41% favour routine maintenance to restore product quality.** Another 30% plan to reposition their properties through changes to target guests, product mix and layout. Targeted changes to particular products or spaces account for a further 10%.

Routine maintenance is the largest category. Limited budgets encourage owners to prioritise repairs and preserve the quality of the existing offer.

Repositioning is a more extensive response where a product mismatch is materially affecting revenue and profit, particularly at well-located assets in Tier 1 and New Tier 1 cities.

Refurbishment is consequently extending from physical renewal to changes in the product, target market and business model.

Q: What level of refurbishment does your company favour over the next year?



Source: Horwath HTL / HOHI survey

Case study

Alila Shanghai: repositioning as an urban resort

Fullshare redeveloped the former Four Seasons Hotel Shanghai within a mixed-use property. The hotel reopened as Alila in September 2024, with rooms reduced from **422 to 186** and suites accounting for more than half.

A sky courtyard, references to Shanghai's design heritage, spa and dining facilities, and a rooftop bar overlooking Zhangyuan support the urban resort positioning.

In 2025, average daily rate (ADR) exceeded RMB2,500 and occupancy was above 70%. The project adapted the product mix to changing demand at a centrally located property with more than 20 years of operating history.

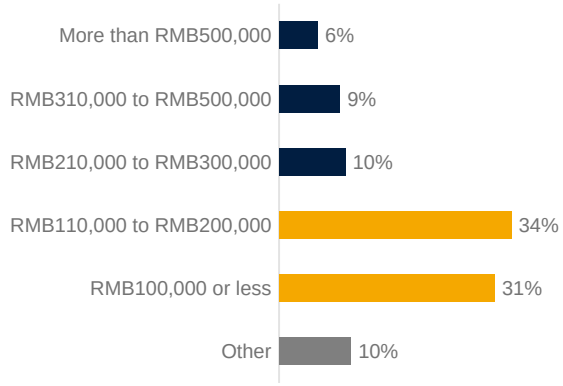




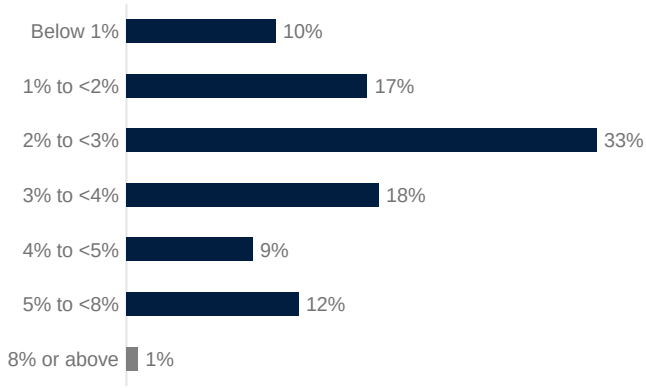
Refurbishment investment

Cautious refurbishment budgets and varied annual spending

Q: For major refurbishment or repositioning, what is the expected spend per room, excluding major plant and equipment?



Q: What proportion of hotel revenue is actually spent on capital expenditure each year?



Refurbishment budgets remain constrained

The scale of work, property condition, facilities and intended product standard all affect the capital required.

For major refurbishment or repositioning, **65% expect to spend no more than RMB200,000 per room**, excluding major plant and equipment. About 19% select budget bands from RMB210,000 to RMB500,000. Only 6% expect to spend more than RMB500,000. Refurbishment needs are widespread, but planned expenditure remains cautious.

Budgets often need to cover essential repairs as well as product improvements. Where ageing infrastructure absorbs a large share of available capital, less remains for guestrooms, public spaces and the guest experience. Some hotels therefore face substantial renewal requirements with limited funds.

Renewal reserves and actual spending

An annual reserve equivalent to **3% to 4% of revenue** is common industry practice for renewal. Actual capital expenditure varies with funding and property requirements. **About half of respondents spend 2% to below 4% of annual revenue**, **27% spend below 2%**, and **22% spend 4% or more**.

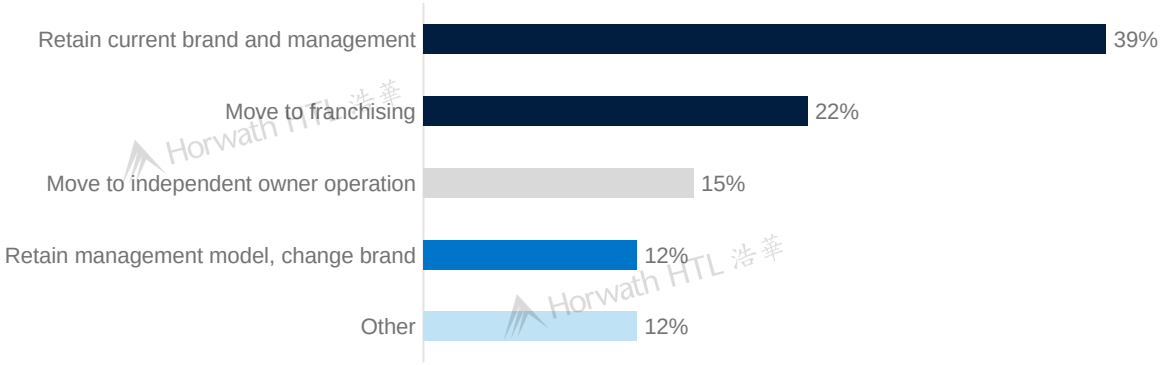
Many hotels in the upscale segment and above are owned by developers facing debt repayment or disposal pressure, which can constrain reinvestment. Hotels that have operated for five to eight years or longer also face growing renewal needs. Concentrated replacement and refurbishment programmes may result in spending above the usual annual reserve.

Source: 2026 Horwath HTL / HOHI survey

Brands and management models

Owners consider a wider choice of brands and operating models

Q: For hotels under management contracts, what do you plan to do when the contract expires?



Brand changes remain active. The HOHI data record **1,054 hotels leaving a brand and 843 rebranding in 2025**, both higher than in previous periods. Contract expiry, refurbishment and changes in business strategy give owners opportunities to review their brand and management arrangements.

For hotels with expiring management contracts, **39% of respondents favour retaining the existing brand and model.** Franchising is under consideration by 22%, independent operation by 15%, and a new brand under continued management by 12%. Among those considering franchising, **77% intend to operate the hotel themselves.**

As owners gain experience, they are examining performance obligations and fees more closely. Disputes concern the conditions and calculation of performance compensation, as well as management fees included in damages claims. They also reflect different views of management value and operating responsibility. Clear terms, shared expectations and continuing communication support the effective execution of management agreements.

Case study



Four Points by Sheraton Xi'an Bell Tower

An older hotel in Xi'an's Bell Tower district reopened under a Four Points franchise in November 2025. Refurbishment reconfigured the lobby and dining areas, added beer-led dining and flexible meeting space, and converted an enclosed banquet area into a courtyard with balconies for adjoining rooms.

Occupancy rose from below 50% to around 90%, while **ADR exceeded RMB450**. The revised product and the brand's membership channels widened its appeal.

Source: HOHI Data Platform; 2026 survey; case materials

Adaptive reuse

Adaptive reuse creates options for vacant commercial property

Case study

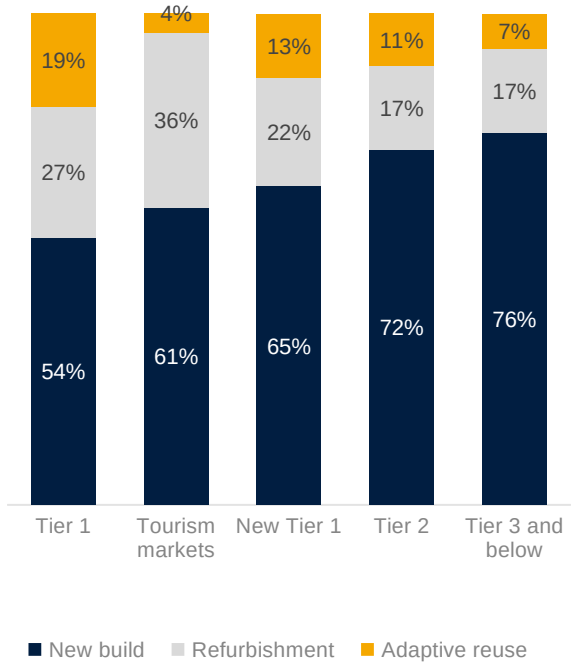
voco Chengdu Chunxi Road: conversion from retail use

After New World Department Store left Chengdu Central Plaza, the retail podium was converted into a voco hotel, which opened in 2025. The project retained the façade, changed the atrium into shared space, and added garden dining and meeting facilities. Changes to circulation, daylight, building services and fire safety adapted the property to hotel use, supported by the brand's flexible standards.

Investment was approximately **RMB140 million** and **occupancy exceeded 85%**. The conversion established a new income stream from an existing commercial property, while requiring funding, a suitable building and the ability to operate it over the long term.



2025 hotel signings by development type and city tier



Urban renewal and asset-revitalisation policies have eased restrictions on changes of use in some locations. Office vacancy and pressure on retail performance are creating opportunities to convert properties that no longer meet the demand for their original use.

Among mainland hotel signings in the midscale segment and above for which development type was disclosed, **adaptive reuse rose from 2% in 2022 to 10% in 2025.** It is particularly relevant in Tier 1 cities with a concentration of existing commercial property.

A well-located building can provide a basis for a new business through changes to its function and layout. **Conversion still requires a viable hotel investment case.** Structure, building services, fire safety, capital costs and local accommodation demand determine whether the property is suitable.

Source: HOHI Data Platform; case materials

02 Asset Management and Operations

As China's hotel market places greater emphasis on existing assets, sustained operating performance is central to investment returns. Owners facing changes in demand and pressure on profitability are examining **space use, labour productivity and energy efficiency.** The assessment needs to cover operating contribution as well as costs, while protecting service quality and property condition. Improvements need to be sustainable and reflected in profit and cash flow.

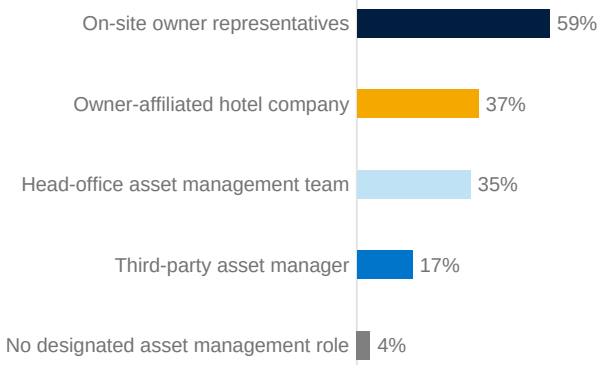
Clear responsibilities between asset managers and operators provide the basis for this work. The following analysis considers **how operational changes can improve the use of space, staffing and energy**, and how asset managers can support and assess the results.



Asset management structures

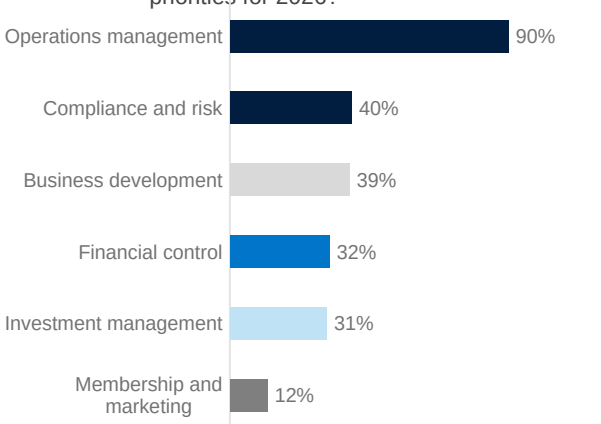
Clear responsibilities support budget-led asset management

Q: How does your company manage its accommodation assets?



Multiple selections allowed; totals may exceed 100%.

Q: What are your asset management platform's priorities for 2026?



Multiple selections allowed; totals may exceed 100%.

Asset oversight and daily operations

Some **59% use on-site owner representatives.** Affiliated hotel companies (37%) and head-office asset management teams (35%) are also common, particularly among central and local state-owned enterprises. Portfolio scale, internal expertise and the desired operating control influence the choice.

Several structures may coexist as the asset management function develops or to meet the needs of different properties.

Asset managers represent the owner in decisions on positioning, investment returns, capital allocation and long-term value. Operators translate those objectives into daily business activity. Asset managers provide oversight through targets, investment approvals and performance reviews. Even where one platform carries out both functions, **responsibilities for operations, capital approval and evaluation need to be clear.**

Budgets and performance review

Operations management is a priority for 90% of respondents' asset management platforms. About four in ten also identify compliance and risk management or business development. Some platforms have investment and expansion responsibilities, so their mandates differ.

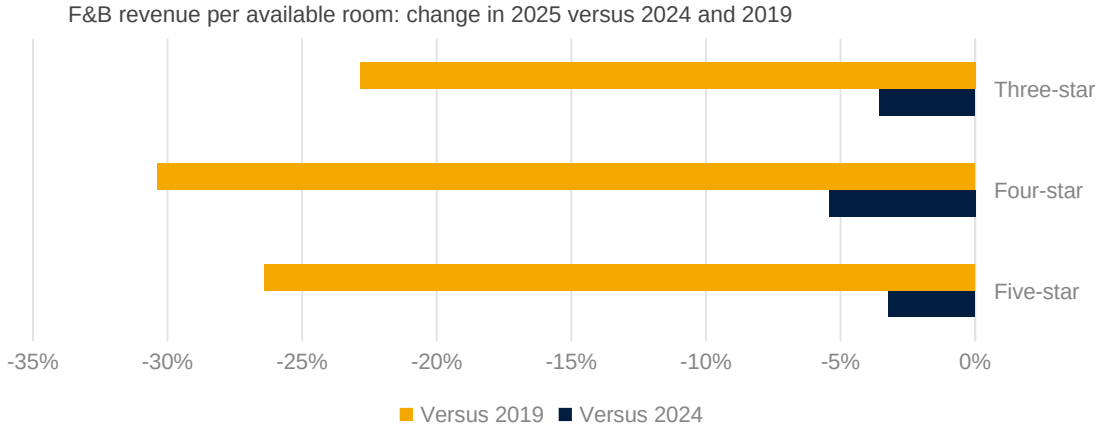
Budget reviews assess revenue targets, costs and capital expenditure against market conditions and the property's position. Benchmarking against the market and comparable hotels identifies performance gaps. Regular reviews explain variances, assign responsibility for corrective action and monitor the results.

This work continues throughout ownership. Consistent operating information and follow-up allow owners to adjust subsequent budgets and capital commitments in response to performance.

Source: 2026 Horwath HTL / HOHI survey

Space productivity

F&B performance is testing the traditional hotel amenity model



Non-room uses, particularly food and beverage (F&B), occupy substantial space and operating resources while revenue remains under pressure. Across the three hotel star categories shown, F&B revenue per available room in 2025 was about **23% to 30% below 2019 and 3.2% to 5.4% below 2024**. The pace of decline moderated in 2025, although weak revenue and profit continued to weigh on hotel earnings. The traditional role of restaurants primarily as hotel amenities is increasingly difficult to sustain.

Restaurants and leisure facilities serving the wider market need products suited to their customers and the ability to attract local demand. Owners need either the capability to operate these businesses or asset management expertise to select and work with specialist operators. A strong external brand may be too costly to generate a satisfactory return. A lower-quality tenant may produce rental income while weakening the hotel's positioning or brand.

Case study

The Ritz-Carlton Beijing at China Central Place

In 2020 and 2024, Huamao replaced the hotel-operated Barolo and Yu restaurants with Jingji and Rong Pao, part of the Xin Rong Ji group, through leasing arrangements. Jingji received two Michelin stars and three diamonds in the 2026 Black Pearl guide. Rong Pao received one Black Pearl diamond in 2026.

Huamao worked with the operator on independent restaurant names and product concepts suited to the hotel's positioning. It also remained involved in coordination between the restaurants and the hotel. The arrangement required **tenant selection, concept development and continuing asset management**, in addition to a lease.



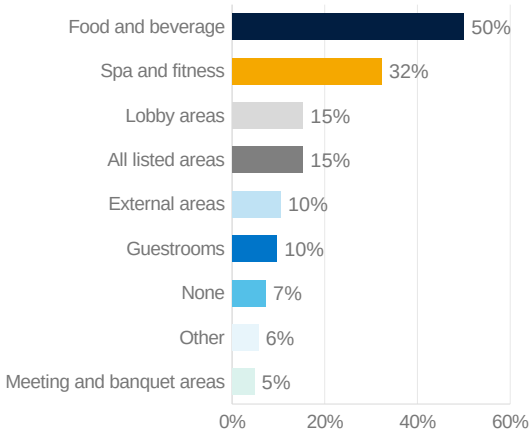
Source: HOHI Data Platform; case materials

Space productivity

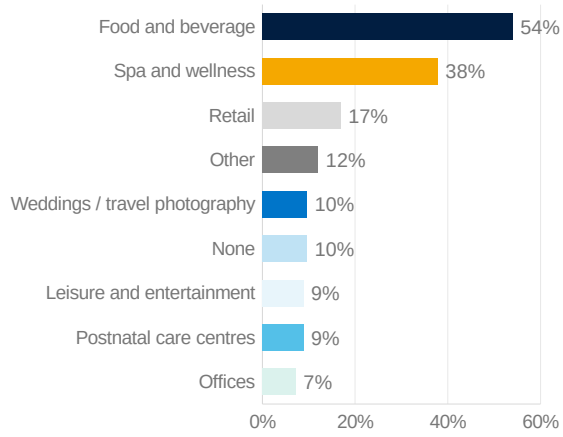
New uses require broader operating capabilities

Q: Which hotel areas are leased to external operators, and which business uses have been introduced?

Hotel areas leased to external operators



Business uses introduced



Multiple responses permitted. Percentages are shares of respondents, not shares of floor area.

Owners are reviewing the use and operation of hotel space as demand changes. External operators can add specialist expertise where the existing function remains relevant. A different use may create income and new guest experiences where demand has shifted.

F&B, spa and fitness facilities, and lobby areas are among the spaces leased. **F&B and wellness are the most common business uses introduced.** Retail performance varies. Small concessions on lower floors are under pressure, while some refurbishment projects combine retail planning, improved circulation and lifestyle operators serving local communities. These arrangements require the ability to select tenants and manage several types of business.

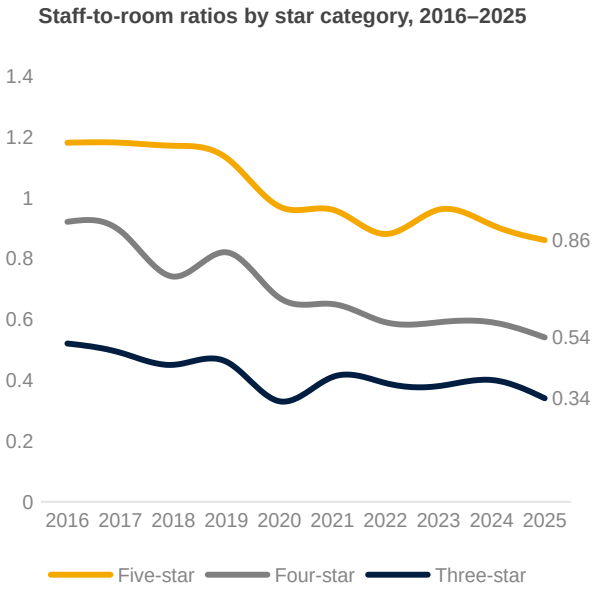
Asset managers need to support operating teams with **resources to test concepts, develop customer understanding and improve the offer. Appropriate incentives and room to test changes** complement cost control and help teams respond to shifts in demand.



Source: 2026 Horwath HTL / HOHI survey

Labour productivity

Labour productivity needs both cost and output measures





Staff-to-room ratios and total labour costs

Operating pressure and changes in the business mix are leading hotels to reorganise staffing. Outsourcing and agency labour are increasingly important, so payroll headcount alone cannot capture the full resource commitment. Staff-to-room ratios fell further in 2025 across the categories shown, while the use of outsourcing and agency labour increased. In the operating sample, outsourced labour was used by **92% of five-star, 75% of four-star and 60% of three-star hotels.**

Lower payroll costs can be accompanied by higher outsourcing or agency fees. All forms of labour expenditure, and their share of revenue, need to be assessed together to establish whether the total cost has fallen.

Assessment is concentrated on cost and staffing levels

Some **70% of survey respondents monitor labour cost as a share of revenue and 60% monitor staff-to-room ratios.** Revenue and profit per employee receive less attention. In the operating data, profit per employee fell slightly at three-star and five-star hotels in 2025 compared with 2024, despite reductions in staffing.

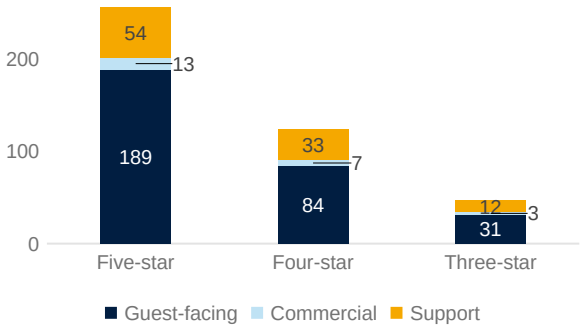
Employees also deliver service and generate revenue. Reducing important service or commercial roles can weaken the guest experience or F&B and banquet business, offsetting payroll savings. Productivity depends on allocating staff to activities that support service and earnings, reducing repetitive work and assessing revenue, profit and service results.

Source: HOHI Data Platform; 2026 survey

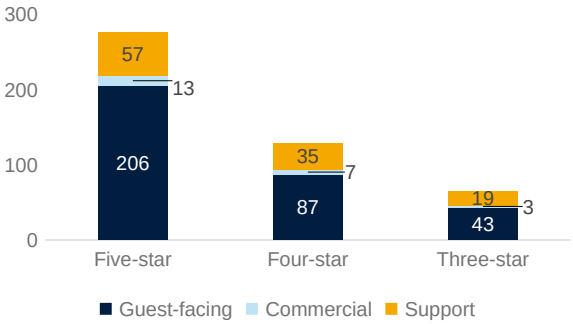
Labour productivity

Clear team responsibilities improve staffing efficiency

Average staff by star category and function, 2025



Average staff by star category and function, 2024



In 2025, average staffing in guest-facing and support functions fell from 2024 across the star categories shown. Commercial-team staffing was relatively stable. Hotels need to control staffing while retaining service and specialist capabilities. Clear responsibilities help determine which work belongs at property, regional or group level.

Guest-facing teams

Rooms and F&B account for the core of property staffing. Digital systems can reduce repetitive reporting and administration, leaving more time for guest service.

Commercial teams

Revenue management and marketing need distribution, channel and content capabilities. Regional or group teams can provide expertise that individual properties cannot maintain independently and reduce duplication.

Support teams

Human resources, finance and administration can improve efficiency through common processes and digital systems. Standardised tasks may also be suitable for shared-service centres.

Regional or group support can reduce staffing at individual hotels while transferring costs to a shared platform. The assessment therefore needs to include the central team, systems investment and ongoing service costs, together with responsiveness and hotel performance.

Case study

Hilton: shared services and flexible staffing

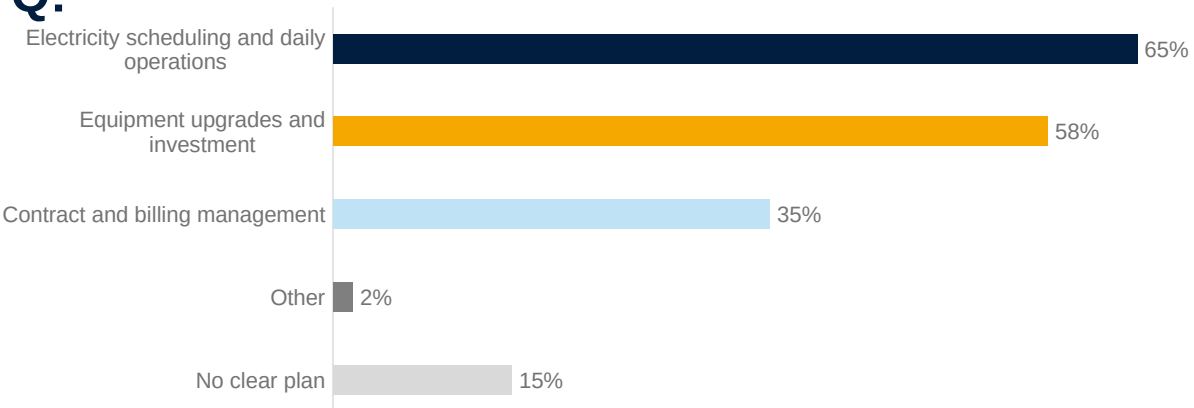
Hilton's finance shared services centralise general ledger, receivables and payables work, while hotels retain on-site roles such as finance leadership, cashiering and procurement. Common processes reduce duplication and recruitment and training requirements, with shared-service costs allocated to the hotels. Revenue management centres provide analysis, pricing and inventory support across several properties. A digital flexible-work programme matches hotel demand with available workers, supporting flexible schedules and rapid hourly payments for seasonal and temporary staffing needs.

Source: HOHI Data Platform; case materials

Energy efficiency

Energy management extends to equipment and procurement

Q: What measures will your hotels use to manage energy costs over the next year?



Multiple selections allowed; totals may exceed 100%.

Hotel energy expenditure depends on operating schedules, procurement prices, billing arrangements and equipment efficiency. Some **65% of respondents plan to manage costs through electricity scheduling and daily operations**, **58% through equipment upgrades**, and **35% through contract and billing management.**

Matching equipment schedules and the use of different areas to operating demand can reduce unnecessary consumption. Replacing inefficient plant can also improve energy efficiency.

Procurement provides further options. Hotels are considering peak and off-peak tariffs, market-based electricity purchasing, and changes to contracts and billing. These measures address the price paid for energy as well as the volume consumed.

Case study

China Green Development: electricity purchasing

China Green Development introduced market-based electricity purchasing at hotels including The Shanghai EDITION and JW Marriott Marquis Hotel Shanghai Pudong. Working with electricity retailers provides more flexible quotations and the option of monthly contracts.

Compared with State Grid's agency-purchasing tariffs, each of these two Shanghai hotels has saved an average of approximately **RMB30,000 per month** since implementation.



Source: 2026 survey; case materials

03 Transactions and Exits

Funding requirements and portfolio changes are bringing more hotels to market, but an intention to sell does not ensure a completed transaction. Buyers assess sustainable earnings, further capital needs and takeover risks against the seller's funding requirements and return expectations. **Operating performance, property condition, title and contracts affect both pricing and the choice of exit route.**

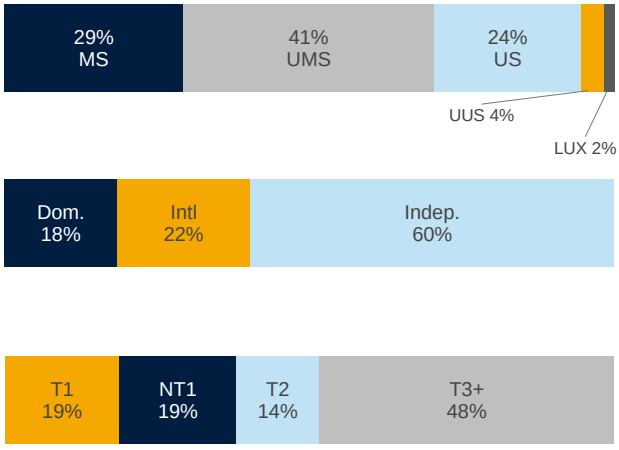
Judicial sales provide a route for some distressed assets, while mature hotels with stable cash flow are exploring REITs. The following analysis examines the tracked listings and disclosed transactions, buyer and seller expectations, judicial-auction risks and hotel REIT preparation. It considers how development and management during ownership affect disposal options and capital recovery.



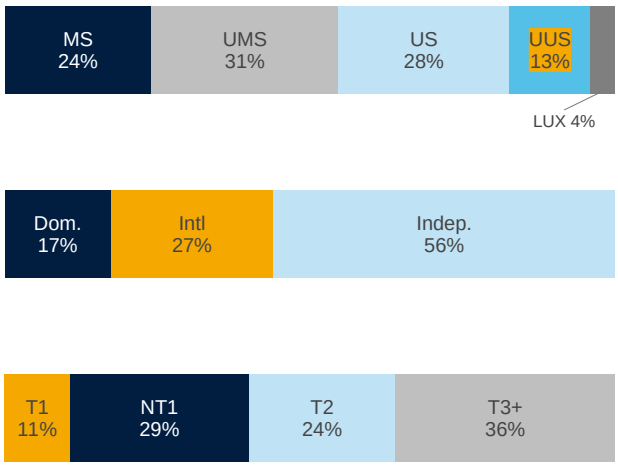
Transaction market

Hotel listings exceed disclosed sales

Tracked asset listings, Jan 2025–Sep 2026



Disclosed sales from the tracked listings, Jan 2025–Sep 2026



MS: midscale; UMS: upper midscale; US: upscale; UUS: upper upscale; LUX: luxury.
T1: Tier 1; NT1: new Tier 1; T2: Tier 2; T3+: Tier 3 and below.
Dom.: domestic brands; Intl: international brands; Indep.: independent.

Source: Publicly traceable disclosures, Jan 2025–Sep 2026 (incomplete sample)

Listings: mainly midscale and upper-midscale

The tracked sample contains **424 accommodation asset listings across 174 cities** from January 2025 to September 2026, including judicial auctions. It is an incomplete sample of publicly available information.

Around 70% of listings are midscale or upper-midscale hotels, and 60% are independent properties. Tier 3 and lower cities account for 48%. Tier 1 cities account for 19%, mainly in Shanghai. More than a third of assets are closed or under construction, with some projects stalled or unfinished. Reopening or additional construction can add materially to the buyer's capital requirements.

Disclosed sales have a different mix

By the cutoff, **75 of the 424 listings had disclosed sales, a rate of approximately 18%.** Most were operating hotels. Compared with the listings, the sold assets have higher shares of upscale and higher hotels, New Tier 1 and Tier 2 locations, and international brands.

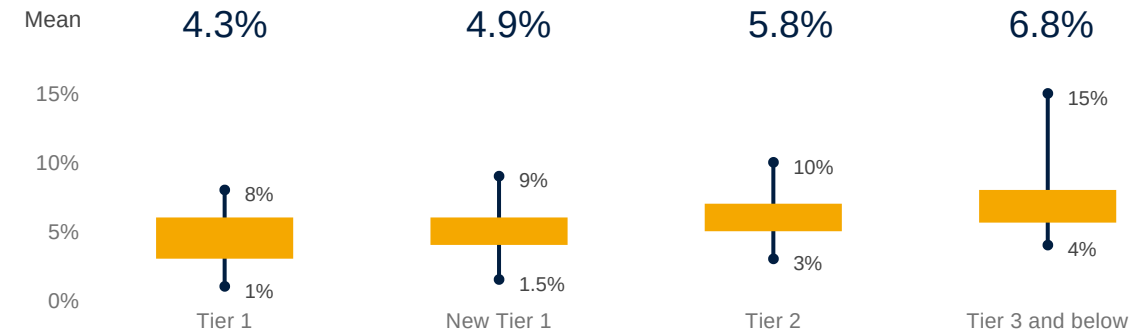
Disclosed sales as a share of listings within each category were **43% for luxury and 63% for upper-upscale hotels**, **27% in New Tier 1 cities and 31% in Tier 2 cities. The rate for internationally branded hotels was 22%**, slightly above independent and domestic-branded properties.

These patterns describe the tracked sample. Demand, product condition and brand distribution and membership support help explain buyers' preference for particular assets.

Asset price expectations

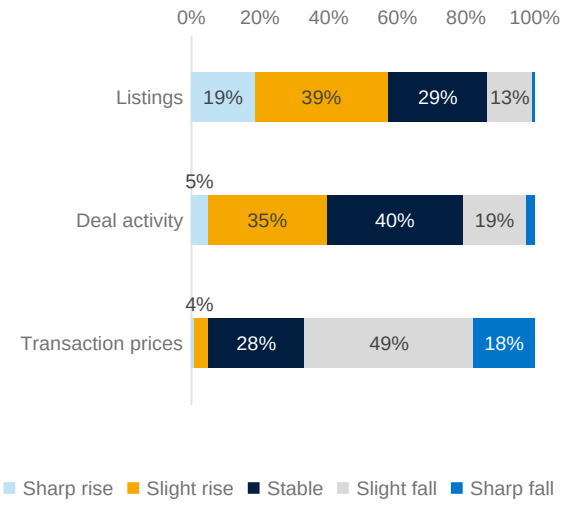
Price expectations weaken while cap rates vary by city

Q: What hotel capitalisation rates do you expect by city tier in 2026–2027?



Amber bars: 25th–75th percentiles. End markers: minimum/maximum. Means shown above.

Q: How do you expect China's hotel transaction market to change in 2026–2027?



Some **67% of respondents expect hotel transaction prices to fall in 2026–2027.** Most expect listings and activity to be stable or higher.

Mean expected capitalisation rates are **4.3%, 4.9%, 5.8% and 6.8%** for Tier 1, New Tier 1, Tier 2 and Tier 3 and lower cities, respectively. These are survey expectations, not observed transaction yields.

Lower asset prices can coexist with lower capitalisation rates if expected operating earnings fall faster than prices. This provides one way to interpret the relationship between income assumptions and acquisition pricing.

Alternative exit routes can also affect negotiations. Owners of hotels suitable for a REIT can compare the expected proceeds with an outright sale. A more attractive REIT option may require a prospective buyer to raise its bid. For a given income stream, a higher price implies a lower capitalisation rate.

Buyers weigh operating returns, their own use of the property and potential business synergies differently. Among disclosed sales with buyer information, including auctions, domestic private companies accounted for 55% and local state-owned enterprises for 32%. Private buyers came from several industries, notably retail, energy and automotive. Financial institutions and foreign companies were less represented.

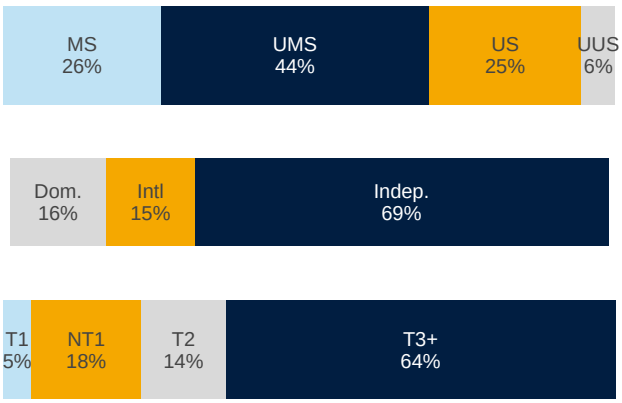
Buyer backgrounds and objectives remain varied. The sample does not establish one dominant pricing rationale or a sustained direction for capitalisation rates.

Source: Horwath HTL / HOHI survey and disclosed transactions

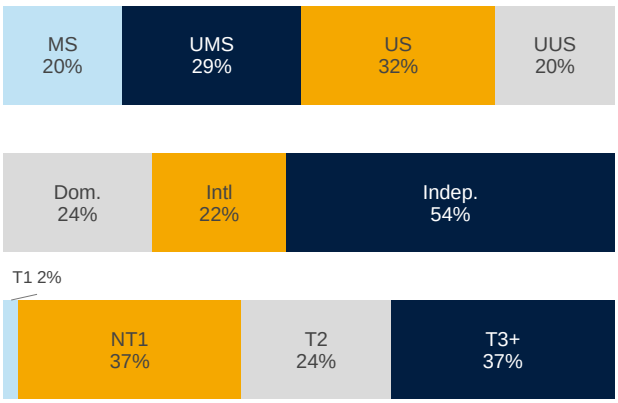
Judicial auctions

Judicial auctions are a significant hotel sales channel

Judicial-auction listings, Jan 2025–Sep 2026



Disclosed judicial-auction sales, Jan 2025–Sep 2026



MS: midscale; UMS: upper midscale; US: upscale; UUS: upper upscale; LUX: luxury. T1: Tier 1; NT1: new Tier 1; T2: Tier 2; T3+: Tier 3 and below. Dom.: domestic brands; Intl: international brands; Indep.: independent.

Judicial auctions account for **217 of the 424 tracked asset listings, or 51%**, and **41 of the 75 disclosed sales, or 55%. The disclosed sale rate for auction listings is approximately 19%.** These figures refer to the January 2025 to September 2026 tracking period.

Upper-midscale hotels represent 44% of auction listings. Independent properties account for 69%, and Tier 3 and lower cities for 64%. Debt resolution is an important source of supply: hotels may enter auction because of liabilities of the owner or related companies. The listings include operating hotels, closed properties and unfinished projects.

Compared with auction listings, disclosed auction sales have higher shares of upscale and higher hotels, New Tier 1 and Tier 2 locations, and branded properties. The selected 2026 transactions also combine established locations and brands with an operating business. The purchase price needs to be considered together with the property's condition and further investment requirements.

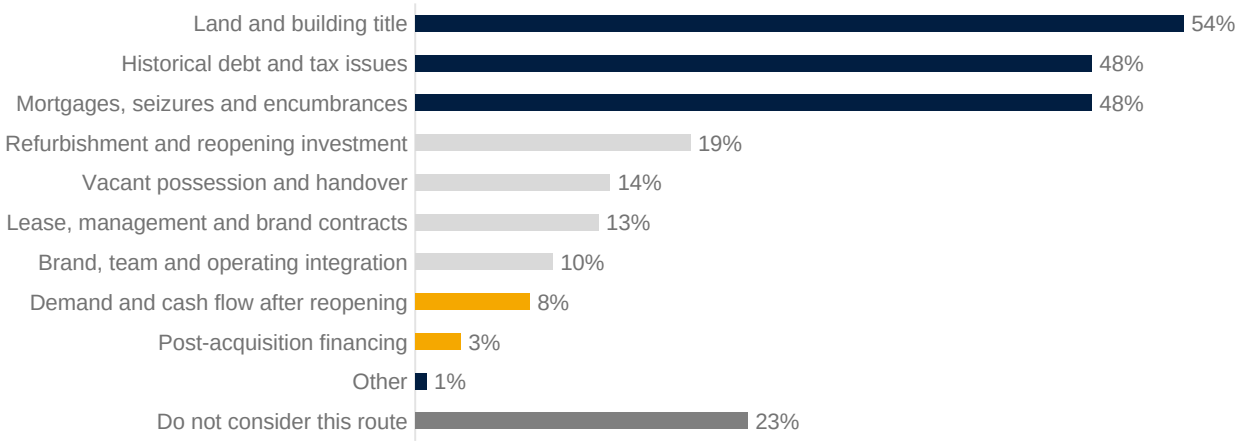
Asset	Date (2026)	Location	Positioning	Rooms	Price (RMB million)	Price / room (RMB million)	Buyer
Shenzhen Marriott Hotel Golden Bay	28 May	Dapeng, Shenzhen Coastal resort	Upscale Resort	325	553	1.70	Wanyu Hotel Management (Cinda co-investment)
Westin Wuhan (R&F)	2 Apr	Jiang'an, Wuhan Riverfront business	Upscale Riverfront	305	376	1.23	Jiangdong Xiandai M&E Market, Ningbo
Le Méridien Qingdao (R&F)	7 May	Qingdao CBD Business district	Upscale Business	341	276	0.81	Rong'ai Medical Investment Management

Source: Publicly traceable disclosures, Jan 2025–Sep 2026 (incomplete sample)

Judicial auctions

Auction due diligence covers title, handover and operations

Q: Which risks concern you most when buying hotels through judicial auction or insolvency restructuring?



Multiple selections allowed; totals may exceed 100%.

Around half of respondents identify title, historical debt and taxes, and mortgages or other encumbrances as concerns. Financing and the recovery of operations are less frequently prioritised. Attention is concentrated on ownership and historical obligations.

Due diligence needs to cover title, land use and remaining tenure, handover conditions, mortgages, court attachments, unauthorised construction and outstanding debt or taxes. Takeover plans also need to address leases, brand and management agreements, staff, finance, systems and operating records. Closed or unfinished hotels may require construction, equipment repairs, licences and a new team before reopening.

The bidding budget should include the purchase price, buyer's taxes, vacant-possession costs, refurbishment, working capital and financing. Expected returns depend on these costs and the takeover timetable. **The assessment therefore needs to establish the full capital requirement and the conditions for restoring operations.**

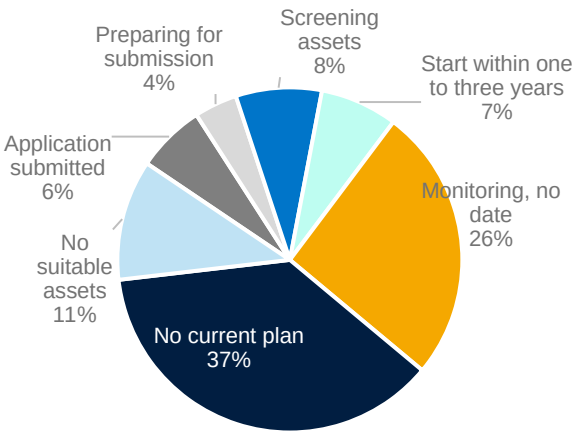


Source: 2026 Horwath HTL / HOHI survey

Hotel REITs

Reliable cash flow is central to hotel REIT suitability

Q: Has your company begun preparing hotel assets for REITs?



Hotels with established operations are exploring publicly offered REITs as a route to release capital, alongside the judicial sale of distressed assets.

In the survey, **10% have submitted or are preparing an application**, 8% are screening assets, and 7% plan to start within one to three years. A further 26% are monitoring the opportunity without a timetable, 37% have no plan, and 11% have no suitable assets. Most respondents have yet to define near-term implementation plans.

The projects covered include multi-city hotel portfolios, urban business hotels focused on rooms, and large integrated resorts.

Suitability depends on continuity of operations and the reliability of future distributable income. These issues also feature in exchange review questions, including those addressed to the Huatai H World Anzhu REIT.

Review background	Issue raised
Recent ADR declines, but growth assumed in the forecast	Explain the basis and reasonableness of forecast room-rate growth.
Core trademark rights expire before the fund's term	Disclose arrangements for renewal of core trademark rights.
Other H World hotels in the same area compete with the portfolio	Establish safeguards against competition and conflicts of interest.

An established customer base, brand and operating support, and sustainable earnings provide a stronger basis for REIT inclusion. Subject to clear title and compliance, the asset needs to generate continuing distributable cash flow **after operating costs and necessary renewal expenditure.**

Selected hotel REIT appraisals and forecast distribution yields

REIT	Underlying assets	Appraised value (RMB million)	2026 forecast distribution yield
HuaAn Jinjiang Commercial	21 Metropolo hotels in 18 cities	1,684	4.15%
Huatai H World Anzhu	3 hotels in Shanghai and Guangzhou: Mercure, JI and Crystal Orange	1,494	5.89%
CICC Kaiyuan Tourism	3 New Century Grand hotels in Hangzhou, Wenzhou and Shengzhou	1,613	4.68%
Guolian An Fosun	An integrated Sanya resort, including hotels and a water park	13,928	4.12%

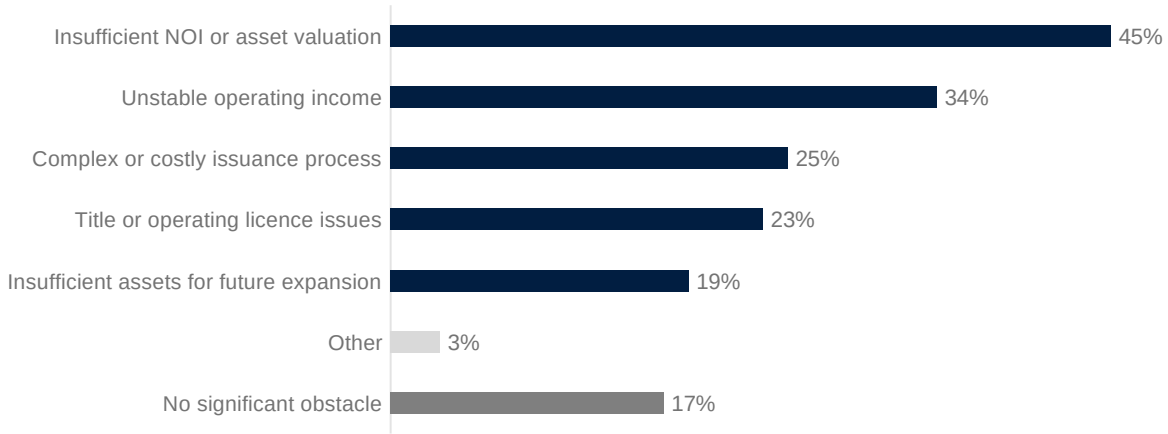
Notes: Huatai H World Anzhu annualises its April–December 2026 forecast. CICC Kaiyuan's 4.68% is from its initial filing. Its RMB1,613 million appraisal is from a revised filing, with no updated yield at the report cutoff. Forecasts are not realised returns.

Source: 2026 survey; REIT filings at the source report cutoff

Hotel REITs

REIT preparation starts with ongoing asset management

Q: What are the main barriers to including hotel assets in a REIT?



Base: valid responses, excluding institutions with no issuance plan or no suitable assets. Multiple responses permitted. Totals may exceed 100%.

Among valid respondents to this question, excluding institutions with no REIT issuance plan or no suitable assets, **45% identify insufficient net operating income or asset valuation as a barrier**, and **34% identify unstable earnings.** Issuance complexity and costs, title and operating licences also affect progress. Earnings and their ability to support valuation and continuing distributions are central to preparation as well as regulatory review.

Preparation can form part of routine operations and asset management.

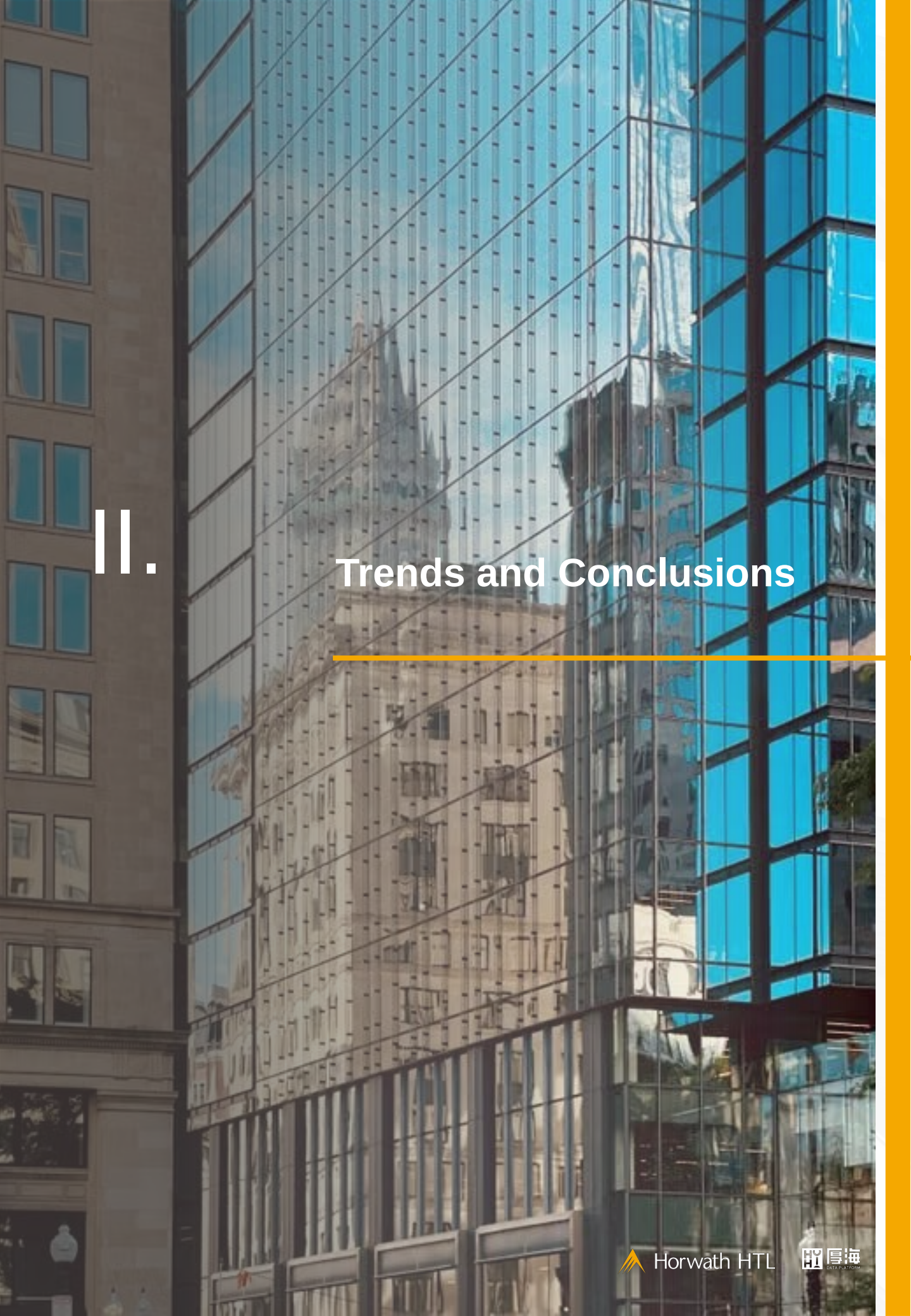
Complete, verifiable records are essential. Revenue, cost and cash-flow definitions should be consistent with the Uniform System of Accounts for the Lodging Industry, with complete operating and financial histories retained for review.

Customer mix, pricing and costs need to be assessed against market demand. Where ageing products or weak trading affect profitability, necessary refurbishment and operating changes can improve earnings and their stability.

Management and franchise agreements need to be reviewed for their term, renewal and termination conditions. Owners should establish the arrangements for renewal, rebranding or independent operation when contracts expire.

Early checks on title, land use, operating licences, tax and financial matters allow owners to identify remedial work and set a timetable for completion.

Source: 2026 Horwath HTL / HOHI survey



II.

Trends and Conclusions

Horwath HTL

Key conclusions

Priorities for investors, owners and asset managers, based on the survey and industry data.

01

Asset management scope and strategy

Owners are placing greater weight on operating income and the value of assets during ownership. Operating improvement and repositioning are the main strategic priorities, extending asset management into investment, reinvestment and exit decisions. Capabilities remain more established in operations than in capital-related activities. The need for professionals who can coordinate operating performance and capital decisions is likely to grow.

02

Development and asset repositioning

More investment opportunities are expected to come from improving existing assets. Refurbishment, changes in brand or operating model, and adaptive reuse provide different routes to renewal. Demand, product design and operating capability need to be assessed together. This combination can support more sustainable returns as investment moves from expansion towards the performance of the existing stock.

03

Asset management and operations

Asset management is extending from cost oversight to space use and long-term returns. Responsibilities need to remain clear: excessive owner intervention in daily operations can create duplication and friction. Budgets should set the asset's operating objectives, with space, labour and energy measures used to assess progress. Asset managers and operators need to work together within their respective mandates.

04

Transactions and exits

Judicial sales of distressed assets and the securitisation of established hotels provide different routes for investment and capital recovery. Clear title, compliance, operating quality and sustainable earnings affect an asset's suitability and value. Closer coordination between investment, operations and exit planning can improve capital recycling and support a longer-term approach to ownership.

HOHI Data Platform

HOHI is Horwath HTL China's information and analytics platform for hospitality and tourism. It provides hotel and brand information, digital tools and market intelligence for investors, operators and related businesses.

Launched in 2022, the platform covers mainland China's prefecture- and county-level cities. It supports searches across nearly 100,000 hotels and approximately 800 domestic and international hotel and tourism brands. Its data and analysis support market assessment, site selection, brand selection, operating benchmarking and asset management.

HOHI WeChat mini-program

www.hohidata.com
Best viewed on a desktop

Cities covered	Hotels covered	Brands covered	Hotel groups
300+	90,000+	800+	200+

Hospitality data

- Markets
- Locations
- Hotels
- Brands

Digital tools

- Investment tools
- Operating assessment
- HOHI AI

Custom reports

- Investment research
- Brand selection
- Operating assessment
- Budget review

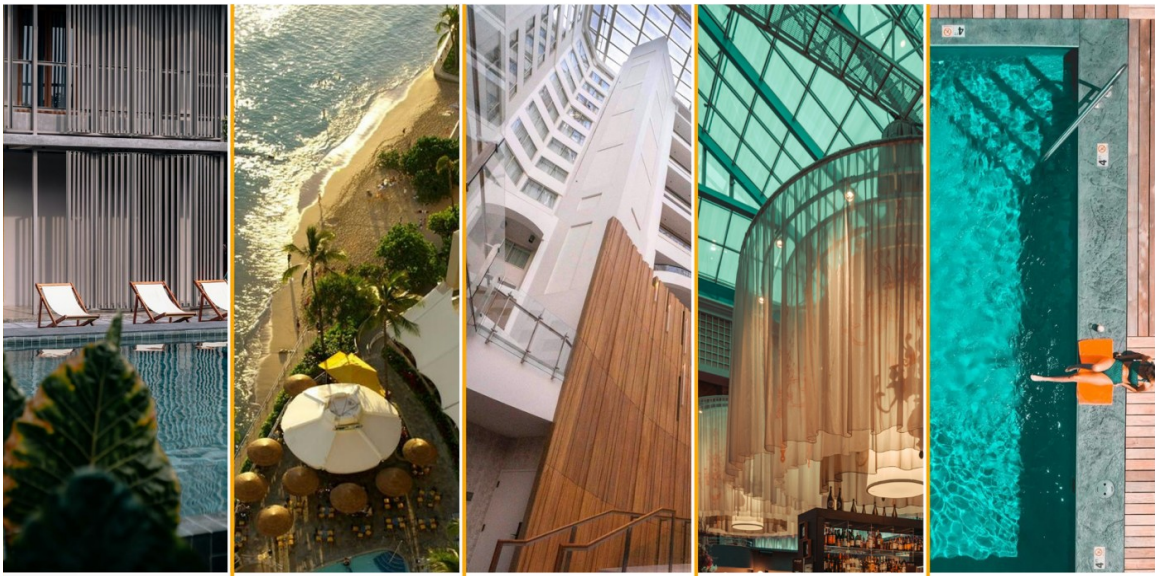
HOHI annual research reports



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Investment & development | **Destination advisory** | **Asset management** | **Corporate strategy** | **Brand marketing**

Assignments completed

2,300+

Across 280+ cities and destinations in 34 provincial-level regions



24

consecutive years of the China Hotel Industry Study

Published annually with the China Tourist Hotel Association since 2003, the China Hotel Industry Study provides operating benchmarks from more than 1,700 hotels in the three-star category and above, across nearly 200 cities.

Nearly 1,000 data points cover markets, finance, labour and F&B to support investment and asset management decisions.

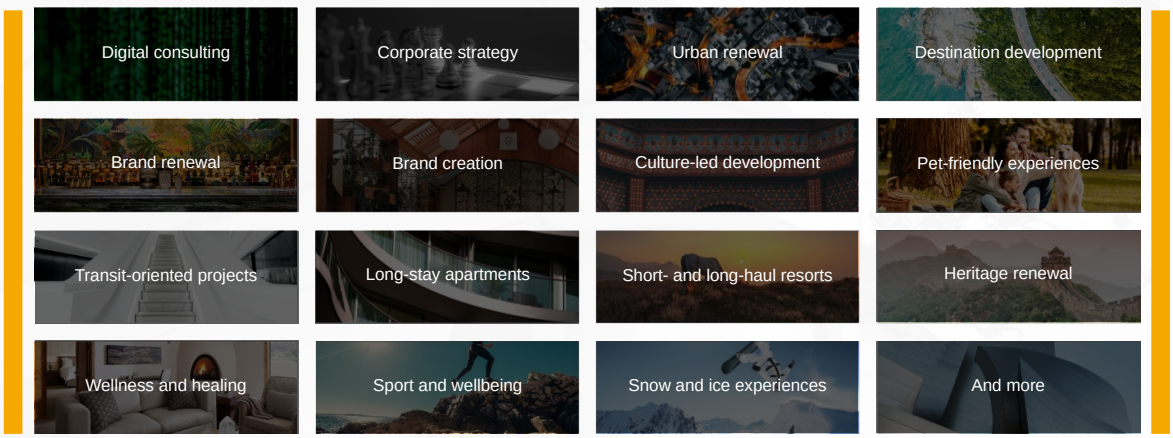
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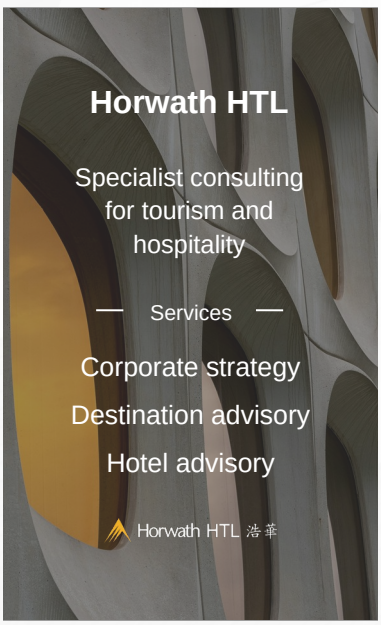
Horwath's consulting history spans more than a century and includes a founding contribution to the Uniform System of Accounts for the hotel industry. Its first mainland China office opened in Beijing in 2002. Since 2003, the China Hotel Industry Study, produced with the China Tourist Hotel Association, has provided annual operating benchmarks.

The China team developed space-productivity analysis and the MSI market sentiment and MVI market value indices. The HOHI Data Platform launched in 2022 to provide industry data, analytical tools and digital services. Over more than two decades, the team has completed **over 2,300 consulting assignments in more than 280 cities and destinations.** Horwath HTL, HOHI and CHAT provide consulting, data and brand services for corporate development, destinations and accommodation, from strategy to implementation.

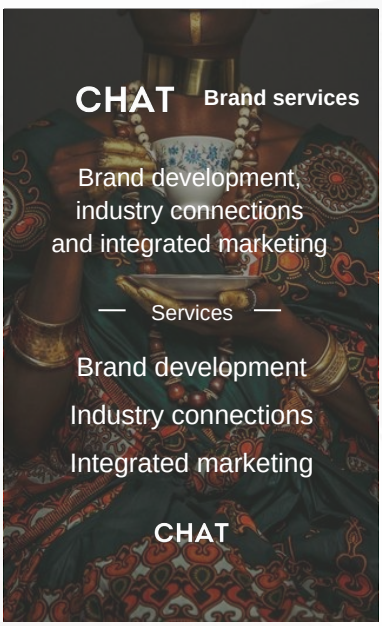
Professional solutions across the asset life cycle



Three complementary business brands







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The information, data and opinions are provided for reference. Sources include the HOHI Data Platform, interviews, questionnaires, and publicly available transaction and REIT materials. Although considered reliable, individual items have not been independently verified. Horwath HTL does not guarantee their accuracy or completeness and accepts no liability for loss arising from use of this report.

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