

Hong Kong Hotel Report



September 2026

This report analyses the performance of Hong Kong's Hotel Market

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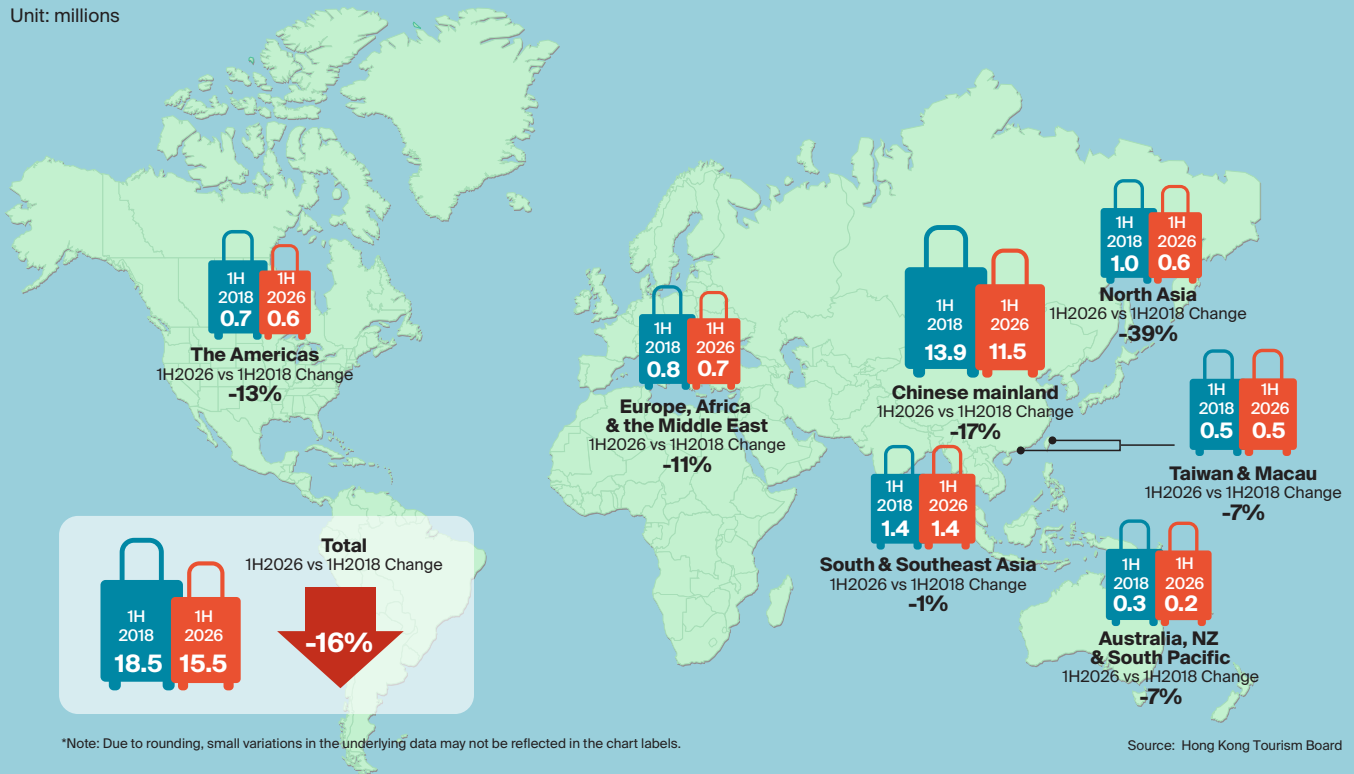
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01 Hospitality Market Overview

Chart 1 : Overnight Visitors to Hong Kong by Region (1H 2026 vs 1H2018)

Unit: millions



2026 marks the third year since the full reopening of borders following the pandemic. While tourism recovery remains on a positive trajectory, tourist spending patterns are undergoing structural changes, reshaping the tourism and hotel sector.

Total overnight visitor arrivals are on a gradual recovery path and remain approximately 17% below pre-pandemic levels, with first-half 2026 arrivals still trailing 2018 figures. Recovery continues to vary across source markets. Long-haul markets have shown gradual improvement, while short-haul markets have exhibited significant divergence. Overnight

arrivals from Japan and Korea remained around 39% below 2018 levels, whereas arrivals from Southeast Asian markets have nearly returned to their pre-pandemic peaks.

Despite the continued recovery in overall visitor arrivals, hotel expenditure from business visitors has remained subdued relative to other visitor segments. The significant decline in business travel volumes, coupled with lower per capita spending among business visitors, has tempered the pace of recovery in both the hotel and broader tourism sectors.

Chart 2 : Overall Visitor Hotel Bills per Capita

■ Hotel Bill per Capita (2025) ● Change in Hotel Bill per Capita (2025 vs 2018)

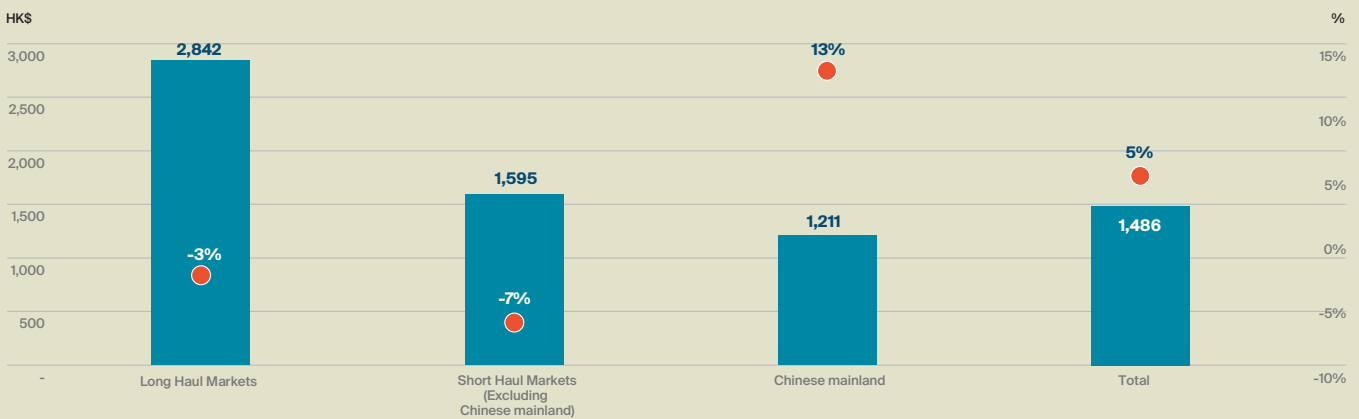
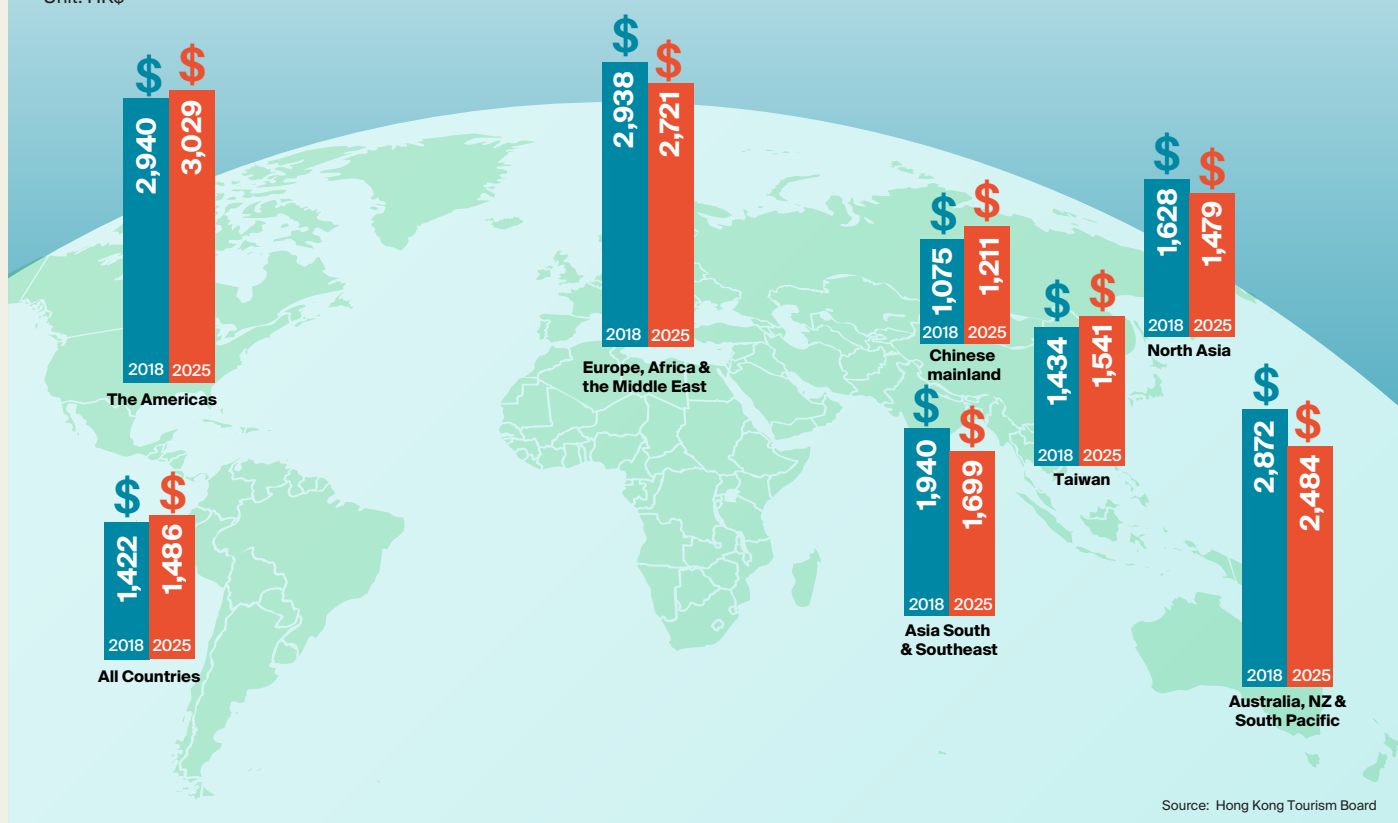


Chart 3 : Overall Visitor Hotel Bills per Capita (by Region)

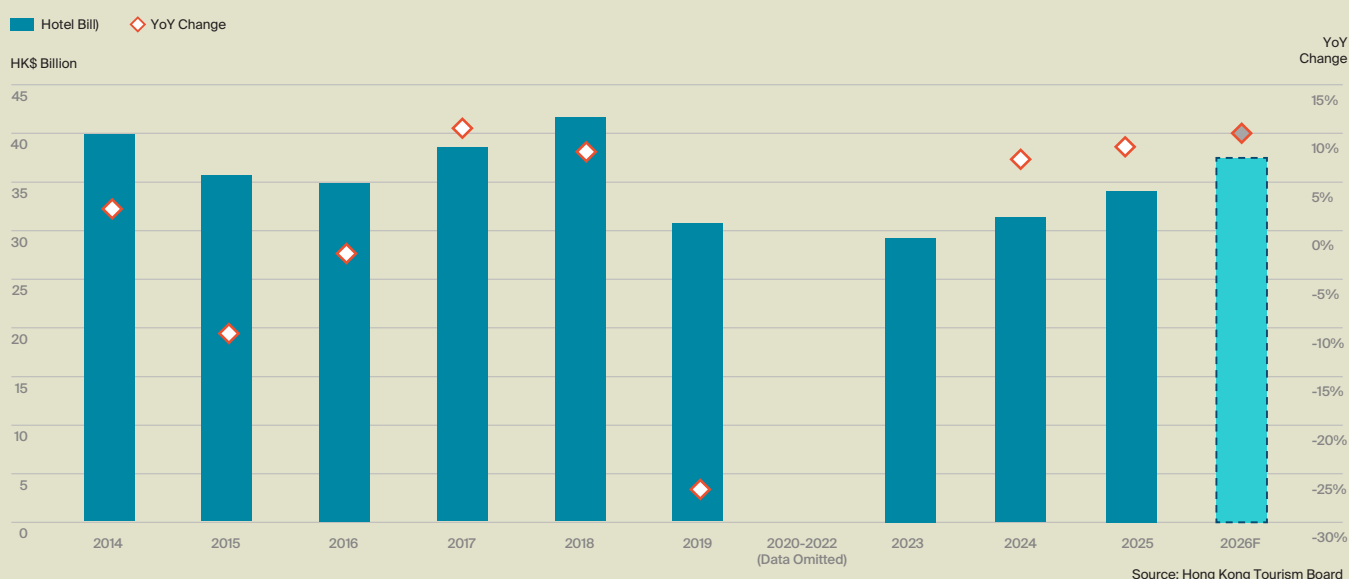
Unit: HK\$



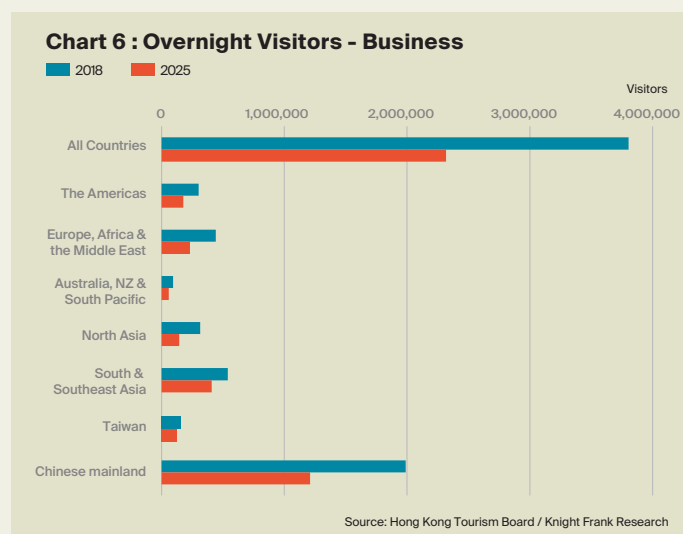
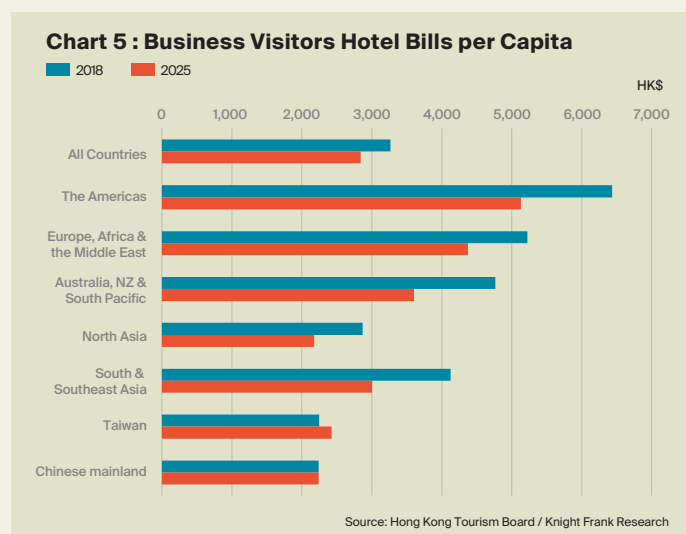
In addition, hotel spending per capita by overnight visitors across most source markets declined in 2025 relative to 2018 levels, with only a few markets recording growth. Chinese mainland visitors were a notable exception, with hotel spending per capita increasing by 13% relative to 2018. Given their dominant share of total overnight arrivals, accounting for approximately 65% of overnight visitors, this contributed to an overall increase of around 5% in average hotel expenditure per capita.

Despite weaker per capita spending across most markets, aggregate hotel expenditure continued to expand, supported by rising visitor volumes and the growing contribution from Chinese mainland travellers. Drawing on first-half 2026 overnight visitor arrivals and historical growth patterns in hotel expenditure per capita across visitor segments, total hotel expenditure is forecast to increase by 5% to 10% YoY in 2026, reaching HK\$36.3 billion to HK\$37.5 billion. This would be equivalent to approximately 90% of the peak level achieved in 2018.

Chart 4 : Overnight Visitors Spending Category - Hotel Bill



02 Tourism Demand & Spending Patterns



A key constraint on the recovery has been the decline in business travel demand and the associated reduction in hotel expenditure. Although business visitors accounted for only 10% to 13% of total overnight visitors, a nearly 40% decline in arrivals, coupled with lower spending per capita, resulted in hotel revenue generated from business visitors falling by 47% in 2025 compared with 2018. Furthermore, business visitor arrivals to Hong Kong totalled 1.14 million in the first half of 2026, representing a 43% decline from the corresponding period in 2018, leaving room for further recovery as corporate travel normalises.

While per capita hotel expenditure among Chinese mainland business visitors has remained broadly stable, the substantial reduction in arrivals has led to almost a halving of total hotel revenue generated by this segment. In contrast, total hotel expenditure by leisure and transit visitors recovered to approximately 96% of 2018 levels. This divergence underscores the resilience of leisure demand while highlighting the significant recovery potential that remains within the business travel segment.

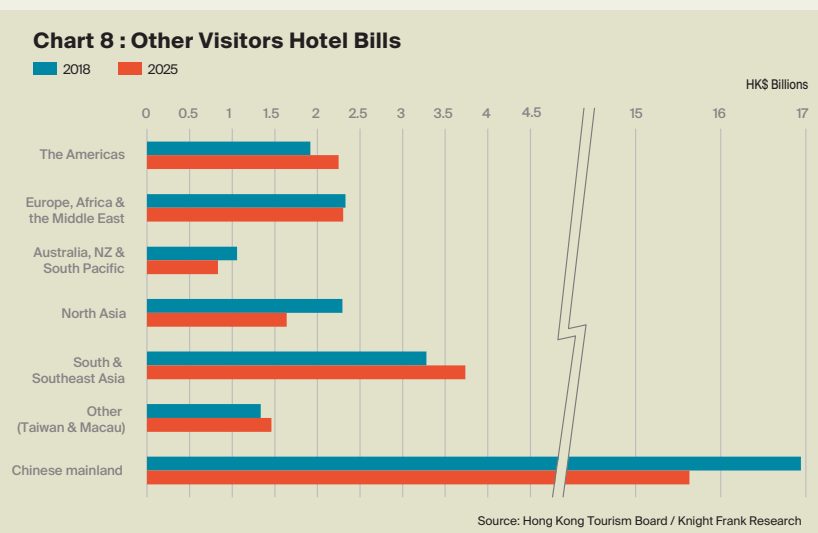
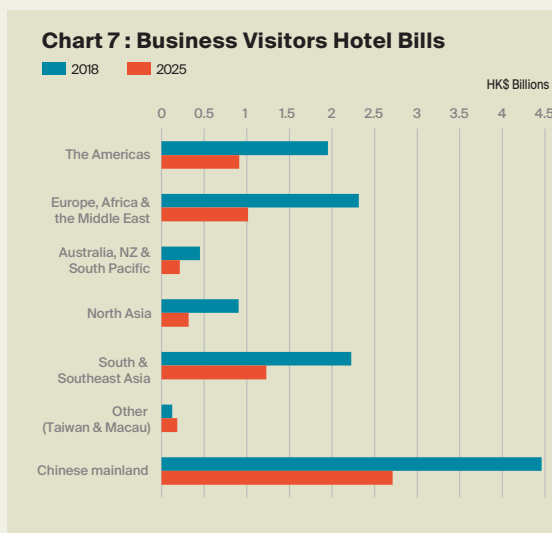


Table 1: Visitor Hotel Spending Patterns by Purpose of Visit

All Countries	2018	2025	2025 vs 2018
Business Visitors Hotel Bills per Capita	HK\$ 3,268	HK\$ 2,839	-13%
Overnight Visitors - Business	3,800,000	2,320,000	-39%
Business Visitors Hotel Bills (HK\$ Billion)	HK\$ 12.4	HK\$ 6.6	-47%
Other Visitors Hotel Bills (HK\$ Billion)	HK\$ 29.2	HK\$ 27.9	-4%
Total Visitors Hotel Bills (HK\$ Billion)	HK\$ 41.6	*HK\$ 34.1	-18%

*Due to round-up, the sum may not add up to the total

Source: Hong Kong Tourism Board

03 Hotel Stock & Performance Overview

Table 2 : 1H 2026 Hotel Supply

	*High Tariff A Hotels (5-stars)	*High Tariff B Hotels (4-stars)	*Medium Tariff Hotels (3-stars or below)
No. of Hotels	42	~210	
No. of Rooms	21,970	~57,000	

*The number of hotels and rooms were calculated from the latest publication available by HKTB, the actual number is subject to the categorisation by HKTB

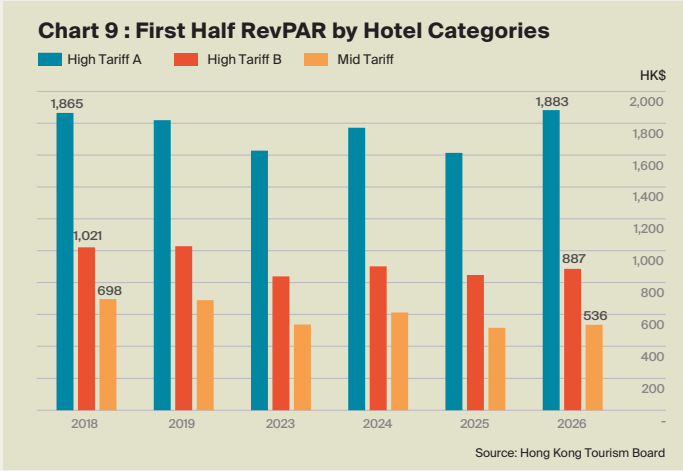
Source: Hong Kong Tourism Board

As of 1H 2026, six additional High Tariff-A hotels have been completed since 2018, contributing approximately 3,100 new rooms. However, the overall bed stock across High Tariff B and Medium Tariff hotels has remained relatively stable, largely due to the growing prevalence of alternative uses operating under hotel licences, including co-living spaces, serviced apartments and student accommodation.

Performance across hotel categories continued to diverge in the first half of 2026. High Tariff A hotels outperformed all other segments, achieving a record RevPAR of HK\$1,883, 1% above the 2018 level. By contrast, RevPAR for High Tariff B hotels remained approximately 13% below 2018 at HK\$887, while Medium Tariff hotels lagged further behind at HK\$536, representing a decline of 23%. These differences largely reflect disparities in product quality, asset age, branding strength, and the breadth of facilities and services offered.

We expect continued growth in visitor arrivals to support higher occupancy levels in one to three years. Combined with their superior rate-setting ability, High Tariff A hotels are well-positioned to outperform High Tariff B and Medium Tariff hotels in one to three years.

A comparison of average hotel performance between 2016-1H2018 and 2024-1H2026 indicates that RevPAR across all three hotel categories remained below pre-pandemic levels. Among the segments, High Tariff A hotels demonstrated the strongest resilience, recording the smallest decline in RevPAR despite a moderation in occupancy. This was largely



attributable to an increase in average achievable rates, reflecting the segment’s stronger pricing power and ability to capture higher-value demand.

In contrast, Medium Tariff hotels suggested a recovery in volume demand, demonstrated by a higher average occupancy than the pre-pandemic benchmark. However, the improvement in occupancy was insufficient to offset the decline in achievable rates, resulting in the largest RevPAR reduction among the three categories, at approximately 9% on average over the 2.5-year period. High Tariff B hotels also experienced a decline in RevPAR, reflecting weaker pricing performance relative to High Tariff A properties.

Table 3 : Average Hotel Performance by Category (2016-1H2018 → 2024-1H2026)

 Category	 Occupancy (%)		 ADR (HK\$)		 RevPAR Change
	2016-1H2018	2024-1H2026	2016-1H2018	2024-1H2026	
High Tariff A	85.8	79.5	2,114	2,227	-2%
High Tariff B	89.7	87.5	1,066	1,029	-6%
Medium Tariff	89.5	90.1	710	645	-9%

Note: High Tariff A, High Tariff B and Medium Tariff hotels broadly correspond to 5-star, 4-star and 3-star or below hotels, respectively. For detailed classification, please refer to the Hong Kong Tourism Board (HKTB) hotel classification system.

Source: Hong Kong Tourism Board

04 Hotel Assets Composition

Alongside the recovery of tourism, alternative living sectors have gained increasing traction. Demand from non-local students, expatriates, and migrant families has risen significantly, driving structural demand for accommodation options. Consequently, rising accommodation demand has fuelled the growth of alternative living formats, including co-living spaces, serviced apartments and student accommodation, many of which operate under hotel licences in Hong Kong.

In parallel, the rapid growth of young professionals and non-local students in Hong Kong over the past four years has increased interest in the conversion of selected hotel assets into co-living and student accommodation. High Tariff B and Medium Tariff hotels, particularly those characterised by smaller room sizes, lower room counts, and adequate communal facilities, are generally considered well-suited for such repositioning strategies. Given the seasonal nature of hotel demand and the sector’s relatively high operating costs, profitability, particularly within the Medium Tariff segment, has remained under pressure. Consequently, assets acquired at attractive entry prices are increasingly being repositioned into alternative living formats to enhance income stability, operational efficiency, and long-term capital values.

Following the elevated level of transaction activity recorded in the first half of 2026, the stock of available hotel assets has become increasingly limited. Hotels offering passing

yields of 4.5% or above, or possessing conversion potential to alternative uses, remain particularly attractive to investors. As opportunities become increasingly scarce, competition for the remaining investable assets is expected to remain elevated, particularly among investors seeking value-add and alternative-use strategies.

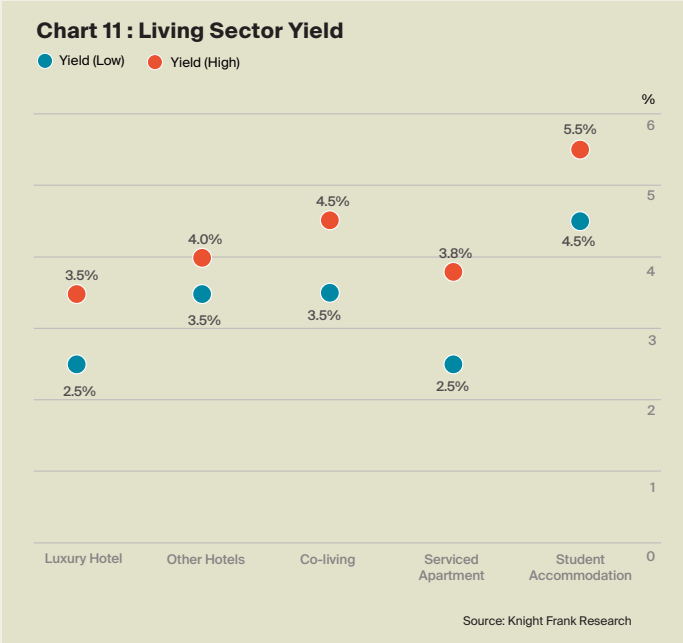


Table 4: Assets under Hotel License Use

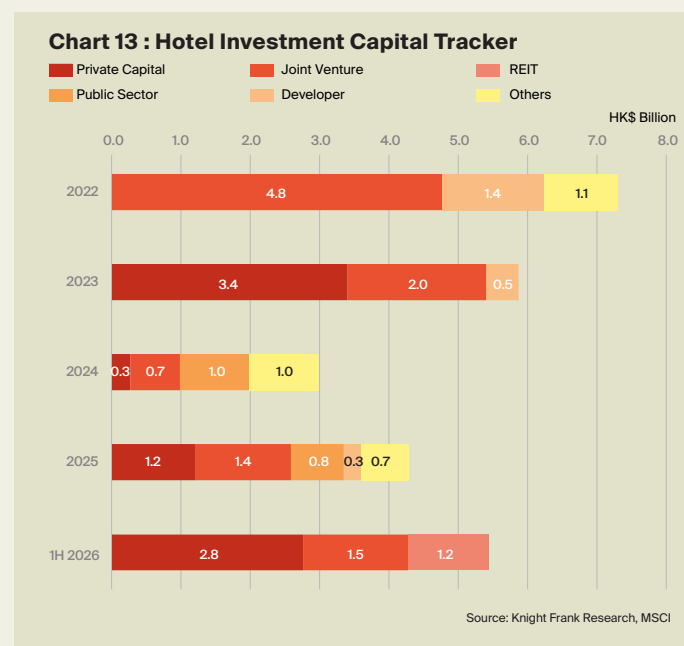
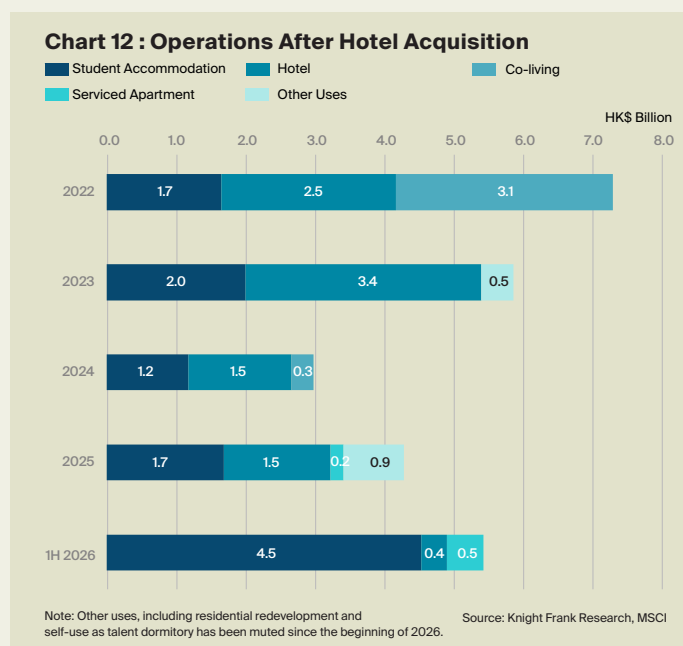
	 Hotel	 Co-living	 Serviced Apartment	 Student Accommodation
*No. of Assets	~252	~15	~50	~15
Common Leasing Terms	Days; Months	Days; Months; Year^	Days; Months; Year^	Days; Months; Year^
Average Room Size (sq ft)	200~400+	80~200+	200~600+	150~250+
Target Customer	Leisure and business travelers	Young professionals, students	Business travellers, expatriates, students, family	Exclusively for students
Common Operating Structure	▶ Management Agreement ▶ Owner-operator	▶ Operating JV ▶ Management Agreement	▶ Management Agreement ▶ Owner-operator	▶ Management Agreement ▶ Owner-operator
Operation Cost				

* The number of hotels and rooms were calculated from the latest publication available by HKTB, the actual number is subject to the categorisation by HKTB

^ Approximately one year

Source: Hong Kong Tourism Board

06 Hotel Investment Activity & Landscape



The hotel-to-student accommodation conversion trend has accelerated since 2022, following the successful implementation of Hong Kong's first such project, Y83 in Hung Hom, advised by Knight Frank. While investment activity was initially centred on traditional hotel acquisitions, the strong performance of converted assets has subsequently attracted a broader investor audience. Student accommodation has emerged as one of the most active alternative-use strategies within the hospitality sector, with recent transactions, including Silka Seaview Hotel, indicating that student housing conversion has become a primary acquisition driver for many hotel investments completed in 2026. The repositioning of hotel assets into student housing has broadened the investment proposition for the sector, attracting a wider range of capital sources and supporting Hong Kong's development as a more established international education hub.

The evolution of capital participation further reflects the sector's growing maturity. Initial investments in 2022-2023 were predominantly led by private investors and institutional capital. As the market gained traction, participation broadened in 2024-2025 to include public sector and REITs. By 2026, joint-venture structures had become increasingly prevalent, reflecting both higher competition for suitable assets and growing confidence in the scalability and operational viability of student accommodations.

One of the sector's leading operators, Centaline Investment, secured its third hotel-to-student accommodation conversion project within a three-year period through the acquisition of Regal Oriental Hotel in April 2026. Upon completion, the property is expected to provide more than 1,500 student beds, making it the largest hotel-to-student accommodation conversion project undertaken in Hong Kong to date.

Table 6 : Recent Hotel Transaction Deals

Transaction Date	Property	Operation after Acquisition	Consideration (HK\$ million)	Buyer
Jun-26	Silka Seaview Hotel	Student Accommodation	750	Private Capital
Jun-26	Soravit on Granvills	Hotel	370	Private Capital
Jun-26	South Nest	Student Accommodation	950	REIT
Apr-26	Regal Oriental Hotel	Student Accommodation	1,518	Joint Venture
Apr-26	Shama Hollywood Hong Kong	Serviced Apartment	204	Private Capital
Mar-26	Ovolo Southside	Student Accommodation	500	Private Capital
Feb-26	60 West	Student Accommodation	431	Private Capital
Jan-26	Habyt Austin Avenue	Student Accommodation	205	REIT
Jan-26	M1 Hotel North Point	Student Accommodation	183	Private Capital
Jan-26	The Mercury	Serviced Apartment	320	Private Capital

Source: Knight Frank Research, MSCI, Market News

07 Hotel Development Pipeline

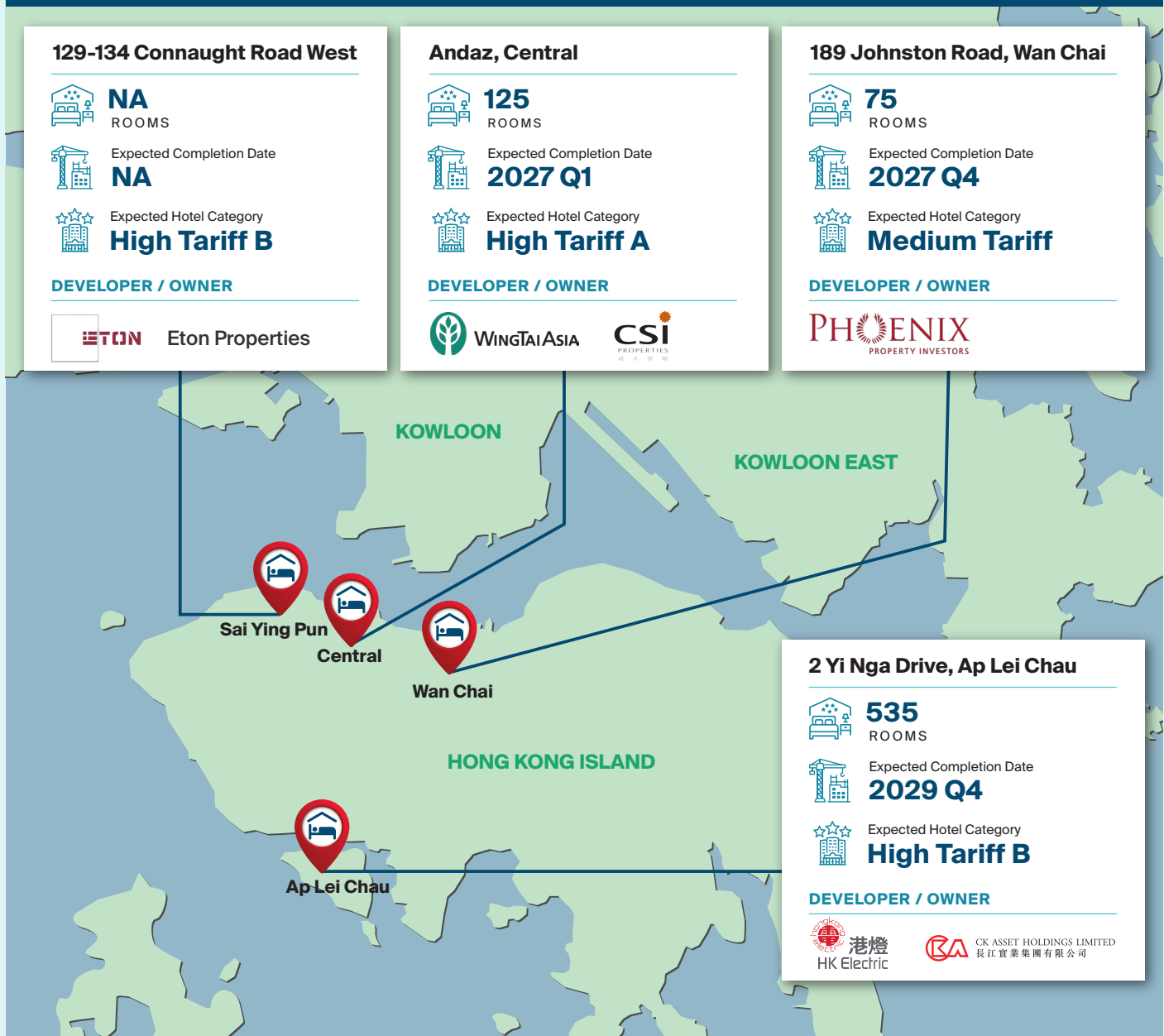
The hotel development pipeline in Hong Kong has remained subdued in recent years, reflecting a significant decline in hotel planning applications and redevelopment activity following the pandemic. New hotel supply has consequently slowed, with only a limited number of projects progressing through the development cycle.

Among the notable projects in the pipeline, Andaz, Hyatt Hotels' luxury lifestyle brand, is set to make its Hong Kong debut as part of the mixed-use Central Crossing development by Wing Tai Properties and CSI Properties. In addition, a boutique hotel redevelopment project in Wan Chai is currently under construction and is expected to deliver approximately 75 rooms to the medium-tariff segment. In addition, Hongkong Electric in partnership with CK Asset are developing a large-scale hotel redevelopment scheme in Ap Lei Chau. The site is undergoing land preparation works and is anticipated to add around 535 rooms by year's end 2029.

Overall, the supply outlook remains highly constrained. Based on the current development pipeline, annual hotel room additions are projected to average fewer than 300 rooms over the next three years, representing a negligible increment relative to Hong Kong's existing hotel stock. At the same time, distressed hotel assets, some of which have redevelopment or conversion potential, continue to attract strong investor interest.

Given the modest supply pipeline and the continued recovery in inbound tourism demand, market fundamentals are expected to tighten further. The limited influx of new rooms should support occupancy and room-rate growth across most hotel categories, enabling existing operators to achieve further improvements in operating performance over the medium term.

Chart 14 : Future Hotel Supply



08 Market Outlook

Overall, while Hong Kong's tourism sector continues to recover steadily, the hotel market is undergoing a structural transition shaped by shifting demand patterns and evolving accommodation needs. The persistence of weaker business travel remains a key constraint on full recovery, given their outsized contribution to hotel revenue despite a relatively small share of arrivals. This suggests that a more coordinated effort from both government and industry stakeholders will be essential to reinvigorate high-value business travel through targeted global incentives and strategic positioning.

At the same time, the performance gap across hotel segments is becoming increasingly pronounced. High Tariff A hotels have demonstrated strong pricing resilience and are well positioned to further enhance achievable room rates, supporting continued growth in overall hotel revenue.

Against this backdrop, the rapid growth in demand from non-tourism segments, including expatriates, non-local students, and migrant families, is creating a compelling opportunity for asset repositioning. Many mid-tier hotel properties, given their configuration and location, are increasingly being viewed as suitable for conversion options. This shift not only reflects changing market dynamics but also highlights a broader realignment of the hospitality sector towards more diversified and resilient revenue streams.

Lastly, the limited hotel development pipeline is expected to support a continued strengthening of market fundamentals. With inbound tourism demand recovering and new supply remaining constrained, occupancy levels and average room rates are likely to trend upward, underpinning further improvements in operational performance over the medium term.



We like questions. If you've got one about our research, or would like some property advice, we'd love to hear from you.

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