

EARNINGS

Hilton Makes Franchising Moves in China

Third Quarter Results Globally Approach 2019 Levels



Hilton launched its own franchising model in China for the Hilton Garden Inn brand. Shown here is the previously opened Hilton Garden Inn Changde Dingcheng. (Hilton)

By **Stephanie Ricca**
Hotel News Now

October 27, 2021 | 3:33 P.M.

As Hilton continues to notch performance and development levels approaching and surpassing 2019 levels, the global hotel franchise company is focusing a lot of attention in

China.

The move underscores what Hilton CEO and President Chris Nassetta called the company's "increasing confidence in a strong recovery in global tourism in months and years to come." He shared more details on Hilton's September launch of a Hilton Garden Inn franchise model in the Asia-Pacific region and its overall strategies there during Hilton's third quarter earnings call with analysts Wednesday.

Hilton's move to bring a Hilton Garden Inn franchise model to China represents the company's first do-it-yourself franchise plan in the region. Hilton's most recent expansion plans in China have been master franchises — Hilton has a long-standing master franchise agreement with Plateno Group to develop Hampton by Hilton locations, and in 2020 executives struck a master franchise deal with Country Garden to develop 1,000 Home2 Suites locations in China, the first of which opened in the third quarter.

"During COVID, we made some strategic investments to build out more infrastructure in order to take other brands in the Hilton family to franchise in China and do it ourselves," Nassetta said. "It's great to work with third parties and we'll continue to do it but it's also important we have that skill set ourselves. We're building a good infrastructure to be able to take a lot of other brands [to China] and build the franchises the way we've done here in the U.S. and Europe."

To date, Hilton has signed more than 100 deals to develop Hilton Garden Inn franchises in China, Nassetta said, demonstrating the company's ability to cater to the region's growing middle class.

Development Highlights

The company's activity in the Asia-Pacific region builds on its consistent commitment to overall net unit growth and development.

The company saw 6.6% net unit growth globally in the third quarter compared to the same quarter in 2020, and conversions represented a third of total openings.

Hilton's development pipeline sat at 404,000 rooms at the end of the third quarter, and 62% of rooms in the pipeline are located outside of the United States, said Kevin Jacobs, chief financial officer and president of global development for the company.

Nassetta shared another development highlight, though it happened just after the third quarter ended: The New York Hilton Midtown reopened on Oct. 5 after pandemic-related closures. The 1,878-room hotel in Midtown Manhattan is owned by real estate investment trust Park Hotels & Resorts.

Looking forward, Nassetta said he's hopeful the hotel industry will recover more quickly.

"When we look back, this will be a faster recovery on the development side than we've seen in prior cycles," he said.

Business Transient Ticks Up

Leisure business continued to drive overall performance in the third quarter, with "leisure room nights roughly in line with 2019 levels and leisure rates exceeding 2019," Nassetta said.

Business transient continues to pick up steam in the company's global portfolio in the quarter, which Nassetta attributed largely to small- and medium-sized business activity.

July business transient room demand was around 70% of 2019 levels and rates were at 90% of 2019 levels, Nassetta said. Group demand gained nearly 20 percentage points sequentially from the first quarter of the year, and he said group bookings for next year "are at rates above 2019 peaks."

While sports and social groups continue to dominate Hilton's group business, Nassetta said he's confident that forward-booking sentiment is improving for the rest of the year and into 2022, largely to be realized in the second through fourth quarters of 2022.

"Large corporate groups still are about 40% off of their 2019 levels so we will see a step-up there," he said. "There is so much pent-up demand. All our advance bookings for next year are pricing over 2019 levels at this point."

Performance in Quarter

Systemwide comparable revenue per available room for Hilton's entire portfolio increased 98.7% in the third quarter compared to the same quarter last year, but decreased 18.8% from the same period in 2019, according to the company's [third quarter earnings release](#).

Nassetta said August and September RevPAR achieved 80% of 2019 levels "due to continued strength in leisure and an uptick in business transient travel post-Labor Day."

RevPAR in all of Hilton's operating regions remains down compared to the same quarter in 2019, but Jacobs pointed to several promising signs boosting growth around the world, such as the "notable step-up" Canada saw in August when U.S. borders opened, strong international inbound travel from Europe to the Middle East, and high domestic travel volume in Europe as vaccine rollouts increased.

China's continuous regional restrictions and lockdowns, as well as those in Australia and New Zealand, muted RevPAR performance in Asia-Pacific, but Jacobs said that China has made occupancy gains in October to nearly 60% for the month to date.

As of press time, Hilton's stock was trading at \$148.49, up 37% year to date. The NYSE Composite Index was up 21% for the same period.

Editor's Note: Chris Nassetta serves on CoStar Group's board of directors.

[Return to the Hotel News Now home page](#)

TRENDING

1. 3D-Printed Home Startup, Homebuilder Plan World's Largest Neighborhood of Its Kind

2. CBRE Earnings Climb Above Pre-Pandemic Peak As It Diversifies Its Business

4. CBRE Earnings Climb Above Pre-Pandemic Peak As It Diversifies Its Business

3. Netflix To Bid for 300-Acre Parcel for Studio in New Jersey, Birthplace of the Film Industry

4. Exxon To Vacate Two Houston-Area Office Towers as Part of Consolidation

5. Yum Brands Sets Company Record for Restaurant Growth, Tests Artificial Intelligence To Speed Orders

6. Blackstone REIT Makes Its First Retail Acquisition During Pandemic

7. Film Studio Behind 'Moonlight,' 'Lady Bird' To Relocate Within New York's NoMad Neighborhood

8. Office Tenants Are Feeling Confident Again

9. Shell Renews Downtown Lease in One of Houston's Largest Office Deals in 2021

10. Party City Confirms Headquarters Relocation to New Jersey

Request a Demo

Call Now

Company

[About CoStar](#)

[CoStarGroup.com](#)

[Careers](#)

[Press Room](#)

[Privacy Notice](#)

[CA: Do Not Sell My Personal Info](#)

[Terms of Use](#)

[Help Fight Data Theft](#)

[FAQs](#)

[Contact Us](#)

Social

© 2021 CoStar Group

