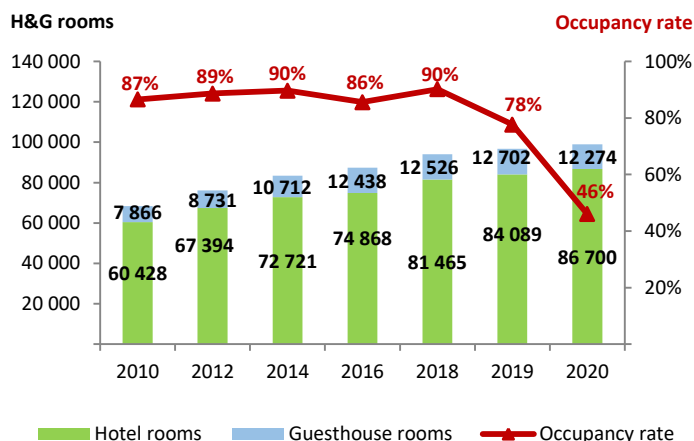


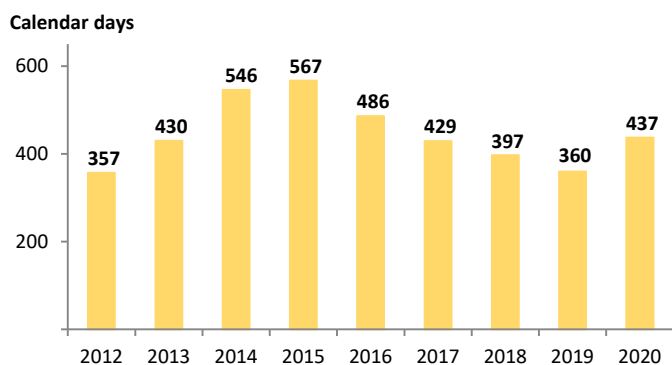


## Licensing of guesthouses

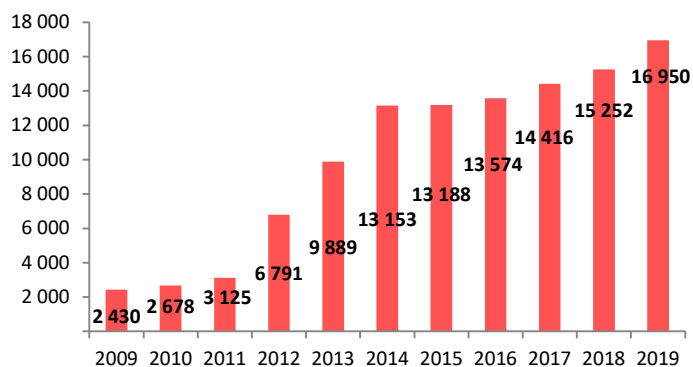
**Figure 1 – Occupancy rate of rooms in hotels and guesthouses ("H&G")**



**Figure 2 – Average time requirement for granting H&G licences**



**Figure 3 – Inspections against unlicensed guesthouses**

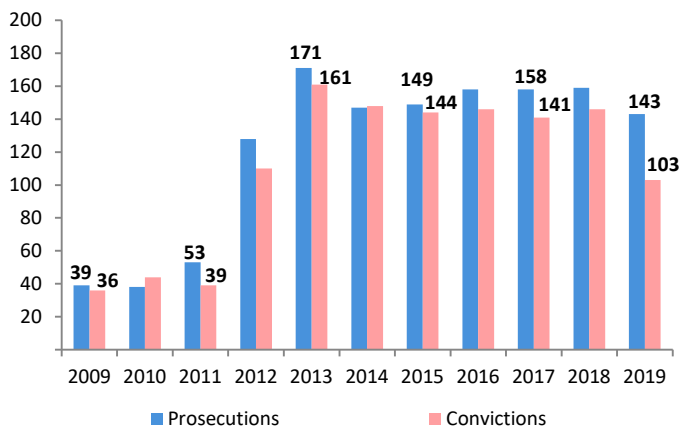


## Highlights

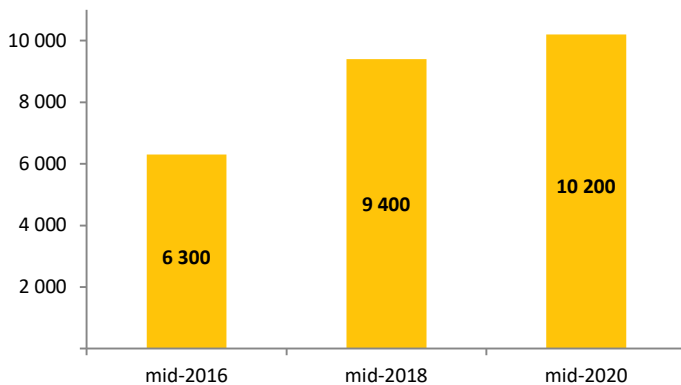
- Total number of hotels and guesthouses ("H&G") has risen by 70% from 1 045 to 1 773 during 2010-2020, buoyed by earlier robustness of inbound tourism before 2019. Total supply of rooms went up by a smaller magnitude of 45% to 98 974 over the same period, as most of the new H&G operators are guesthouses with smaller scale of operation (**Figure 1**). In 2020, guesthouses took up four-fifths (82%) of H&G establishments, but provided only 12% of rooms. Most recently, overall occupancy rate of rooms in H&G plunged from 90% in 2018 to 46% in 2020, hit by the setback in inbound tourism and widespread city lockdowns across the globe after the outbreak of COVID-19.
- Under the Hotel and Guesthouse Accommodation Ordinance (Cap. 349) ("HAGAO") enacted in 1991, all licensed H&G need to meet statutory requirements on building structure and fire safety standards. Unlicensed operation is liable to a maximum fine of HK\$500,000 and three-year imprisonment. At present, Office of the Licensing Authority ("OLA") as a regulator takes a very long time to process a H&G application, averaging at 445 days (i.e. one year and three months) during 2012-2020 (**Figure 2**). Reportedly, some guesthouse applicants could not afford leaving the premises vacant for such a long time and engaged in unlicensed operation, posing various safety risks (e.g. fire safety, security and hygiene) to both the guests and neighbouring residents.
- Public attention to safety of guesthouse intensified following a fire tragedy in December 2013. After a fire broke out in a composite building with multiple unlicensed guesthouses in North Point, it caused one death and 24 injuries. Coupled with growing number of complaints, OLA responded with stepping up efforts to combat unlicensed guesthouses. During 2009-2019, the number of OLA inspections leaped by 598% to 16 950 (**Figure 3**).

## Licensing of guesthouses (cont'd)

**Figure 4 – Prosecutions and convictions against unlicensed guesthouses**



**Figure 5 – Home-stay lodgings in Hong Kong listed on a global online platform**



**Figure 6 – Convictions involving online platforms under HAGAO**

Year	Overall	Involving online platforms	
		Number	% in overall
2014	148	13	9%
2015	144	12	8%
2016	146	15	10%
2017	141	20	14%
2018	146	37	25%
2019	103	32	31%

## Highlights

- The number of prosecutions against unlicensed guesthouses also went up by 267% to 143 during 2009-2019 (**Figure 4**). While the number of convictions increased by 186% to 103 over the same decade, there are concerns that its pace was far slower than the inspection figures. OLA pointed out that difficulty in collecting evidence was the main enforcement challenge, as it did not have the authority to enter the suspected premises in some cases. After the amendment of HAGAO with effect as from December 2020, OLA can apply to the court for a search warrant and break into a suspected unlicensed guesthouse for evidence gathering now.
- As another regulatory issue, there has been advocacy in recent years for temporary leasing of home-stay lodgings to guests via online platforms in the context of emerging sharing economy. According to a global leading online platform on home-stay lodging, the number of home listings in Hong Kong has surged by 62% in four years to 10 200 in mid-2020 (**Figure 5**). However, the Government maintains that temporary leasing of residential properties to guests for a period less than 28 consecutive days needs to apply for licences under HAGAO beforehand. Premises used as home-stay lodgings have to comply with statutory building and fire safety requirements, same as H&G.
- During 2014-2019, OLA has stepped up enforcement actions against such online platforms, with the number of convictions rising by 146% to 32 cases (**Figure 6**). The share of such online platforms in overall convictions also tripled from 9% to 31%. While there are suggestions in the community to provide greater flexibility to home-stay lodgings in the licensing regime to provide more diversified tourist accommodation, the Government responded that this should be balanced against the interest and safety of the public.

Data sources: Latest figures from Hong Kong Tourism Board, Audit Commission, Home Affairs Department and Inside Airbnb.

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