

Hotel Construction in the Asia-Pacific Region Is at a Record Level

2007-10-08

A Burgeoning Pipeline in China Is Set to Unfold

Lodging Econometrics (LE), the Global Authority for Hotel Real Estate, reported to the Lodging Industry that there are a total of 1,555 Hotels with 366,679 rooms in the Construction Pipeline for the 24 countries in the Asia-Pacific region.

LE President, Patrick Ford, said, 'Hotel Development is at a hectic pace- the Pipeline for the region has reached new record highs.

"Asia is the fastest growing part of the world,' said Ford. 'The region's capital cities and financial centers are booming. Business and Tourism travel, along with convention and meeting business, is on the upswing. Many of the major markets are enjoying occupancy percentages in the 70's, some even in the low 80's. For some, average room rates increased at a double-digit, year-over-year pace in 2006 and again in 2007. As a result, many markets are nearing peak performance, creating ideal conditions for the new construction spurt.'

The availability of investment capital and the accessibility of financing at historically attractive rates have been key drivers spurring new development across many real estate sectors, including hotels. Although investors have considerable interest in hotel acquisitions, few owners are interested in selling at this time. Holding hotel assets is the preferred investment strategy- as future rising operating performance will likely offset any increase in cap rates brought about by upward pressure on interest rates.

Development in China is Driving the Region

China has 782 hotel projects in the Pipeline, having 222,591 rooms. China accounts for 50% of all planned projects in the Asia-Pacific region and an amazing 60% of all guestrooms.

China's burgeoning Pipeline will soon begin to unfold, as 598 projects / 173,080 rooms - or 78% of China's Total Pipeline - are presently Under Construction. That's the highest ratio of any country in the world. It means the pace of New Hotel Openings will quicken markedly, as 141 projects / 35,380 rooms are expected to open in the second half of 2007, and 336 projects / 87,491 rooms in 2008. China's development cycle has been underway for some time. It's been planned to unfold in anticipation of the tourist boom associated with the Olympic Games in Beijing in 2008.

China's Major Markets Have the Largest Pipelines

	New Construction Pipeline (Rooms) ¹				
	Under Construction	Starts Next 12 Months	Early Planning	Total Pipeline Projects	Total Pipeline Rooms
Macau	21,736	3,113	1,360	36	26,209
Shanghai	17,149	3,995	2,741	96	23,885
Beijing	15,972	1,210	1,276	71	18,458
Hong Kong	9,180	2,344	1,102	50	12,626

¹ Includes only those projects announced into the public domain, have designated land parcels, and continue to be pursued by developers.

Source: Lodging Econometrics, Portsmouth, NH, USA, the Global Authority for Hotel Real Estate

Beijing, the capital and host city, will be the centerpiece of the Olympic celebration and will showcase China as a growing world power. The city has a robust 71 projects / 18,458 rooms in its Pipeline. A formidable 51 projects / 12,326 rooms are scheduled to open before year-end 2008.

Hong Kong - a world-class financial and transportation hub - plans to add 50 new hotels to its census of Open and Operating Hotels. Development will split evenly between Hong Kong Island and Kowloon. The Hong Kong economy is booming in anticipation of loosened restrictions that will permit Chinese investors - both individuals and financial institutions - to invest in Hong Kong markets.

Macau, already the leading gaming center in the Eastern Hemisphere, is looking to become a major convention and meeting destination as well. Macau has 36 projects / 26,209 rooms in its Pipeline. Incredibly, 83% of the planned rooms are already under construction and will soon open.

In these important markets, many hotel projects are large, iconic structures employing some of the world's most famous 'starchitects' and designer groups. Most will carry luxury brand names such as: InterContinental, St. Regis, Marriott, Hyatt, Hilton, Four Seasons, Shangri-La, Mandarin Oriental, Banyan Tree, and others. The right brand is essential to positioning these new hotel projects as world-class destination properties and to attract international business and leisure travelers.

The total number of planned guestrooms in Macau, Shanghai and Beijing is huge - exceeded only by development in Las Vegas, Washington, D.C. and Dubai.

Second Tier Cities Are Building Feverishly, Too

Five other Chinese cities have more than 20 projects in the Pipeline. Tianjin has 35, Hangzhou 24, Guangzhou, which will be hosting the 2010 Asian Games, has 24, followed by Chengdu with 23, and Chongqing with 21. These inland cities are planning a number of larger, internationally branded projects as well, generally in 'new city areas,' which often feature convention centers, office towers and upscale residential units as new development centerpiece.

These second-tier cities also attract many China-based, mid-market brands that are gearing up to service the growing travel needs of a burgeoning Chinese middle class. Brands like Jin Jiang, Motel 168, Jinling, and Wyndham's Super 8 - who employs local Joint Venture partners - are prominent in the Pipeline.

In addition, there are yet another 10 cities with between 11 and 19 hotels under development.

India Is Expanding Rapidly

India - with 261 projects / 47,467 rooms - has the second largest Pipeline in the region. Nearly 65% of India's development is concentrated in the cities specializing in office outsourcing - call centers and 'back of the house' service operations that are driving India's economy. Bangalore has 31 projects / 7,371 rooms in the Pipeline, followed by Hyderabad with 27 projects / 5,407 rooms. There are another 6 markets with greater than 10 hotels in the Development Pipeline: Pune, Mumbai, Chennai, Kolkata, Gurgaon and New Delhi. While there are large, 4- and 5-Star branded projects planned for each market, an emerging trend is the growing number of mid-market brands such as Taj's new Ginger label, Accor's Ibis brand, and Carlson's Country Inn and Suites - many of which are being developed with local Joint Venture partners.

Singapore is a city of particular interest in the region, as it is one of the first markets to respond directly to the challenges posed by the massive investments in Macau for gaming, high-end retail shopping, and convention and meeting business. The government has issued two licenses for casino development, one to the Las Vegas Sands Group of Venetian Hotel fame, which has a 2,500-room casino project under construction adjacent to downtown. The Genting Group of Kuala Lumpur holds the second license and has started construction on a sprawling resort of Sentosa Island that will include six hotels with 300 rooms each. A luxury Boutique Hotel is planned, also a Hard Rock Hotel. Moving towards gaming seems a necessary step for Singapore in order to assure its pre-eminence as a leading convention and tourism destination in Southeast Asia.

With economic growth remaining so strong and the future looking so promising, the future Pipeline for the Asia-Pacific region is expected to continue to grow. However, with so many projects scheduled to leave the Pipeline as New Openings, over the next year-and-a-half new project announcements will recede as markets - Chinese markets in particular - move to absorb new supply coming online.

Lodging Econometrics (LE) of Portsmouth, NH is the global authority for hotel real estate. LE conducts Supply Side research for all markets, developers and brands and companies in: U.S., Canada, Mexico, Central America and the Caribbean, Europe, Asia, Middle East, South America, and Africa.

This article comes from Hotel News Resource

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