

## Tourism growth in Asia remains robust according to Jones Lang LaSalle Hotels' Digest Asia 2008

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Jones Lang LaSalle Hotels identified Malaysia and Vietnam as the key growth markets in Southeast Asia, with Singapore, Thailand and Malaysia continuing to be strong markets for predominantly intra-regional travel. The Indian sub-continent is also expected to continue its growth trend.

'In Southeast Asia, the limited number of investment opportunities that exist will mean firm prices and continued demand for assets,' said Scott Hetherington, Managing Director Asia, Jones Lang LaSalle Hotels. 'Singapore expects to deliver on its 2015 goal of 17 million arrivals and S\$30 billion in tourism receipts, supported by its increasing MICE capacity and compelling new developments such as: the two Integrated Resorts, the Marina Bay Financial Centre, 2008 Formula 1(TM) and Youth Olympics 2010.'

### **Singapore tourism outlook is positive**

Jones Lang LaSalle Hotels predicts Singapore's hotel occupancy rates will remain healthy over the long term. Year-to-date (May 2008), average daily rates (ADR) for the five-star segment has increased by 20%, and for the four-star, 26%, compared with full year 2007. In 2007 Singapore's revenue per available room (RevPAR) for four- and five-star hotels was the highest in 10 years, with 22.4% RevPAR growth in the four-star category and 18.8% RevPAR growth in the five-star category.

Key source markets for Singapore included Indonesia, China and Australia with 1.9 million, 1.1 million and 0.77 million arrivals in 2007, respectively. India led the growth in Singapore arrivals in 2007 with a 13.7 % increase to 0.75 million arrivals. This was followed by Australia with an 11.1% increase to 0.77 million and the Philippines with an 8.5 % increase to 0.42 million.

'Despite global economic challenges, demand for hotel investment opportunities is expected to remain strong over the coming year in Singapore, with sound economic fundamentals and an increasingly vibrant tourism industry,' said Hetherington, who added that the new hotel rooms coming on stream in Singapore will feature a much wider spectrum of lodging choices to cater to the various market segments.

### **Strong fundamentals drive growth in India**

While domestic tourism is expanding in India owing to an increasingly affluent and growing population, increasing consumption and the introduction of low cost airline carriers, the Indian government is looking to grow foreign visitation. Over the last five years, India has seen double-digit growth in foreign visitors, the large majority of which (95 percent) are leisure travellers.

Sudeep Jain, Executive Vice President India, Jones Lang LaSalle Hotels, said: 'We expect that continued economic growth, increased interest in the Indian markets and improved international access, combined with the modernisation of major airports, will boost inbound business and leisure travel in India.'

Business and leisure travel are the primary drivers of India's tourism market. Stifled stock growth over the last five years, however, is leading to a demand supply crunch. And, while India's RevPAR is growing rapidly, Jones Lang LaSalle Hotels cautions that this may slow in coming years due to supply additions in major Indian cities. During FY2006-2007, performance in Delhi/NCR and Mumbai grew 40 percent and Bangalore grew 20 percent, although Jones Lang LaSalle Hotels warns that such growth, especially in Delhi and Mumbai, is not sustainable for the long term.

India needs to add 150,000 new rooms in the next four years, based on a government target for 2010. The total supply for major Indian cities stands at approximately 30,000 as of March 2008. The introduction of the 'bed and breakfast' concept would help to meet demand quickly in places like Delhi, which requires 30,000 new rooms by 2010 to meet the Commonwealth Games' related demand. In Mumbai, more than 1,500 new rooms are planned in 2008, but not all are expected to come on-line. Mumbai's ADR has grown by 40 percent and RevPAR growth will be driven by this increase in ADRs. In Bangalore, 5,700 new rooms are planned for 2008-2009 which is expected to alleviate the current shortage in supply. With occupancy expected to remain at 65-70% in the next five years, RevPAR growth is expected to be driven by ADR growth in 2008-2009.

'Underlying sentiment remains positive however in the short term, a more tempered view on growth will be taken in light of the global slowdown,' said Mr Jain.

### **Asia set to dominate tourism growth worldwide**

Jones Lang LaSalle Hotels research indicates that room stock in Asia is set to grow 25.8% with 140,000 new rooms around the region. According to the Pacific Asia Travel Association, tourism arrivals into the region will continue to grow from 275 million in 2007 to 350 million in 2010, with China accounting for over half of all international arrivals. While domestic tourism will dominate in China, India and Japan, intra-regional travel is likely to be a force across Asia over the next three years, accounting for 86% of arrivals. Malaysia, Macau, Hong Kong and Vietnam are all forecast to record strong growth.

'We note that sports tourism is growing in popularity in Asia, which will account for increased tourism numbers,' said Mr Hetherington, citing upcoming major sporting events such as the Olympic Games in Beijing, the 2009 East Asian Games in Hong Kong, the 2010 Commonwealth Games in Delhi, the 2010 Youth Olympic Games in Singapore.

In its Asia Digest 2008, Jones Lang LaSalle Hotels predicts that hotel transaction activity for Asia Pacific in 2008 will soften from 2007 (US\$13.9 billion) back down to levels seen in 2005-2006. Key markets for transaction activity will be Singapore, Thailand and Japan, with some transactions in China and India. Foreign direct investment (FDI) into the region is forecasted to increase from US\$230 billion in 2007 to almost US\$250 billion over the next few years, mostly into hotels as well as transport and tourism infrastructure. Leading growth markets like China (PRC), Hong Kong, Singapore and India are forecast to account for almost 80 percent of the funds invested in 2008.

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