

**Q1
2009**

OVERVIEW

There is mounting evidence that the precipitous economic declines in many countries in Asia Pacific may be close to ending. A bottom is likely forming, hopefully to be followed by a modest recovery. Declines from the peak were caused mainly by the dramatic fall-off in the region's manufactured exports brought on by the worldwide recession and the drying up of cross-border financing. Like in other regions of the world, the new economic base line will be significantly below the 2007 highs.

To halt the decline, both China and India are making huge investments in infrastructure improvements and are counting heavily on rising consumer spending. China is also depending on a renewed emphasis in directed lending by its government-owned banks, particularly for real estate development, to generate additional job opportunities.

Construction Pipeline activity throughout the region peaked in the first half of 2008 in time for an expected rush of visitors for the Summer Olympic Games in Beijing, with China seeing a rash of New Hotel Openings in 2007 and 2008. Not surprisingly, Pipeline Totals in China have shown the largest percentage decline of any region in the world since the peak, down 22% for projects and 20% for rooms. However, China's Pipeline is still the second largest in the world with 964 projects/260,560 rooms under development. 65% of the projects are high-end hotels, primarily in the 25 largest cities. Most have global brands. 57% are larger than 200 rooms, with the overall average hotel size at a very high 270 rooms.

Significantly, 75% of China's Pipeline projects and 73% of rooms are already Under Construction, the highest ratio in the world. Most are planned to open in 2009 and 2010 in time for the 2010 World's Fair in Shanghai. Although New Openings will show a decline from the 2007/2008 pace, they will still be at lofty levels. Thereafter, lodging development in China is expected to moderate considerably, as the goal becomes the absorption of the unprecedented surge of New Supply that came online throughout the decade from a Pipeline seeded years earlier.

In contrast, India is considered to be under-roomed. The Pipeline is a modest 421 projects/72,682 rooms, having 23% of the region's project count, but just 17% of its rooms. Compared to other countries in the region, India's Pipeline contains a greater proportion of limited service, midmarket and economy hotels. New Openings are expected to increase year-over-year through the end of the decade for this recently seeded Pipeline.

There are a total of 441 projects/90,516 rooms being developed in other Asia Pacific countries at the end of Q1. Most are large, upmarket, globally branded hotels in the capital cities and resort areas of Southeastern Asian, chiefly Thailand, which has 104 projects/19,284 rooms. Vietnam has 60 projects/15,632 rooms and Indonesia has 49 projects/8,637 rooms.

CANCELLATIONS/POSTPONEMENTS

Project Cancellations/Postponements set a new high in Q1 at 190 projects/39,730 rooms, reflecting the drying up of global lending and dampened developer sentiment due to decreases in global travel and the resulting occupancy and revenue declines in hotels already open and operating.

In China, 57 projects/15,173 rooms were cancelled or postponed in Q1. Nearly 70% of these projects were 200 rooms or larger. Significantly, 48 of the 57 projects had started construction and were halted.

India saw a surprisingly high 71 projects cancelled or postponed for Q1, 16 of which were already Under Construction. Many of the cancellations/postponements were projects smaller than 200 rooms.

FORECAST FOR NEW HOTEL OPENINGS

Asia Pacific saw an unprecedented wave of New Openings in 2008, with a cyclical high 964 new hotels/157,823 rooms coming online. An incredible 90% of this total, or 848 new hotels, were in China. New Openings in China are now poised to slow down but will still be historically high. 489 hotels/95,131 rooms are forecasted to come online in 2009, with 272 hotels/86,084 rooms in 2010.

In 2008, the average hotel size in China was 164 rooms. In 2009, the average size will increase to 195 rooms. In 2010, the average hotel size is set to escalate to around 300 rooms. The number of smaller, limited service, midmarket and economy projects that developers favored at mid-decade has since waned in the face of recessionary declines, thus influencing these trends.

Having been seeded much later, India's Pipeline is just now beginning to unfold, with New Openings set to accelerate. In 2008, 27 new hotels/3,510 rooms opened. In 2009, New Openings will triple to 85 hotels/12,733 rooms, then to 113 hotels/21,727 rooms in 2010 before tapering off.

New Openings in the rest of Asia Pacific are also set to increase over the next two years, with 119 new hotels/21,662 rooms slated to open in 2009, and 140 new hotels/30,731 rooms in 2010. A majority of these are in capital cities and resort destinations in Thailand, Vietnam, Indonesia, and Malaysia.

ORDER THE COMPLETE REPORT

Lodging Econometrics (LE) is the foremost source of global lodging real estate intelligence for hotel franchise companies, management groups, investment firms, consultants, and vendors to the lodging industry. The Asia Pacific Construction Pipeline Report surveys development for the three stages of construction, three-year forecasts for new hotel openings, two years of prior new openings, and current supply, with analysis for each country and market, by chain scale and size of hotel, and competitive set intelligence for the leading hotel companies and brands. To order LE's complete report on the Asia Pacific Lodging Construction Pipeline or to inquire about any of LE's other lodging real estate reports, please fill out the following inquiry form and fax it to LE or contact us at info@lodgingeconometrics.com.

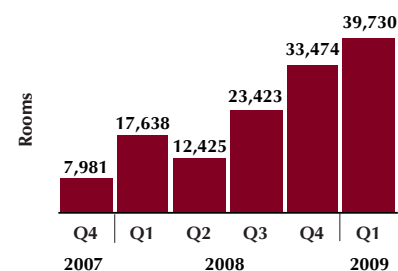
Construction Pipeline: Percent Change from the Cyclical Peak

Country	Q2 2008 Pipeline Peak		Q1 2009		% Change Q208 to Q408	
	Projs	Rms	Projs	Rms	Projs	Rms
China	1,240	323,956	964	260,560	-22%	-20%
India	470	76,304	421	72,682	-10%	-5%
Southeast Asia	369	81,032	304	66,938	-18%	-17%
All Others	147	25,354	137	23,578	-7%	-7%
Total Pipeline	2,226	506,646	1,826	423,758	-18%	-16%

Construction Pipeline: At Q1 2009 by Stage

Country	Under Construction		Starts Next 12 Months		Early Planning		Total Pipeline	
	Projs	Rms	Projs	Rms	Projs	Rms	Projs	Rms
China	722	189,216	117	36,224	125	35,120	964	260,560
India	166	31,879	82	15,879	173	24,924	421	72,682
Southeast Asia	147	35,576	73	16,059	84	15,303	304	66,938
All Others	80	14,286	20	3,482	37	5,810	137	23,578
Total Pipeline	1,115	270,957	292	71,644	419	81,157	1,826	423,758

Cancellations/Postponements



Projects: 40 (2007), 72 (2008), 59 (2008), 131 (2008), 99 (2009), 190 (2009)

Forecast for New Hotel Openings

