

CHINA, THE FIRST COUNTRY TO BOUNCE BACK & EXCEED Q208 CONSTRUCTION PIPELINE PEAKS

The Total Pipeline for the **Asia Pacific** region grew in Q1 to 2,036 projects/505,562 rooms. As measured by rooms, the Q1 2011 Pipeline is virtually even with the peak reached in Q2 2008 and is heavily driven by development activity in China.

China, with 1,260 projects/353,254 rooms, has 62% of the region's total projects and 70% of its rooms. China's Pipeline is the first in the world to surpass its previous cyclical peak of 1,240 projects/323,956 rooms set in Q2 2008, prior to the Olympic Games. Since then, projects have increased by 2% and rooms by 9%.

Asia Pacific Construction Pipeline	Year-over Year						From Previous Peak			
	Q1 2011		Q1 2010		YoY % Variance		Q2 2008 Pipeline Peak		From Peak % Variance	
Region	Projs	Rms	Projs	Rms	Projs	Rms	Projs	Rms	Projs	Rms
China	1,260	353,254	1,087	310,438	16%	14%	1,240	323,956	2%	9%
India	412	75,112	438	76,135	-6%	-1%	470	76,304	-12%	-2%
All Other AP Countries	364	77,196	321	71,371	13%	8%	516	106,386	-29%	-27%
Total Pipeline	2,036	505,562	1,846	457,944	10%	10%	2,226	506,646	-9%	-1%

China's economy seemingly faltered only momentarily during the global recession as the government moved quickly with a massive expansion of credit to stimulate development growth and create jobs. Key beneficiaries were local governments, state-owned enterprises and important property developers. Big investment flows into infrastructure and the real estate industry caused the economy to roar forward, further stimulating lodging development.

India, with 412 projects/75,112 rooms, has the region's second largest Pipeline and the third largest in the world. Developers continue to experience delays caused by governmental permitting and approval issues, as well as logistical and infrastructure difficulties, all of which have restrained Pipeline growth. In the last year, Pipeline expansion has been further hampered by accelerating inflation and monetary tightening, which has caused interest rates to escalate and economic growth to moderate. Year-over-year (YoY) Pipeline counts are down 6% by projects and 1% by rooms, and are down 12% by projects and 2% by rooms from the Q2 2008 peak. Since India was a relatively late starter in the last development boom, New Openings in 2011-12 will be at new cyclical highs as properties currently Under Construction have risen to 56% of the Total Pipeline from a low of 38% during the 2008 Pipeline peak.

Other Asia Pacific countries combine for a Total Pipeline of 364 projects/77,196 rooms, a YoY increase of 13% by projects and 8% by rooms. Vietnam has the region's third largest Pipeline and the world's 8th largest by room count with 62 projects/18,013 rooms. Vietnam's Total Pipeline is up 29% by total rooms YoY. Significant development is occurring in a number of emerging resort locations along the South China Sea. The Da Nang area alone has 16 projects/4,255 rooms in the Pipeline. Further down the coast Nha Trang has another 4 projects, Phu Cat has 3, and Cam Ranh Bay 1.

CHINA'S DEVELOPMENT IS BOOMING AS ITS CONSTRUCTION PIPELINE DRAWS EVEN WITH THE US

With 1,260 projects/353,254 rooms in Q1, China has the second largest Pipeline in the world, accounting for 18% of all global Pipeline projects and 29% of rooms. While the United States has 2,951 projects in its Total Pipeline, the room counts are essentially even due to many more larger, world-class luxury and upscale projects being developed in China. At 956 projects/266,642 rooms, a global high 76% of total projects and 75% of rooms are presently Under Construction. Compared to the US, this is nearly five times the number of rooms Under Construction and more than twice the number of projects.

At 958 hotels/135,004 rooms, 2010 was the first time that China's New Openings surpassed those in the US, which had 644 new hotels/71,826 rooms come online. Because the US Pipeline remains in a bottoming formation, New Openings have been declining since the Pipeline peak. China, with its high percentage of projects currently Under Construction, will open more than double the number of new rooms compared to the US in each of the next three years.

China's Total Pipeline should continue to propel forward into 2012, but may then moderate as the Central Bank, concerned about inflation, has already moved to slow the pace of economic growth by increasing interest rates and the reserve requirements of banks.

SPOTLIGHT: HAINAN ISLAND, CHINA



- Located off the southern coast, Hainan Island is seeing an explosion of growth as a resort destination. Some have already called Hainan "China's Hawaii."

- Hainan's Total Pipeline has 60 projects/25,453 rooms at the end of Q1. If viewed as a country, the only countries with larger Pipeline room counts would be the US, China, India, Brazil, and the UK.

- On the island, 31 projects/15,811 rooms are currently Under Construction, 18 of which will open during 2011 and 2012.

- The city of Sanya, the largest and most popular destination on Hainan Island, has 35 projects/17,869 rooms in its Pipeline, making it the 4th largest city Pipeline in the world, after Abu Dhabi, Dubai and Shanghai.

NOTABLE CHINA PIPELINE DEVELOPMENTS

- **Hilton Worldwide** announced recently that it intends to expand its presence for all of its brands to over 100 hotels in the next five years. The company currently has 18 hotels operating in China. At Q1, the company has 63 projects/22,276 rooms in its Pipeline, 41 of those being **Hilton Hotel** projects.

- **Marriott International** is aggressively developing its **Marriott Hotel** brand in China. At the end of Q1, the company has 13 Marriott Hotel projects/4,982 rooms in its Pipeline. Three are scheduled to open this year, including the 720-room **Shanghai Marriott Hotel City Centre**, slated for the summer, and the 392-room **Haikou Marriott Resort & Spa** on Hainan Island in late fall.

- **InterContinental Hotels Group** announced that they are currently working to launch an "upscale, made-for-China" brand that will cater to domestic business travelers. The brand is expected to debut by 2013. Over the next 5 years, IHG expects that 1 in 4 hotel rooms that the company opens will be in China.

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