

### OVERVIEW

After a 1-2 quarter lag, the economic turbulence being experienced in the rest of the world has now reached the Asia Pacific region in full force. Heavily reliant on their manufacturing and exporting industries, Asian economies are seeing sizable, even historic, contraction, as global demand for goods produced in the region has plummeted. Several countries, including Japan, Taiwan and Thailand, reported negative GDP growth in Q4 2008. The blockbuster economies of China and India still expect positive GDP growth this year, however the rate of growth will be significantly slower, falling to rates not seen since earlier in the decade. LE expects the macroeconomic indicators to continue trending downward into 2010.

The travel and lodging industries are experiencing significant collateral damage in this environment. Published industry reports indicate that year over year (YoY) occupancy levels for the region have been in decline throughout 2007 and 2008. Beginning in September 2008, guestroom demand, occupancy, ADR and RevPAR accelerated downward as the full fury of the global recession began to take hold in most markets throughout the region.

At the end of Q4 2008, Asia Pacific's Total Construction Pipeline stood at 1,891 projects/437,374 rooms. Total projects are down 15% and total rooms are off by 14% from the cyclical peak in Q2 2008. The Pipeline is decelerating at a greater rate than in almost any other global region largely due to a rapid fall-off in China. With rising Cancellations and fewer New Project Announcements expected, LE forecasts that the Asia Pacific Pipeline will contract further and not bottom out until 2011 at the earliest.

Construction Pipeline: At Q4 2008 by Stage

Country	Under Construction		Starts Next 12 Months		Early Planning		Total Pipeline	
	Projs	Rms	Projs	Rms	Projs	Rms	Projs	Rms
China	692	186,279	135	38,762	111	32,102	938	257,143
India	176	33,878	96	17,863	190	26,399	462	78,140
Southeast Asia	156	37,769	79	20,092	104	18,845	339	76,706
All Others	77	12,772	34	6,154	41	6,459	152	25,384
<b>Total Pipeline</b>	<b>1,101</b>	<b>270,698</b>	<b>344</b>	<b>82,871</b>	<b>446</b>	<b>83,805</b>	<b>1,891</b>	<b>437,374</b>

Construction Pipeline: Percent Change from the Cyclical Peak

Country	Q2		Q4		% Change Q208 to Q408	
	Projs	Rms	Projs	Rms	Projs	Rms
China	1,240	323,956	938	257,143	-24%	-21%
India	470	76,304	462	78,140	-2%	2%
Southeast Asia	369	81,032	339	76,706	-8%	-5%
All Others	147	25,354	152	25,385	3%	1%
<b>Total Pipeline</b>	<b>2,226</b>	<b>506,646</b>	<b>1,891</b>	<b>437,374</b>	<b>-15%</b>	<b>-14%</b>

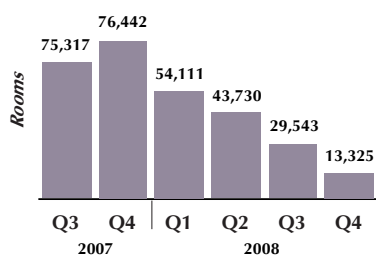
### KEY METRICS

Construction Starts have dropped off rapidly by 82% over the last four quarters to 71 projects/13,325 rooms in Q4 2008. Because accessing financing is so difficult, many projects already in the Pipeline cannot migrate forward towards Construction, but are stalled in the Scheduled Starts in the Next Twelve Months and Early Planning stages and will likely remain stalled throughout 2009 and 2010 until financing becomes more available.

Project Cancellations/Postponements in the region are at an all-time high at 99 projects/33,474 rooms. Of that total, 47 were in China. 18 of the cancellations were in Macau and are attributed in part to new restrictions imposed by the Chinese government on travel from the mainland. Notably, 23 of Asia Pacific's canceled projects were already Under Construction. 12 were in China, with 10 in Macau. The Macau projects were high-end luxury projects, many with casinos. 8 of them were being developed by Las Vegas Sands Corporation.

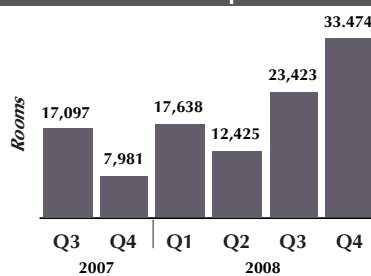
In response to a rapid change in developer sentiment, New Project Announcements (NPA's) have declined 73% from the peak in Q4 2007 to 158 projects/30,934 rooms. India, however, has seen a moderate increase in NPA's. For the most part, these projects are moderately sized and are in the mid-market and economy segments which are somewhat easier to finance. However, in countries in Southeast Asia and in China, the Pipeline of smaller projects has slowed considerably since the peak in Q4 2007 and should continue to trend downward for the foreseeable future.

Construction Starts



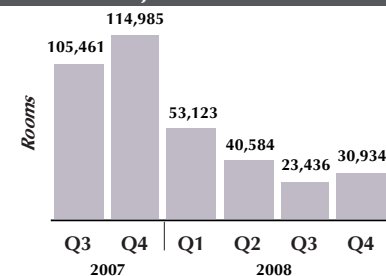
Projects 362 419 290 232 148 71

Cancellations/Postponements



Projects 61 40 72 59 131 99

New Project Announcements



Projects 508 604 302 196 127 158

**SPOTLIGHT: A TALE OF TWO PIPELINES**

Approximately 50% of the Asia Pacific Pipeline is in China, which began its aggressive program of lodging development much earlier than other countries in the region. While still strong, China's Pipeline has been declining since its peak in Q2 2008. This is due to the massive wave of development projects timed to come on line for last summer's Olympics. A significant number of cancellations this quarter, particularly in Macau, has further diminished China's Pipeline to 938 projects/257,143 rooms. The China Pipeline has declined 24% from the Q2 2008 peak, the largest decline of any country in the world.



A very high 74% of China's Pipeline is currently Under Construction. While the country's New Hotel Openings peaked in 2008 at 795 hotels/132,730 rooms, China will continue to see a relatively elevated level of New Hotel Openings over the next two years. However, unlike the rest of Asia Pacific, the rate of New Openings will be trending downward.

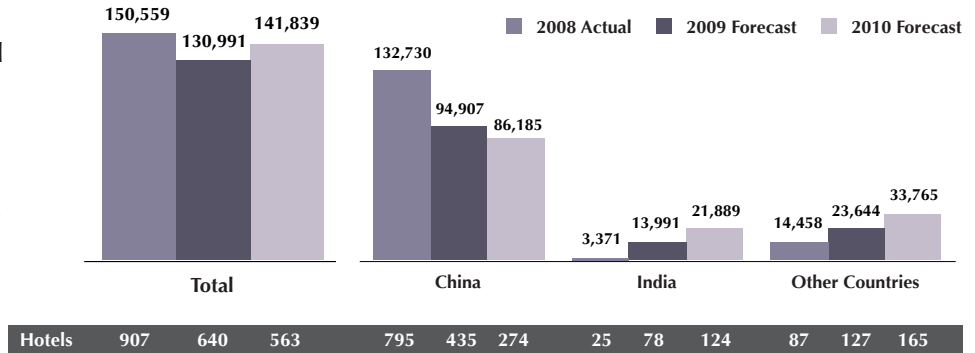


India accounts for 24% of total Asia Pacific pipeline projects, with 462 projects/78,140 rooms. The Pipeline here is more evenly distributed between the three construction stages, with 38% of its projects Under Construction and another 41% in Early Planning. As a result, New Openings are set to trend upward over the next two or three years.

India reached a likely cyclical peak for New Project Announcements in Q4 2008 at 70 projects/7,908 rooms. This contributed to the slight QoQ increase in India's Pipeline, up 3% by projects and 6% by rooms. However, it is expected that the Pipeline will soon top off as the economic crisis catches hold.

**FORECAST FOR NEW HOTEL OPENINGS**

In 2008, 907 new hotels opened in Asia Pacific, adding 150,559 rooms to supply. This was a cyclical high for the region, due largely to the development boom surrounding the Olympics in China. While not as high, New Openings will continue to be elevated. LE is forecasting 640 hotels/130,991 rooms to open in 2009, with 563 hotels/141,839 rooms to open in 2010. Although LE's Forecast for New Openings is still substantial, it was adjusted downward this quarter to account for the steep decline in Construction Starts and New Project Announcements, as well as the increase of cancellations. 92% of Asia Pacific's forecasted New Hotel Openings are currently Under Construction.



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