China’s Hotel Industry Booming

During my recent trip to China, I saw evidence that its hotel industry is booming. Soon, Outrigger will be part of that growth.

It is hard to get exact statistics about hotel growth in China. The China National Tourism Administration publishes a list of those hotels officially rated in its star classification system. Hospitality consulting firm Horwath HTL estimates that from 1999 through 2008, star-rated hotels in China grew by 10,243 properties, an annual compounded growth rate of 15 percent. The four-star market grew by 28 percent and the five-star market by 21 percent.

A lot of this growth was related to the 2008 Olympic games and, perhaps, some can be attributed to the enormous China World Expo that opened in Shanghai last month.

But that is only part of the story, because star-ratings change, hotels move up or down the ranks and some hoteliers, particularly in budget properties, do not bother to get rated.

Another indication of China’s hotel growth comes from STR Global, which provides monthly reports on the number of hotel rooms under construction in all parts of the world. STR’s latest report (May 2010) revealed that China has 96,691 hotel rooms under construction, more than the U.S. (70,962), Europe (58,617) and the Middle East/Africa (71,707).

Regardless of the exact number, it is clear that China’s hotel boom is huge, particularly as compared to growth in other parts of the world, including the U.S. Horwath predicts the boom will continue for at least the next few years. This can be attributed to the fundamental strength of China’s economy and the development of infrastructure.

Relaxation of China’s internal travel restrictions has also been a factor. Damien Little, writing in Essential China Travel Trends reports, “Up until the late 1980s, Chinese nationals were required to possess an authorization letter from their company in order to stay in a hotel. A wedding certificate was required in order for a man and a woman to share a room.”

The world’s major hotel companies have taken advantage

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of the changes in China. A leader in this area is Marriott International. Its chairman, J.W. “Bill” Marriott, told the WTTC Travel & Tourism Summit in Beijing last month, “We’ll have 60 hotels in China by the end of the year, and we’re planning to double that number in the next five years. China is arguably the world’s most compelling tourism market today. Its buoyant tourism industry will host 2.1 billion domestic and international tourists this year, an increase of 12 percent over 2009. Within the next 10 years, China is expected to be the world’s single largest source of international tourism and its No. 1 travel destination.”

A new hot spot for China tourism is Hainan Island, situated in the South China Sea, just off the country’s south coast at the same latitude as Hawaii. The Philippines lie to the east and Vietnam to the west. Hainan offers gorgeous, pristine beaches, clear ocean waters and lush tropical rainforests.

Hainan is China’s largest “special economic zone,” which entitles it to preferential development policies. The Chinese government said earlier this year that it intends to build Hainan into a top international tourism destination by 2020 through a host of policies including improving infrastructure, encouraging the development of premium hotels and resorts, and extending visa-free privileges to more nations.

Outrigger will be active in the growth of China’s hotel industry, having signed a Hotel Management Agreement in October 2008 for the Outrigger Clearwater Bay Resort, which is scheduled to open in late 2013. This planned 500-room, five-star hotel is part of the 2,250-acre Clearwater Bay megaresort being developed by a joint venture consisting of Agile Property Holdings (a Hong Kong-listed developer) and Morgan Stanley. In addition to Outrigger’s hotel, there will be four other hotels (Raffles, Jumeirah, Hilton and J.W. Marriott), and the resort will also be home to three world-class golf courses, two yacht clubs, 40,000 residences, 6,000 villas and 16 million square feet of commercial space.

Outrigger has hotels open in Bali (O-CE-N by Outrigger) and Phuket, Thailand (Outrigger Laguna Phuket Resort and Villas), it has signed management contracts for another hotel in Bali (Outrigger Panorama Bali Resort and Spa) and the Outrigger Clearwater Bay Resort in Hainan, and it is continuing its efforts to grow in China and Southeast Asia. In addition, we are currently investigating projects in Thailand, Vietnam, India, the Maldives and Korea.

Clearly, China and Asia beckon, and Outrigger is reaching out.