

## **Middle class finds plenty of rooms at inns**

*Oliver Staley*

During a visit to Shanghai last month, Wang Zhiyong and his wife stayed at a Courtyard by Marriott, one of dozens of new hotels in the city.

"Three- and four-star hotels are affordable and quite accessible," Wang, a 36-year-old toy salesman from the northern Shanxi province, said during an interview at the hotel. He paid 900 yuan, or \$116, a night for his room in the financial district.

Since 2000, more than 35 hotels have opened in Shanghai alone, including the Courtyard where Wang stayed. The expansion into China, which has about 12,000 hotels, is part of a push by companies like Marriott International and Wyndham Worldwide to double the number of their rooms in Asia and take advantage of rising affluence and increased travel.

"You have a rapidly growing economy, an expanding middle class and investment in infrastructure that makes those markets a great opportunity," the Wyndham chief executive, Stephen Holmes, who made a five-day trip to India last month to discuss hotel deals, said during an interview.

China and India are the most attractive Asian markets, hotel executives say. China's gross domestic product expanded 10.4 percent in the fourth quarter, making the country the world's fastest-growing major economy. India's economy grew 8.6 percent, the second-fastest.

China already ranks among the top five countries in spending for business travel, according to the World Travel & Tourism Council, based in London. India, now 18th in business travel, probably will rank among the top five in 10 years, while China may vault to No. 2 in all travel and tourism spending from No. 6 at present, the council estimates. The United States is expected to remain No. 1.

"Every major international brand is geared to penetrate these markets," said Patrick Ford, president of Lodging Econometrics, a consulting company in Portsmouth, New Hampshire, referring to China and India.

Industrywide, 481 hotels are under construction or planned for China, and 198 in India, up from 316 and 161 last September, Lodging Econometrics estimates.

An additional 283 hotels are under development in the rest of Asia, with Indonesia, the Philippines and Vietnam drawing the most interest, Ford said.

Wyndham, based in Parsippany, New Jersey, franchises 11 hotels in India and has an agreement to open 10 more Ramada Inns in the country. In China, the company operates or franchises 84 hotels under brands like Days Inn, Super 8 and Howard Johnson. It expects to double the number of Super 8s to almost 90 in the next year.

Marriott's chains, including Ritz-Carlton and Renaissance, have 39 hotels in China and India, with an additional 27 planned.

Hilton Hotels has 13 full-service hotels in China and India and plans to double that number. The company, based in Beverly Hills, California, also plans to open another 75 in India through a joint venture, plus 25 Hilton Garden Inns, a lower-priced brand, in China.

InterContinental Hotels Group expects to about double its Holiday Inns in China, to 125, in the next 22 months.

The hotels' interest boils down to demographics, said Vasant Prabhu, chief financial officer of Starwood Hotels & Resorts Worldwide, based in White Plains, New York.

"If you thought Japanese travel in the '80s and '90s was big, can you imagine 300 million middle-class people in China?" Prabhu asked investors at a conference in Naples, Florida, last month. Those numbers come close to the population of the United States.

Increasingly, Prabhu said, the travel is within countries and regions.

"Ten years ago, two-thirds of hotel stays in China were from outside Asia," he said. "Today, two-thirds come from within Asia."

Starwood has 31 hotels in China and 18 in India.

The company plans to double its properties in China in the next two to three years, a spokeswoman, Nadeen Ayala, said.

In China, much of the development involves large luxury hotels in urban centers, with 68 percent of all new projects four- or five-star hotels, Ford said. An exception is Wyndham's economy Super 8 chain, which is benefiting from the Chinese belief that eight is a lucky number. "It's sort of a windfall for Wyndham," said Ford.

In India, the development is more evenly distributed. About half the projects are for mid-range and economy hotels that will cater to the growing number of software companies in the suburbs, Ford said.

One of the hurdles facing foreign hotel operators is finding real estate developers who can build hotels on time and within budget, said Amit Kapoor, an analyst at Gabelli, which owns shares of Starwood.

"Asia has a different regulatory environment, and they need partners who won't get caught in the bureaucracy," he said.

To surmount those obstacles, companies are opening Asian development offices, like Hilton's in Shanghai, New Delhi and Mumbai, and staffing them with knowledgeable locals.

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