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# Top Hotels Look to the Next Frontier

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LJIANG, China — Tourists from China's crowded coasts have long considered this city of 1.2 million in the Himalayan foothills to be a scenic getaway.

Its hotel choices are still predominantly low- and mid-range properties, but a few of the world's top luxury hotel brands are putting the final touches on properties here in hopes of attracting the country's growing ranks of extremely wealthy travelers.

As economic growth has slowed in Europe and the United States, Asian locations now dominate lists of the current and projected hot spots for luxury hotel and resort growth. And Asia-based planners from leading luxury hotel groups say China, the world's second-largest economy after the United States, is the top regional priority.

"There are several hot spots there because China is so massive," said David Spooner, vice president of sales and marketing at Banyan Tree Hotels & Resorts, which opened Lijiang's first international-standard luxury property in 2006. And, he added, the country's luxury sector is flourishing because "a growing market of Chinese travelers is much more sophisticated."

In April, 253 of the 458 branded luxury hotel projects under construction or in the final planning stages were in the Asia-Pacific region, according to STR Global, a hotel research company.

And of all such Asia-Pacific projects — branded and independent, and across all economic categories — 58 percent were in China, the company said.

China will not be the only driver of Asia's future luxury hotel growth. Top-end hotel brands say they are expanding in India's cities and southwestern region, and that there is considerable buzz about Sri Lanka and Myanmar, countries where, until recently, unrest and political issues had limited visits by international travelers.

"Myanmar, at least medium to long term, has the potential to be a top tourism destination that could rival Thailand," said Michel Van der Hoeven, senior vice president of projects and development at Anantara Hotels, Resorts & Spas, a luxury hotel group based in Bangkok with properties in Asia and the Middle East. "It has amazing culture, it has natural beauty, it has heritage — what's lacking there is good-quality properties."

The country has just two luxury hotels, both in Yangon: The Governor's Residence, an Orient-Express property, and The Strand, which is operated by Myanmar Hotels International, a joint

venture of the government's Tourism Ministry and Strand Hotels International.

But there are several high-end resorts in the central city of Bagan that could potentially qualify as luxury properties, said Jonas Ogren, Asia director at STR Global. And industry experts say the country's undeveloped islands offer immense potential, although construction is likely to be several years away at best.

They also say destinations in Bhutan and Laos are beginning to attract interest among luxury hotel groups, as are Seoul, Kuala Lumpur and undeveloped islands in Indonesia and the Philippines.

But the industry's primary focus is on China.

"China is obviously a key market for us," said Chris Hart, president of Asia-Pacific hotel operations at Four Seasons Hotels and Resorts. "I think eventually we will have as many hotels in China as we do in the United States."

The group, which manages 31 U.S. properties, now has five in mainland China, with a sixth to open this year in Shenzhen and another under construction in Tianjin, a city of 10 million southeast of Beijing.

Mr. Hart said the company, which is based in Canada, was expanding across China partly to expose its citizens to the brand and encourage them to stay in other Four Seasons properties.

The number of annual overseas trips by Chinese travelers has risen to 83 million last year from 10 million in 2000, according to the U.N. World Tourism Organization. And their 2012 spending on international tourism — \$102 billion — helped China overtake Germany to become the world's largest source of tourism spending.

"We want to be their first choice when they go on vacation, whether to the Maldives or to Paris or New York," Mr. Hart said.

While Beijing and Shanghai already have well-developed luxury hotel markets, they still can accommodate more growth — especially boutique properties with 80 to 150 rooms, said Damien Little, Asia director at Horwath HTL, an international hotel and tourism consulting firm.

Mr. Little said there are already luxury hotels in the coastal cities of Hangzhou and Suzhou, destinations that appeal to tourists with a picturesque lake and traditional gardens, respectively.

And some luxury brands — including Mandarin Oriental, Ritz-Carlton and Kempinski — are operating in Sanya, a tropical resort destination on Hainan Island in the South China Sea that has been developing for more than 20 years.

But when it comes to luxury and mid-range hotels, "much of China's development has been urban-

related, and Sanya's really the only significant leisure-slash-resort destination that's developed to any great scale in the last decade," Mr. Little said.

The lure of China's wealth now has major luxury brands wading into second-tier cities that are not typically regarded as tourist magnets. Ritz-Carlton, for example, is planning to open hotels soon in Tianjin as well as Chengdu, a city of 14 million in the southwestern province of Sichuan. And Fairmont and Kempinski will soon be established in Taiyuan, the capital of Shanxi, a northern province known for its coal mines.

Andrew Hirst, Asia operations manager at Mandarin Oriental, said luxury hotels in China's second-tier cities are beginning to cater to leisure travelers as well as those on business trips. As the economy grows, people are "getting wealthy and wanting to enjoy the better things in life," he said.

And China's scenic areas and hot springs are said to be promising destinations for luxury brands. Mr. Little of Horwath HTL said the southwestern provinces of Yunnan and Sichuan were the primary hot spots in that emerging market.

In Yunnan, Banyan Tree operates two resorts and is planning to open two more next year. Aman and St. Regis say they plan to open their first Lijiang locations in 2013 and 2014, respectively. Anantara opened in southern Yunnan in February.

When Banyan Tree Lijiang opened in 2006, about 80 percent to 90 percent of its guests were international tourists, but since 2008 more than 70 percent have been wealthy Chinese, many of them business executives and their relatives from the major coastal cities, said the hotel manager, Jeff Wang.

The resort, which includes 84 villas and 42 suites, lies inside a walled compound on the city's unassuming outskirts and was built mostly from stone. The interiors are decorated in bold reds and blacks — in keeping with the vernacular architecture of the Naxi, a local ethnic minority group.

On a recent Sunday evening, the grounds were quiet as Zhang Gang, a construction executive from Zhuhai, a city near Macau on China's southern coast, ordered mushroom soup at one of the resort's restaurants.

Mr. Zhang, 40, said he would much rather pay 18,365 renminbi, or \$3,000, per night for a Banyan Tree villa than stay in Lijiang's touristy Old Town and endure 4,290 renminbi-per-night hotels, which he said are cramped and noisy.

"They weren't my style, but here I feel at peace," he said in an empty dining room. The view was of an open-air pagoda framing the snow-capped peaks of Jade Dragon Snow Mountain, Lijiang's signature landscape feature.

Mr. Zhang said he expected the resort to prosper as the Chinese elite grow even wealthier, in part because Lijiang is an appealing destination for avid golfers like himself. His only complaint was that Banyan Tree has no locations in North America, where he owns a second home and often travels on business.