News
- Latest Hospitality News
- Newsletter Archive
- Global Staff Movements

Resources
- Global Hotelier's Mail
- Hoteliers' Forum
- Advertising Info & Media Kit

Directories
- Hospitality Recruitment
- Hotel Chains
- Associations
- Airlines
- Magazines & Books
- News & Media
- Marketing & Distribution
- Food & Beverage
- Culinary
- Wine
- Education & Training
- Consultants/Mgmt
- Conventions/Events
- Equipment/Supplies
- Technology
- Brokers/Investments

Cross border issues impact hotel developers in ASIA Pacific

Jul 07, 08 | 1:57 am

Historically in Asia, hotels were not built to be sold, but became the family jewel of private investment portfolios. The market is adjusting as institutional investors begin to own ever increasing market share. Valuation models are being created to enhance the understanding of hotels as assets; enabling transactions to occur because there are better understood ways of making them happen. However, transparency differs enormously across different markets. The greatest transparency is evident in Hong Kong, Singapore, Australia and Japan and the least transparency in Vietnam, India, Indonesia, China and Macau. "The increasing role hotel assets are playing among institutional portfolios has already made an impact on the industry in the form of accelerated product evolution and competitiveness. We may be looking at just at the beginning of this shift in Asia Pacific" commented Paul Kitamura, Guest Lecturer and panel moderator fo r the real estate finance and investment roundtable at the Cornell-Nanyang Institute for Hospitality Management .

Yet some Asian developers, such as Banyan Tree, thrive in and moreover prefer the opaque markets. "Largely because we are comfortable with the many hurdles one has to cross to get into those countries", said Paul Chong, VP of Business Development for Banyan Tree. Another reason developers are comfortable in opaque markets is that they can aggregate their investment equity where other competitors would find it a challenge simply to invest in those countries.

The macro view for Asia is very good and returns are opportunistic. In the past ten years, there has been a growth of over forty five per cent. Transactions have increased from USD 1 billion to USD 16 billion during this time. Asia has thirty five per cent of global cross border flows and regional flow is as high as fifty-four percent, according to a report by Jones Lang LaSalle Hotels.

The reason for this growth is that Asia is setting a benchmark for new products, at a higher standard

than other regions. When cross border investment occurs, knowledge transfers. Certain markets are more appealing than others because of the return on investment. Legislation in other markets has to change to capitalize on opportunities for foreign investment and the growing market for buyers and sellers. Other limitations to foreign investment include the politics of the country. For example, investment in Myanmar has stagnated because of the political environment.

About the Cornell-Nanyang Institute of Hospitality Management

The Cornell-Nanyang Institute of Hospitality Management (CNI) is jointly operated and governed by Cornell University 's School of Hotel Administration and Nanyang Technological University 's Business School . Located in Singapore , CNI is strategically positioned to develop leaders, managers and entrepreneurs for the Asian hospitality and tourism industry. CNI offers three hospitality education programs designed to alleviate the severe shortage of qualified talent that is currently plaguing the hospitality industry in Asia and the Middle East .

Equivalent to an MBA, the one year Master of Management in Hospitality (MMH) program prepares students to be theory-based, action-oriented leaders of executive management teams and entrepreneurial ventures in the hospitality and service industry. CNI MMH students spend six months at Cornell University in Ithaca , New York and six months at the Nanyang Technological University in Singapore , thus taking advantage of educational and networking opportunities in both Asia and North America in a single year.

The Professional Development Program (PDP) offers three-day courses that cover different aspects of hotel management . PDP teaches cutting-edge management techniques, presented by internationally recognized faculty members and industry leaders. Participants can earn Cornell certifications in F inancial Management, Food, Beverage, and Restaurant Management, General and Strategic Management, Human-Resource Management, Marketing, Operations Management and Property-Asset Management and Real Estate. CNI has hosted over 700 PDP participants from 30 countries in the last two years.

The General Managers Program (GMP) is designed for hotel general managers of full service hotels and their immediate successors. Participants in this 10-day program concentrate on strategic hospitality management issues, work collaboratively to expand the foundation of their knowledge, and produce new solutions to the challenges they face.

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