

## Shortage of rooms is sending hotel rates through the roof The Boston Globe

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As if the sagging dollar and soaring oil costs weren't enough to dent travel budgets, hotel room rates are expected to surge in the coming year. From New York to Asia, and just about every desirable destination in between, the prices of rooms - especially at hotels and resorts favored by luxury and business travelers - are expected to rise significantly, sometimes in the double digits, analysts say.

A shortage of rooms is to blame. "Supply is simply not keeping up with demand," said Jan D. Freitag, vice president for global development at Smith Travel Research in Nashville. "So hotels can - and do - command premiums for any rooms they can sell."

While the situation is acute in traditional high-cost cities such as New York - where room rates rose 15.4 percent last year to an average of \$320.87, according to a recent American Express report - some of the strongest gains are in Asia.

In India, an increasingly popular tourist destination, hotel room rates are up 48 percent this year nationwide and a whopping 69 percent in its commercial capital of Mumbai, according to a recent Smith Travel report. India has only about 100,000 hotel rooms nationwide, roughly the same number as in New York City, though India has seven or eight times the number of tourists. As a result, hotel rates in India will continue to grow in 2008. An increase of "up to 35 and even 40 percent in the coming year," would not be unrealistic, said Priscilla Campbell, an analyst for American Express Business Travel, "especially at upper-tier properties in major gateways such as New Delhi and Mumbai." In Mumbai, a long-awaited 231-room Four Seasons Hotel, in the vanguard of a hotel building boom that should help alleviate the shortage, opens later this winter.

Costs in China - not surprisingly - are expected to surge because of the Summer Olympic Games, both in their host city of Beijing and in other cities such as Shanghai and Hong Kong. Double-digit increases should be anticipated in these cities in 2008 - on top of increases in 2007 that reached nearly 15 percent in Hong Kong and between 5 percent and 7 percent in Shanghai and Beijing, according to Smith Travel. Rates are likely to stabilize somewhat later this year, thanks to a huge number of new rooms, including 14,000 in Beijing alone by summer. "There should be a post-Olympic lull," said Smith Travel's Freitag. He suggested looking for fall deals.

The rest of Asia is on the rise. Vietnam, for instance, is contending with circumstances similar to India's: surging interest from leisure and business travelers, a scarce supply of top-tier hotel rooms and new projects still years from completion. As a result, hotel rates were up some 40 percent last year, according to Smith Travel, while rooms in nearby Singapore rose 36 percent.

Even destinations rapidly adding capacity such as the Persian Gulf states are not immune to the rate surge, especially Dubai, where hotel rooms rose nearly 24 percent last year, Freitag said.

Deals will be harder to come by in many cities in the United States and Europe next year. As in Asia, major centers such as New York, London, and Paris are contending with tight supply amid soaring demand. Business and leisure travelers "are essentially competing with each other for whatever rooms are available," said Ms. Campbell. London, for instance,

had average occupancy rates that reached 80 percent last year, while New York hit just above 83 percent. As a result, hotel rates have risen dramatically: up almost 30 percent last year in London and Paris, and up between 15 percent and 21 percent in Rome, Toronto, and Los Angeles, according to Smith Travel.

Prices are expected to climb further in 2008 - especially at the luxury level - by between 5 and 8 percent in the United States and 12 to 14 percent in Europe, according to American Express. But at least in the United States, rates will begin to level out by the end of the year, Freitag said. "New construction is finally increasing," he said, "so we can look for some sort of price equilibrium." This year, 115,000 new hotel rooms are expected to be added to the United States market, according to PKF Hospitality Research in Atlanta, the largest increase since 2000.

Occupancy levels and room prices will continue to rise in New York next year far out of proportion to those of the rest of the United States. "New York operates in its own little universe," Freitag said. Still, the city is beginning to see new hotel growth. In December, the 45-room Duane Street Hotel opened in TriBeCa, with special opening rates starting under \$300.

Although they will be much harder to secure in 2008, savings will be available even in the highest-cost destinations for travelers willing to work for them. Henry H. Harteveltdt, travel analyst with Forrester Research in San Francisco, suggested opting for apartments instead of hotels for stays longer than four days or for small groups. "They are far more economical and can feel much more like home," said Harteveltdt, who suggested using websites such as [Condo.com](http://Condo.com) and [HomeAway.com](http://HomeAway.com). "This is something I actually did on a recent visit to New York."

City-center apartments offered by Sanctuary Villas & Apartments ([sanctuary-villas.com](http://sanctuary-villas.com)), which is based in Britain, demonstrate the value of apartments over hotels. Their three-bedroom Venice apartment sleeps six and will cost \$1,305 per night this year - just \$217.50 per person, substantially less than equivalent four- and five-star hotels. In Paris, their executive-friendly 8th and 16th Arrondissement apartments can be as little as \$615 per traveler a night, far below the roughly \$1,000 per night starting rate at the Four Seasons George V.

Another option - at least for leisure travelers - is to choose destinations where prices have remained low or at least offer more for their money, suggested Ken Fish, owner of the luxury service Absolute Travel. "Although costs have risen, Thailand is still a good value, both in Bangkok and in beach resorts," he said. Alternatively, trading lodge vacations in New Zealand and Australia for safaris in southern Africa is another way to better extend travel budgets.

For those who must travel to the priciest destinations such as New York or New Delhi, rest assured that relief is on the way, though not in the immediate future. India is in the midst of an ambitious plan to add some 75,000 hotel rooms before the end of the decade - nearly half in the luxury sector. And both London and New York should welcome new capacity in the coming years - the former in anticipation of the 2012 Olympic Games, the latter mostly in Brooklyn, where nearly 2,000 hotel rooms are to be built in its developing downtown in the next half decade.

"These places are prepping for additional supply," Campbell said. "So we can plan for some eventual easing for prices." ■

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