Hospitality industry grows with tourism

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investors' interest is growing outside the Klang Valley.

Resort properties in Penang such as the 350-room Ferringhi Beach Hotel was sold for RM43 million (or RM122,857 per room) and 96-room Midtown Hotel was transacted at RM12 million (or RM125,000 a room). Other examples include the 258-room Holiday Villa sold for RM55 million (or RM213,178 per room) in Langkawi; the 160-room Holiday Villa in Kedah was sold for RM31 million, and Kuantan's 100-room Holiday Villa was purchased for RM21.87 million.

Malaysian Association of Hotels (MAH) executive director Sarjit Singh *(pix)* believes that investors here are driven by the country's good climatic conditions. "They see the potential in opening hotels here as it is expected to perform better this year. With the government's growing emphasis on the Meetings Incentives Conferences Exhibitions market, participants of such conferences usually tend to bring their families and end up staying longer to do shopping and other tourist activities," Sarjit told *PropertyPlus*.

With the government's extension of Visit Malaysia Year (VMY) 2007 to Aug 31 this year, both Previndran and Sarjit are confident of tourism growth this year.

"As Malaysia is still very much perceived as a value-for-money destination, the growth in our tourism market is also driven by low-cost carriers like AirAsia. The 9/11 incident actually also benefitted us as there are more travellers to this side of the world as well. In fact, another boost for the industry is when the government allows for the open-sky policy," said Previndran.

Apart from tourist arrivals, Sarjit said that the length of time tourists spend in the hotels is also important.

"The number of room nights and the amount of money spent in the hotel are also important to the industry. The Tourism Ministry is beginning to lure tourists from niche markets, those with money and will stay at least a week, such as from Monte Carlo, Greece, Latin America and even Africa," said Sarjit, adding that Malaysia is well-known as a paradise of sales.

"The government's efforts to promote the country through the carnival sales have borne fruit and the extension of VMY 2007 to Aug 31. The government has spent a lot of money on VMY 2007 publicity and based from our members feedback, they are quite happy. Between the months of July and September last year, more people came, especially those from the Middle East, and occupancy levels were more than 90%," said Sarjit.

Some 20.7 million tourist arrivals were recorded last year while the shopping receipts amounted to RM45.7 billion, which is the second largest foreign exchange earner for the country. These numbers surpassed Tourism Malaysia's targets of 20.1 million visitors and foreign exchange earnings worth RM44.5 billion. The bulk of tourist arrivals were from Asian countries including Singapore, Thailand, Indonesia, Brunei, China, India and Japan.

Although tourists to Malaysia seem to be proximity-based, Previndran said that tourists from the Middle East and Emirates were the largest shopping spenders. "They spend about US$776 per day while tourists from India registered as the highest spenders in hotels," he added.

For 2008, the Ministry of Tourism have set higher targets for both tourist arrivals and shopping receipts, amounting to 22.5 million tourists and RM50 billion, an increase of five and two per cent respectively from the original expectations.

Incoming supply

Over the next three years, Klang Valley will see an addition of about 5,600 hotel rooms housed in less than 20 hotels with 4- and 5-star rating. Those that will be completed this year include Hotel Grand Mercure Putrajaya Lakeside (owned by the French-based Accor Group), Maytower Hotel Serviced Apartments (owned by Mayland Group), Royal Chulan Tower Hotel & Residence (owned by Boustead Group) and Gardens Hotel and Residences (owned by IGB Group).

According to MAH's latest data on upcoming hotels and rooms supply for the period between 2008 and 2010, those completed in 2009 would include Bluestone Group Malaysia's Rendezvous Hotel Kuala Lumpur and Sepang Goldcoast's Golden Palm Tree Resort & Spa in Sepang.

The data also revealed that a 400-room 5-star hotel would be completed in the Kuala Lumpur city centre area in 2010. More than 1,300 rooms would make up those from the other states throughout the period and there would be three Accor-owned hotels in East Malaysia.

From the latest leisure stock report for 3Q2007 obtained from the Valuation and Property Services Department's National Property Information Centre (Napic), there are 2,184 hotels in the country offering a total room supply of 151,014 rooms. The total comprised 1- to 5-star rated hotels at 26% (568 units with 99,532 rooms); orchid-rated hotels at 14.4% (315 units with 9,207 rooms) and unrated hotels at 59.5% (1,300 units with 42,227 rooms).

It also reported that the average occupancy rate of five-, four- and three-star hotels was well maintained at 65.4%, 60.8% and 62.6% respectively.

Future trends

Previndran feels that the country would soon be experiencing new hospitality trends that have been taking place on the international front. "For example, limited service and branded budget hotels [like the Tune brand] are very popular overseas and these are managed by well-known hotel brands including Holiday Inn and Marriott. Serviced apartments are also another type of limited service offering," he said, adding that the sector's growth would be in tandem with the growth of low-cost carriers.

Other trends that would benefit the local hospitality sector include spa resorts and Syariah-compliant hotels. "Foreigners will enjoy the spa-themed resorts which are considerably more affordable here. There is also a big market for ethnic-based hotels with Islamic architecture here, and in the Middle East there are about 26 Syariah-compliant hotels. Extreme sports-themed resorts and hotels which leverage on the abundance of nature in the country will also be popular here," said Previndran.

EDITOR AU FOONG YEE E-MAIL PROPERTYPLUS@THESUNDAILY.COM TEL 603-7787 9988 FAX 603-7787 9868

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PICTURES BY HARIS HASSAN AND LEE LAY KIN

Sales of (from left) Crown Princess KL, The Westin KL, and Sheraton Subang Hotel & Towers were concluded over the last two years.

Hospitality BOOST

Real estate consultants believe that the local hospitality sector would continue to expand in tandem with tourism and foreign investments growth.

by **Loo Pik Kwan**
propertyplus@thesundaily.com

AS the government continues to promote foreign direct investments into the country, a growing number of commercial properties' transactions led by foreign buyers can be seen particularly in the Klang Valley.

While these foreign investors, such as those from the Middle East and Hong Kong, have interests in office buildings and shopping centres, much growth has been seen in the number of hotel acquisitions too. It was reported that the country recorded hotel transactions worth about US$376 million (about RM1.2 billion) last year, or 3.5 % of the total US$10.8 billion (RM34.5 billion) made across Asia.

Global hotel investment services firm Jones Lang LaSalle Hotels said the Asian hotel market witnessed 83 major transactions, valued above US$5 million (about RM15.98 million) last year and that it was more than double the previous high of US$5 billion (RM15.98 billion) transacted in 2006. It attributed strong local economies and expanding leisure markets as the factors of Asia's well-performing hotel sector.

At the recent first Malaysian Property Summit 2008 organised by the Association of Valuers & Property Consultants in Private Practice Malaysia in Kuala Lumpur, real estate consultants expressed belief that the local hospitality sector would continue to enjoy more upside fuelled by tourism market growth and growing foreign investments.

According to data from Zerin Properties, foreign investments in

hotels grew by 64% to RM878 million in 2006 while the total investments by locals only amounted to RM153 million. Last year, 62% of the total value of hotel transactions which amounted to RM756 million were by foreigners.

Among the hotel transactions which have been over the last two years include the 571-room Crown Princess Kuala Lumpur which was transacted at RM240 million or RM420,315 per room, 100-room Grand Centrepoint for RM12.5 million or RM125,000 per room, and the 452-room The Westin Kuala Lumpur that was sold for RM455 million or a whopping RM1 million per room. In suburban Subang Jaya, the 502-room Sheraton Subang Hotel and Towers was sold for RM140 million or RM278,884 a room.

According to Zerin Properties CEO Previndran Singhe *(pix)*, hotel funds as well as foreign investment funds are the main drivers for hotel properties here. "Some hotspots for hospitality investments include city centre areas like KLCC, Penang and Johor Baru which has offerings that include hotels and serviced apartments ranging from high to mid-end," said Previndran, adding that the foreign

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