

Klang Valley hotel market still robust

Competition set to hot up as seven new hotels slated to open by mid-year join existing 181



by Laura Lee

THE number of hotels in the Klang Valley rose to 181 offering 52,332 rooms in the fourth quarter with the completion of two new ones with 547 rooms.

CBRE WTW

Research head of research and development Michael Chai tells *FocusM* the 347-room Cosmo Hotel Kuala Lumpur at Leboh Ampang opened on Dec 1, and the 200-room Somerset Damansara Uptown in Petaling Jaya on Dec 15.

The Asia Pacific Real Estate Market Outlook on Malaysia released by CBRE WTW last month expects the Klang Valley hotel market to be firm in view of the government's strong pro-tourism activities and growing tourist arrivals.

It is optimistic the international hotels will lift the overall tourism market and push existing hotels to improve their facilities and create better tourist experience.

"Room and occupancy rates remain stable but competitive with incoming hotel supply and alternative accommodation options such as Airbnb," the report adds.

Another 39 hotels

CBRE WTW estimates that by 2019, the Klang Valley may have another 39 hotels with 10,936 rooms. Among the additions and incoming brands are Kempinski, Jumeirah, Banyan Tree, Raffles and Four Seasons.

Four hotels initially scheduled to open in Q4 will start operating this year.

Chai says the 121-room Mercure Hotel @ Emerald Avenue Selayang in Kuala Lumpur was opened on Jan 12 and Mtree Hotel Puchong with 180 rooms will open on Feb 12.

The four-star Mercure Hotel is operated by the Accor Group, which claims to be Europe's largest hotel group. It is part of an integrated development in Prima Selayang, Batu Caves by Engtex Properties Sdn Bhd. It includes 22,296 sq m of retail space which is reportedly almost fully occupied.

The three-star Mtree Hotel Puchong, owned by JPS Holdings Sdn Bhd, was supposed to open in September. It has three food and beverage outlets as well as a rooftop swimming pool.

Chai says the 312-room Sofitel Hotel @ Damansara City is slated to open in May and Hilton Garden Inn by the middle of the year.

The 23-storey Sofitel Hotel is one of the components in the integrated mixed development by GuocoLand Malaysia Bhd that includes two Grade A office towers, two residential towers and a lifestyle mall.

The developer, which is part of the Singapore-based GuocoLand Ltd, the property investment arm of the Hong Leong Group, initially planned to bring in the Clermont brand for its hotel and residences. However, the company signed a landmark deal with Accor-Hotels in January last year to rebrand them under Sofitel, which is not new in Malaysia.

According to GuocoLand Malaysia's latest annual report, the Sofitel Hotel targets to attract corporate clients in surrounding areas, leisure travellers and the business event market.

Meanwhile, the US-based leading global lodging company Marriott International Inc recently announced that it had finalised a hotel management agreement with IB Tower Sdn Bhd to debut the 252-room Element Kuala Lumpur in April.

The seven new hotels are expected to add another 1,667 rooms by the first half of this year.

Investment activities

Despite the soft market conditions, the CBRE WTW report says hotel investment activities in the Klang Valley remained robust last year.

A significant transaction was the sale of Aloft Hotel at KL Sentral by Aseana Properties Ltd to Prosper Group Holding Ltd for RM418.7 mil.

The report notes that as of August, hotels in Kuala Lumpur posted 65% year-to-date occupancy, down 1.3% year-on-year (yoy) with average room rates (ARR) falling slightly to RM356, or down 3% yoy.

"Significant hotel completions in recent years coupled with the general economic slowdown had led to greater competition with hotels offering more attractive room rates to attract guests and maintain room rates," it adds.

Concorde Hotel Kuala Lumpur general manager Gary Lee tells *FocusM* that the city's corporate hotels had been badly impacted by the drop in crude oil prices and the performance of the oil and gas (O&G) sector the past two years.

With the city's dependence on the O&G sector, Lee claims that a number of hotels are not doing well as one would imagine. "We are vapourised!"

"If you want occupancy for your hotel, you have to drop rates. If you want food and beverage, you have to bear the rising costs. That is my philosophy," he says.

Conscious of cost control, Lee says the four-star Concorde Hotel was able to ride out the storm with an average occupancy of 75% last year, and will maintain its ARR at about RM275 this year.

"Our market segment comprises groups and leisure," he says, adding that the hotel also targets the bridal or wedding market.

"I also have to change my strategy to do low-yield business as low yield is

better than no yield," he admits.

Lee is grateful that the Concorde Hotel is an Asian brand and that its three owners from Singapore, Hong Kong and Malaysia are very understanding.

The hotel is under Concorde Hotels & Resorts, which is managed by HPL Hotels & Resorts, a hospitality management company and a subsidiary of Singapore public-listed company Hotel Properties Limited (HPL).

Royal link

The 60-year-old hotel is linked to Selangor Sultan Sharafuddin Idris Shah, entrepreneur Tan Sri Syed Yusof Syed Nasir and Ong Beng Seng, co-founder and managing director of HPL, which owns several Four Seasons properties globally.

On speculation last year that the owners were considering demolishing the hotel to unlock its prime land value

in the heart of Kuala Lumpur, Lee points out that the hotel spent RM1.5 mil to refurbish its Crossroads Lounge and renamed it Xroads Xpress in September.

Understandably, he says the owners want to lock in better plot ratio since the hotel has a 3.7 plot ratio while others enjoy a plot ratio of 14-16. "They have to lock in their assets. It is the owners' prerogative. We are only the workers. We just keep on working."

Lee says HPL group's Four Seasons Place Kuala Lumpur, a 65-storey mixed-use development, including a hotel, will open probably by the middle or the third quarter of next year.

Developed by Venus Assets Sdn Bhd, the project includes 242 Four Seasons private residences, 27 serviced apartments, a 209-key Four Seasons hotel and a five-floor, 27,900 sq m luxury retail podium.

Described as a boutique real estate development firm, Venus Assets is using the Four Seasons trademark and trade name under licence from Four Seasons Hotels and Resorts Asia Pacific Pte Ltd.

The principals of Venus Assets include Sultan Sharafuddin, Syed Yusof as director and shareholder, Ong and David Ban Song Long. Lee is confident that the Four Seasons branding will bring up the ARR in Kuala Lumpur. **FocusM**

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~ Lee



Four Seasons Hotel Kuala Lumpur is expected to open in the third quarter of this year



The Concorde Hotel Kuala Lumpur sits on prime land in the heart of the city