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BUSINESS was generally slower during the fourth quarter (Q4) of 2001 for the serviced apartment sector. As the sector came out of Q3 2001, which was a peak period, it experienced a significant drop in occupancy performance. For this particular quarter under review, the sector's performance was also affected by cautious business as well as leisure travel plans, a result of economic uncertainties and the Sept 11 incident.

Overall occupancy was lower by 10 percentage points in Q4 2001 compared to the previous period. This was attributed to the year-end season and the Sept 11 incident. The overall average unit rates (AUR) also registered a downward correction of about 11 per cent.

Operators noted a number of cancellations from business travellers in the wake of the Sept 11 attacks. There was, however, a notable increase in family-oriented leisure travellers from Singapore and Indonesia looking for serviced apartments. Prospects of this sector will inevitably hinge on the rate of recovery of the global economy.

Q4 2001's overall occupancy rate was at 63.2 per cent (3Q 2001: 77.4 per cent) for the quarter under review. Occupancy for Deluxe-class serviced apartments registered 61.4 per cent (3Q 2001: 77.2 per cent), while Business-class serviced apartments registered 65 per cent (3Q 2001: 77.5 per cent).

Comparing Q3's occupancy performance to this quarter, occupancy rates saw a drop of at least 10 percentage points while Deluxe and Business-class dropped by 15.8 per cent and 2.5 per cent respectively.

The sector did not experience any immediate or drastic 'pull out' of existing corporate guests from the serviced apartment sector. However, according to industry sources, some foreign business travellers have shortened their staying plans while those who are cautious about long-haul travelling have postponed their plans until a later date.

Leisure travellers have contributed, in part, to sustaining the sector's performance. The leisure segment in Q4 2001 was characterised by the school holidays and the festive season. Some Business-class serviced apartments witnessed a 10 to 35 per cent contribution from their leisure segment.

Compared to Q3 2001, Q4 saw more holiday travellers from within the Asean region, especially from Singapore and Indonesia who travelled together with their families. Due to current global socio-economic circumstances, leisure travelling plans that were once focused on traditional markets, such as the United States and parts of Europe, have been deferred.

Therefore, holiday trips are now more focused within the region where it is safer and more economical. The Ministry of Culture, Arts and Tourism's campaign in promoting Malaysia as a safe and 'Truly Asian' flavour did much to lend support to the hospitality market as a whole and serviced apartments have benefited from such promotional efforts by the Ministry.

Q4 also saw a significant drop in AUR. Deluxe-class units registered an average AUR of RM150 per night, a drop of about 11 per cent compared to the previous quarter. The same is also noted from Business-class units with an average AUR of RM122 per night, a drop of about four per cent from Q3.

The quarter saw the official launch of PNB Darby Park by Prime Minister Datuk Seri Dr Mahathir Mohamad. The property is sited on a 1.01-hectare

site valued at RM179.4 million. It is located along Jalan Binjai and overlooks the Kuala Lumpur City Centre.

The supply of purpose-built serviced apartments in Kuala Lumpur increased to 2,431 units in Q4, from the previous quarter's 2,275 units. The new entrant was Sri Tiara Kuala Lumpur, located along Jalan Taman Seputeh and which has a total of 156 units.

However, with the current economic situation, some projects, such as Chao Centre with 44 units and Monarch Marinara with 60 units, have been put on hold. Berjaya Times Square - Tower A and Tower B together total 1,000 units - is still under construction along with Westin Executive Residences KL (68 units) and Embassy Hotel & Serviced Apartments (88 units) which are still in the construction stages.

Therefore, this brings the future supply of serviced apartment to 1,156 units. These apartments that are coming on board are from the Business-class category.