

SERVICED APARTMENT SUMMIT ASIA

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Horwath HTL™

Above Eleven, Fraser Suites Bangkok

Serviced Apartments SWOT Analysis

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Strengths

- High profitability and simplified operation
- Reduced public space and development cost per key
- Less volatile demand with diversified business mix

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Weaknesses

- Traditionally, suitable for long stay corporate demand
- Limited ability to yield, fill in the vacancy in between tenants, and generate ancillary revenues
- Competition from condominium projects

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Opportunities

- Urbanization of emerging markets
- Penetrating new segments e.g. short-stay leisure and Bleisure segments
- Fixed income assets for property developers and investors

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Threats

- Maturing world economy, reducing corporate travel budget
- Slowing pace of FDIs and MNCs
- Competition among serviced apartment players and from Airbnb and hotel groups



Why Serviced Apartments?

Investor

- Focus on rooms department – highest profitability
- Diversify into a fixed income property
- Lower development cost per key than comparable hotels

Operator

- Address rising labor cost and shortage of skilled labor
- Operational flexibility
 - Lean F&B service
 - Outsourcing
 - Streamlined brand and service standards
- Long-stay volume base

Customer

- Larger living space, preferred location
- Economical choices (per head per day) for different ALOS
- Increasing appeal to leisure travelers, more lifestyle orientation



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AREA PROGRAMME COMPARISON				
	FOUR-STAR APARTHOTEL		FOUR-STAR BUSINESS HOTEL	
	Area Per Key (sqm)	Total (sqm)	Area Per Key (sqm)	Total (sqm)
Guest Rooms	14	7,700	16	8,000
Public Areas	4	1,000	6	1,000
Corridors	11	1,000	10	1,000
Back-of-House	4	100	6	1,000
Total	33	9,800	38	11,000
	No. of Keys 167		No. of Keys 160	

COST ESTIMATE COMPARISON				
	FOUR-STAR APARTHOTEL		FOUR-STAR BUSINESS HOTEL	
	£	\$/sqm	£	\$/sqm
Building	71.4m	0.60	74.4m	0.67
Fitted F&B	0.2m	0.00	0.2m	0.00
External Works	0.1m	0.00	0.1m	0.00
Professional Fees (10%)	0.1m	0.00	0.1m	0.00
Cost Per Key	100,000	0.60	100,000	0.63
Total		600.0m		618.0m
Notes:				
1. Includes VAT				
2. Includes F&B				
3. Includes F&B				
4. Includes F&B				
5. Includes F&B				
6. Includes F&B				
7. Includes F&B				
8. Includes F&B				
9. Includes F&B				
10. Includes F&B				

Cost per sqm – lower by 4%
due to lean operation

Cost per key – lower by 10%
due to modest kitchen and
public area



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IRR enhanced by higher profit per sqm and lower development cost per sqm



Horwath HTL Annual Survey Thailand (2017 Financial Year)

Bangkok (4.5 – 5 star)	Serviced Apartments	Hotels (THB3,000-5,000)	% Variance
Occupancy	88.6%	75.5%	13.1% points ▲
ADR (THB)	3,732	3,772	-1.1% ▼
RevPAR (THB)	3,307	2,848	16.1% ▲
Average Room Count	133	357	-62.7% ▼
Average Room Size (sqm)	84	47	78.7% ▲
Average GFA per Room (sqm)	143	123	16.3% ▲
Total Revenues per Room	1,218,246	1,790,049	-31.9% ▼
GOP per Room	639,985	591,627	8.2% ▲
GOP per sqm	4,475	4,810	-7.0% ▼
GOP Margin	52.5%	33.1%	19.4% points ▲



Where Serviced Apartments?

- Development restrictions – Not in hotel zoning
- Tight footprint, limited GFA
- Residential-led mixed use development
- Profound long-stay demand
 - Business district
 - Industrial park / business park
 - Expatriate community
 - Medical tourism
 - Retirement community
- Traditionally business-oriented, now attuned to bleisure also.
- Opportunities in leisure segments including families and room sharing demand
- Mainly mid to upscale price points (3 to 5 star)



Serviced Apartments Evolution



Serviced Apartments Evolution



Serviced Apartments Evolution



THE MAGIC THING ABOUT HOME
IS THAT IT FEELS GOOD TO
LEAVE, AND IT FEELS EVEN
BETTER TO COME BACK.

*thank
you*

A modern living room with large windows overlooking a city skyline. A person is sitting on a windowsill, and a woman and child are sitting on the floor. A blue sofa is in the foreground.