

## KLANG VALLEY HOSPITALITY MARKET 3Q 2010

The hospitality sector continued its momentum in third quarter 2010 as a result of growing domestic tourism and also regionalization of the tourism market. The hospitality sector endured good business throughout the period, fuelled by the increase in tourist arrivals. For the period of July to September 2010, a total of 6.37 million tourist arrivals were recorded which noted a 5.56% increase over similar period of 2009.

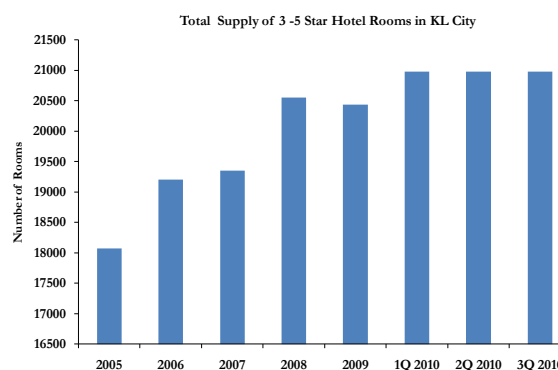
### Supply & Demand

As of September 2010, there are a total of approximately 36,443 hotel rooms in Klang Valley from which about 26,101 rooms or 71.62% are located within Kuala Lumpur City Centre and the remaining 28.38% (10,342 rooms) is located outside the Kuala Lumpur City. The current supply of 3-star, 4-star and 5-star hotel rooms in KL City stands at 4,380, 9,332 and 7,261 respectively. As for the Budget hotel, at present there are about 5,128 rooms within Kuala Lumpur City.

The 3Q2010 observed the re-entry of Crown Princess Hotel which has been renamed Doubletree by Hilton Kuala Lumpur after refurbishment, with a total of 540 rooms. There was no entry of new hotels recorded in this quarter.

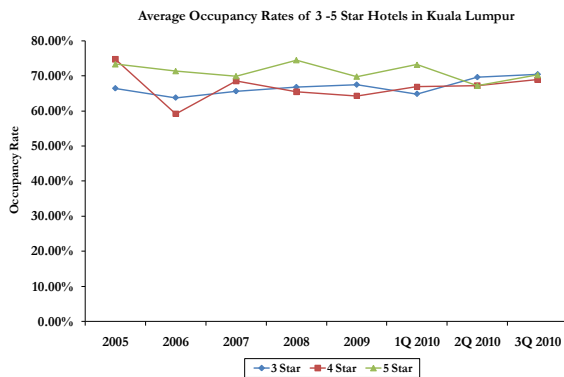
However, there are a handful of hotels scheduled for openings in year 2011. They are the 515-room 5-star Pullman Kuala Lumpur in Bangsar that will be the largest Accor's hotel in Southeast Asia, 300-room 4-star Royale Surian in Mutiara Damansara and 445-room 4-star Park Regis (formerly Rendezvous Hotel) at Taragon Puteri Kuala Lumpur which will be operated by StayWell Hospitality Group following the termination of the earlier agreement with Rendezvous Hotel Group. This marks StayWell's venture into the local hospitality sector.

In addition to the above, there are also few top hotel brands that will make entry into Kuala Lumpur. The hotels are 450-room 5-star Grand Hyatt Hotel at Jalan Pinang, Kuala Lumpur that is scheduled for completion in 2012, the 240-room Four Seasons Hotel in the KLCC vicinity that is scheduled for completion in 2013 and 200-room St.Regis which is to be launched in 2014.



Source: Zerin Properties Research

## Occupancy Rate

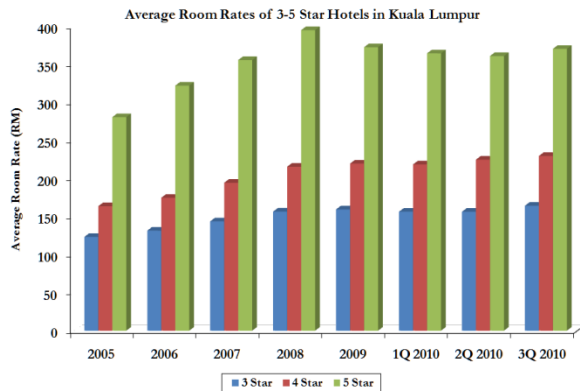


Source: ZerIn Properties Research

In 3Q2010, the overall occupancy rate of Klang Valley hotels was registered at 61.68%, slightly up from the corresponding period in 2009.

Occupancy for 5-star hotels during 3Q2010 was 70.24%, up from 64.00% during 3Q2009, while that for 4-star and 3-star properties were 69.00% and 70.44% respectively, up from 68.18% and 66.79% respectively during 3Q2009.

## Average Room Rate



Source: ZerIn Properties Research

The Average Room Rate (ARR) for 5-star hotels in Kuala Lumpur was recorded at RM370; representing a 4.52% increment from RM354 recorded in the corresponding period of 2009.

Meanwhile, ARR for 4 and 3-star hotels during 3Q2010 were RM230 and RM164, respectively. This compares to average room rates of RM216 for 4-star hotels and RM164 for 3-star hotels.

This shows that the average rates for 5-star and 4-star are on upward trend while the 3-star hotels maintained at the same rate.

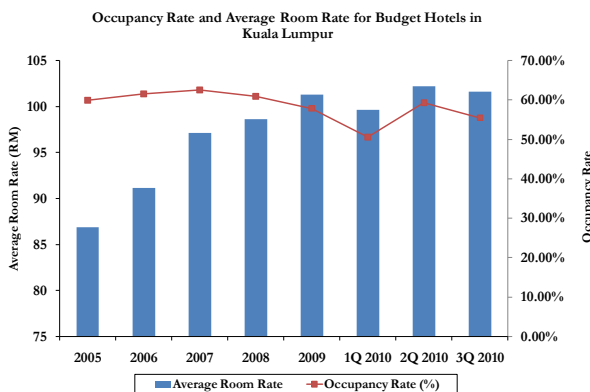
## Budget Hotel

As of end 3Q2010, there were 36 budget hotels with a total of 5,128 rooms in Kuala Lumpur. There was no completion of new hotels under this category during this particular quarter.

## Occupancy Rate & Average Room Rate

Occupancy for budget hotels in Kuala Lumpur during 3Q2010 was 55.50%, up from 54.68% during 3Q2009. This shows a slight increase in occupancy for budget hotels, indicating a stable business.

Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the third quarter of both 2010 and 2009.



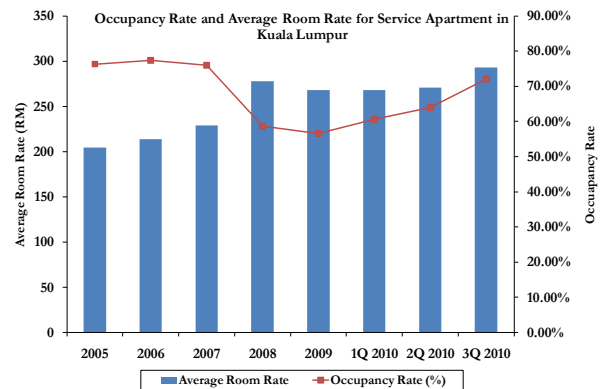
Source: Zerin Properties Research

## Serviced Apartments

At present, there are 26 service apartment properties with a total of 4,339 units in Kuala Lumpur. In future, it is expected the supply of service apartments in Kuala Lumpur to grow to a large extent as a number of new developments are in the pipeline.

There was only one new service apartment opened during the previous quarter. It was the 300-room Parkroyal Serviced Suites which is located at Bukit Bintang area in Kuala Lumpur.

## Occupancy Rate & Average Room Rate



Source: Zerin Properties Research

## **Outlook**

In general, the hospitality market in Kuala Lumpur performed well during 3Q2010 indicating a positive performance ahead.

The hospitality market for 4Q2010 looks promising with year end holidays and exodus from the winter countries.

The arrival of more prestigious brands to the local hospitality scene is believed will heighten the image of Kuala Lumpur City in to a preferable international destination. This will act as a great catalyst to perk up activities in the local hospitality market.