

KLANG VALLEY HOSPITALITY MARKET 3Q 2011

Malaysian hospitality sector, sustained its momentum throughout third quarter of 2011 despite a weaker performance of tourism industry due to many global issues. The Tourism Ministry is expecting a decrease in international arrivals this year from the initial target of 25 million as the industry had been affected by various factors such as floods, natural disasters and other economic factors. Minister Datuk Seri Dr Ng Yen Yen, nevertheless, stated that the domestic travel was not affected despite the floods in several states.

The Tourism Ministry is positive that it is possible to reach the mark of 24 million arrivals this year in tandem with the ministry's intensified efforts to ensure tourist arrivals to the country will remain constant in the coming years.

SUPPLY & DEMAND

As of September 2011, there were a total of 38,968 hotel rooms in Klang Valley, from which about 28,053 rooms or 72% are located within Kuala Lumpur City (KLC) and the remaining 28% (10,915 rooms) are located outside the Kuala Lumpur City (OKLC).

The current supply of 3-star, 4-star and 5-star hotel rooms in Klang Valley stands at 8,681, 12,661 and 11,724 respectively. As for the budget hotel, presently there are about 5,902 rooms within Kuala Lumpur City. There is an increase in our total supply of hotel rooms in this quarter due to addition of three new hotels namely 4-star Furama Bukit Bintang Hotel (previously known as Park Regis@Taragon Puteri), 3-star Flamingo Hotel (formerly Plaza Magnum) at Jalan Pudu, KL and the Tune Hotel at Kota Damansara.



Source: Zerin Properties Research

There were a number of hotels which was undergoing upgrading and expansion works during the third quarter of 2011 and there was also announcements on redevelopment and makeovers of some existing hotels. During the quarter, Grand Dorsett Subang Hotel was undergoing renovation works and it is scheduled to be completed by end of March 2012. The upgrading and expansion works of Impiana KLCC Hotel, on the hand, is expected to complete by 1 April 2012.

More recently, the hotel owners of Hotel Equatorial Kuala Lumpur made announcement that the hotel will undergo extreme makeover starting from 1 April 2012 in order to remain competitive in the market. The makeover will involve the closure of the hotel for a unknown period of time.

Meanwhile, Amanah Raya Hartanah is planning to refurbish Wisma Tas in Jalan Melaka. The building will be transformed into a 180-room 4-star hotel which will be managed by Bangkok-Based Compass Hospitality Group. The hotel will be operated under Citrus Hotel brand. Another new hotel to make its mark is the 7-storey boutique hotel, Le Cristal Blanc Bangsar at Jalan Maarof, Bangsar by Mammoth Empire Holdings Group.

During the third quarter, it was announced that Tradewinds Corp Bhd may demolish yet another building in the city centre to make way for a another development project after making headlines last year by announcing plans to demolish the Crowne Plaza

Mutiara Hotel and Kompleks Antarabangsa along Jalan Ismail to make way for a ‘multi-billion-ringgit’ mixed commercial development. This year, Tradewinds Corp Bhd had been granted a development order for the 20-year old Hotel Istana located at the corner of Jalan Raja Chulan and Jalan Sultan Ismail. Kuala Lumpur Mayor said both the Crowne Plaza and Hotel Istana will be demolished and will be replaced with two new accommodations.

PKNS and its subsidiary company, Worldwide Holdings Bhd, is redeveloping the PKNS Taman Keramat Flats in Jalan Jelatek. The RM1 billion mixed-development will comprise a 45-storey hotel and the whole project known as Datum Jelatek is targeted for completion in 2013.

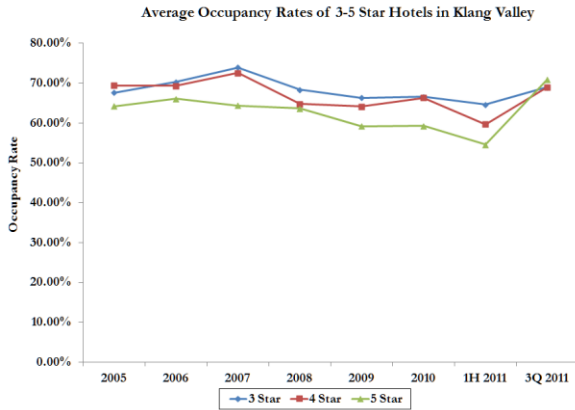
A number of new hotel projects are in different stage of development. The following table shows the anticipated future supply of hotels in Klang Valley.

Future Supply of Hotels in Klang Valley

NAME	LOCATION	RATING	NO. of ROOMS	EXPECTED COMPLETION DATE
KUALA LUMPUR CITY				
Pullman Kuala Lumpur Bangsar	Pantai Baharu, Bangsar	5	513	2012
Best Western Premier Dua Sentral	Jln Tun Sambanthan, KL	4	361	Q4 2011
Grand Hyatt Hotel	Jln Pinang, KL	5	450	2012
Majestic Hotel Kuala Lumpur	Jln Sultan Hishamuddin	N/A	Existing + 320 rooms (new)	2012
Lot G	KL Sentral	4	482	Oct-12
Vivatel	Jln Loke Yew, KL	4	260	End of 2012
Best Western Bangsar	Bangsar, KL	3	216	2013
Datum Jelatek	Jln Jelatek, Pusat Bdr Dato Keramat, KL	N/A	N/A	2013
All Seasons Hotel	C180, Jln Cheras Perdana, Cheras, KL	Business Hotel	N/A	2013
Holiday Villa Kuala Lumpur City Centre	Jalan Mayang, off Jalan Yap Kwan Seng, KL	4	203	2013
St Regis Hotel	Jln Travers, KL	6	208	01-Dec-14
The Infinity (Announced)	Sungai Besi, KL	4	N/A	2014
Arcoris Mon't Kiara	Jln Kiara, Mon't Kiara, KL	Boutique Hotel	275	2015
W Hotel	Jln Ampang, KL	6	150	2016
Platinum Park	Jln Binjai, KLCC	5	350	2016/2017
Lot 12, PJ Sentral Garden City	Section 52, Petaling Jaya	Business Hotel	N/A	2016
Banyan Tree Signatures Pavilion Kuala Lumpur	Jln Conlay, KL	N/A	50	2016
OUTSIDE KUALA LUMPUR CITY				
Royale Bintang, Damansara (formerly Royale Bintang Surian)	Mutiara Damansara	4	300	1Q 2012
Damansara City 2	Damansara Heights, Selangor	5	300	2014
The Olives Hotel	Subang Jaya	4	N/A	2012
Neo Damansara Phase 2	Damansara Perdana, Selangor	4	450	2012
Best Western Shah Alam	Shah Alam, Selangor	3	Under planning development	Q4 2012
Hilton Garden Inn@Millennia City	Puchong, Selangor	N/A	255	2013
D'Pulze	Persiaran Multimedia, Cyberjaya, Selangor	4	482	End of 2013
Movenpick Hotel & Convention Centre KLIA	Near to KL International Airport and F1 Sepang International Circuit (next to Sepang Holy Mosque)	N/A	333	Early 2014

Klang Valley Overall – 3 to 5 Star Hotels

Occupancy Rate

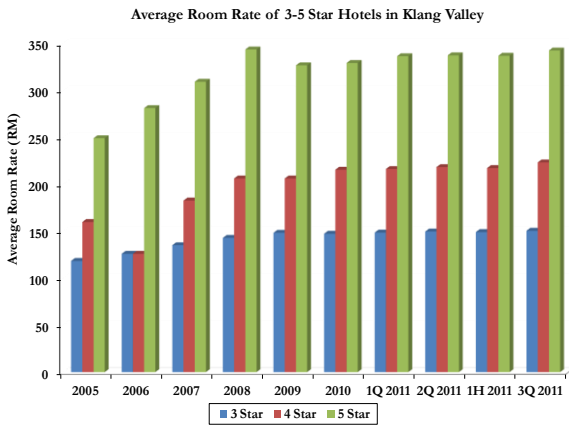


Source: ZerIn Properties Research

Occupancy for 5-star hotels in Klang Valley during 3Q 2011 was at 71%, higher from 55.49% that was recorded during previous quarter.

The occupancy rate of both 4-star and 3-star were at 69% during the 3Q 2011 which increased from the previous quarter. The 4-star occupancy rate was at 62.13% and 3-star was at 66.61% during 2Q 2011.

Average Room Rate



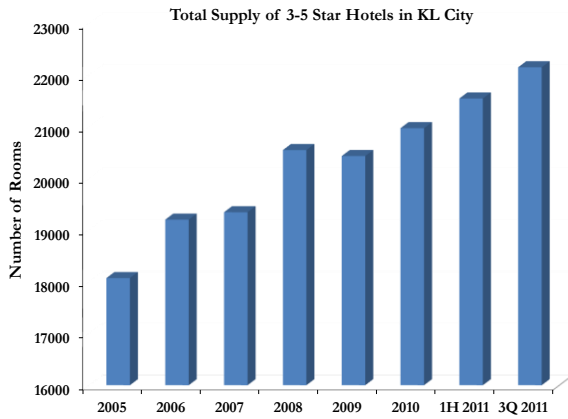
Source: ZerIn Properties Research

The average room rate (ARR) for 5-star hotels in Klang Valley was at RM343 in 3Q 2011 which is slightly higher than RM338 and RM330 that was recorded in previous quarter and 3Q 2010 respectively.

Meanwhile, the ARR for 4-star was at RM224 in 3Q 2011, slightly more than RM219 and RM216 that were recorded in 2Q 2011 and 3Q 2010 respectively. The ARR for 3-star hotels was at RM150, about the same rate during 2Q 2011 but higher than ARR in 3Q 2010 which was at RM147.

Kuala Lumpur - 3 to 5 Star Hotels

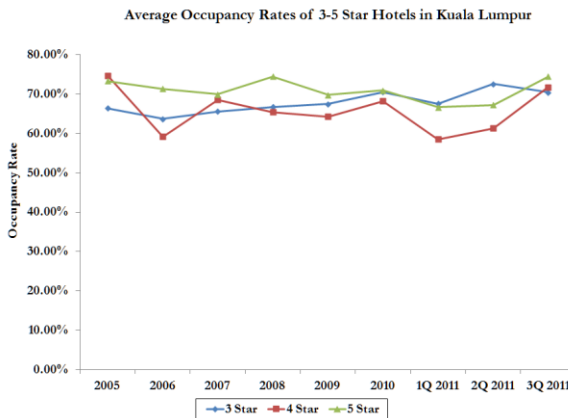
Supply



Source: Zerin Properties Research

As of September 2011, the total supply of 3 to 5 star hotel rooms in Kuala Lumpur stood at 22,151, of which about 7,261 rooms or 32.78% falls under 5-star category while 9,715 rooms belongs to the 4-star category. The remaining 23.36% or 5,175 rooms are the 3-star rooms.

Occupancy Rate

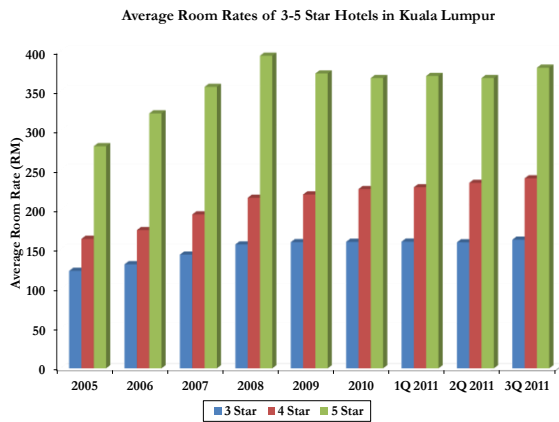


Source: Zerin Properties Research

The occupancy for 5-star hotels during 3Q 2011 was 74.46%, increased from 70.24% and 67.23% during 3Q 2010 and 2Q 2011 respectively. The 4-star hotels also followed the same trend whereby the occupancy rate increased to 71.79% from 61.33% in 2Q 2011 and 68.69% in 3Q 2010.

The 3-star segment declined to 70.48% in 3Q 2011 from 72.62% during previous quarter. However, it increased slightly from 70.44% that was recorded during the same period last year.

Average Room Rate



Source: Zerin Properties Research

Average room rates (ARR) for 3-star, 4-star and 5-star hotels in Kuala Lumpur during 3Q 2011 were RM162, RM240 and RM380 respectively. The average room rates for all the three segments recorded slight increment from the previous quarter whereby the ARR during 2Q 2011 for 3-star, 4-star and 5-star were at RM160, RM234 and RM366.

During 3Q 2010, average room rates for 3-star, 4-star and 5-star hotels were at RM164, RM230 and RM370 respectively. This indicates the rates grew year-on-year for both the 4-star and 5-star segment while the 3-star declined slightly by 1.22%.

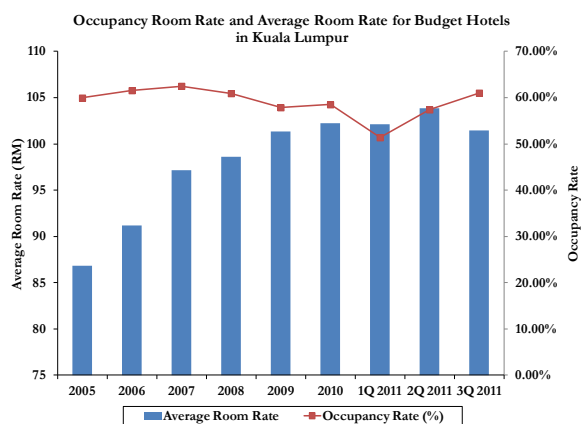
Overall, the performance of the 3-star and 5-star hotels in Kuala Lumpur during 3Q 2011 has improved when compared to the previous quarter.

Budget Hotel – Kuala Lumpur

As of 3Q 2011, the total supply of budget hotel rooms in Kuala Lumpur stood at 5,902. There was no completion of new hotels under this category during this particular period.

Occupancy Rate & Average Room Rate

Occupancy for budget hotels in Kuala Lumpur during 3Q 2011 improved from 57.41% in 2Q 2011 and 55.50% in 3Q 2010 to 61.03%. Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the third quarter of both 2011 and 2010 as well as in second quarter of 2011.



Source: ZerIn Properties Research

Serviced Apartment – Kuala Lumpur

At present, there are 27 service apartment properties with a total of 4,877 units in Kuala Lumpur. There was no service apartment that was completed during the second quarter of 2011.

The Ascott Group has four new serviced apartments scheduled to open in Malaysia with three of them located in Klang Valley. The properties to be opened are Citadines Uplands Kuching (opening in 2012), Ascott Sentral Kuala Lumpur (2013), Citadines D’Pulze Cyberjaya (2014) and Somerset Damansara Uptown Petaling Jaya (2016).

Meanwhile, YNH Property Berhad Group’s Kiara 163 (formerly known as D’Kiara Place) is a mixed-commercial development located at Mon’t Kiara, right next to Plaza Mon’t Kiara. The development will include two 4-storey block serviced apartment with 548 units which will be managed by Swiss-BelHotel Group and is targeted to be completed by December 2013.

Occupancy Rate & Average Room Rate

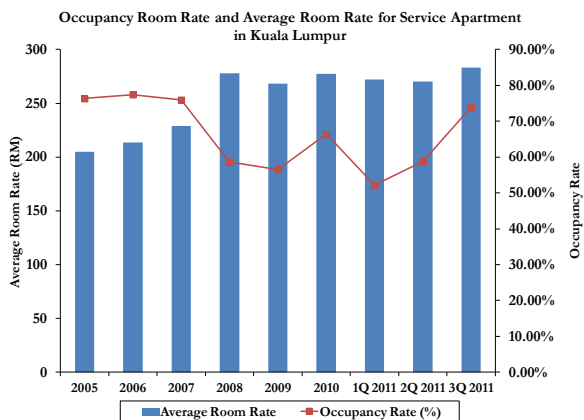
Occupancy for service apartments in Kuala Lumpur during 3Q 2011 was 73.94%, increased from 58.83% in 2Q 2011 and 72.07% in 3Q 2010.

Meanwhile, the average room rate (ARR) for service apartments was recorded at RM283 during 3Q 2011 increased from RM270 in 2Q 2011. However, it declined from RM293 that was recorded during the same period last year.

Outlook

Overall, the Klang Valley hospitality market sustained its performance during third quarter 2011 despite lower arrival of international tourists and natural disasters.

The last quarter of 2011 is expected to see better performance due to holiday seasons and as a result of increased efforts being implemented by the Tourism Ministry to propel the international tourist arrivals to reach the 24 million target.



Source: Zerin Properties Research