

## KLANG VALLEY HOSPITALITY MARKET 2Q 2012

Malaysian tourism and hospitality industry thrives as one of the major revenue generator and thus the industry has emerged as one of the key player in facilitating the country's economy growth as well as to accomplish the vision of being a high income nation.

Malaysia recorded 11.63 million tourist arrivals during the first six month of 2012, registering an overall growth of 2.4% as compared to 11.36 million arrivals during the similar period last year. ASEAN region remains as the largest contributor of tourists to Malaysia whereby it constitutes a whopping 73.4% percent of the total arrivals with Singapore alone contributing almost 50% to the total tourist arrivals.

Tourist receipts also recorded growth by 4% during the first half of 2012, thus generating RM26.8 billion to the country's revenue as compared to RM25.7 billion the previous year.

The Ministry of Tourism via the Malaysia Tourism Transformation Plan 2020 has set the target to achieve 36 million tourists and 168 billion in receipts by 2020 and in tandem with achieving the target, tourism ministry has recognised the need to emphasise on attracting the higher yield segment which would enable the growth of yield per tourist rather than relying heavily on the growth of tourist arrivals.

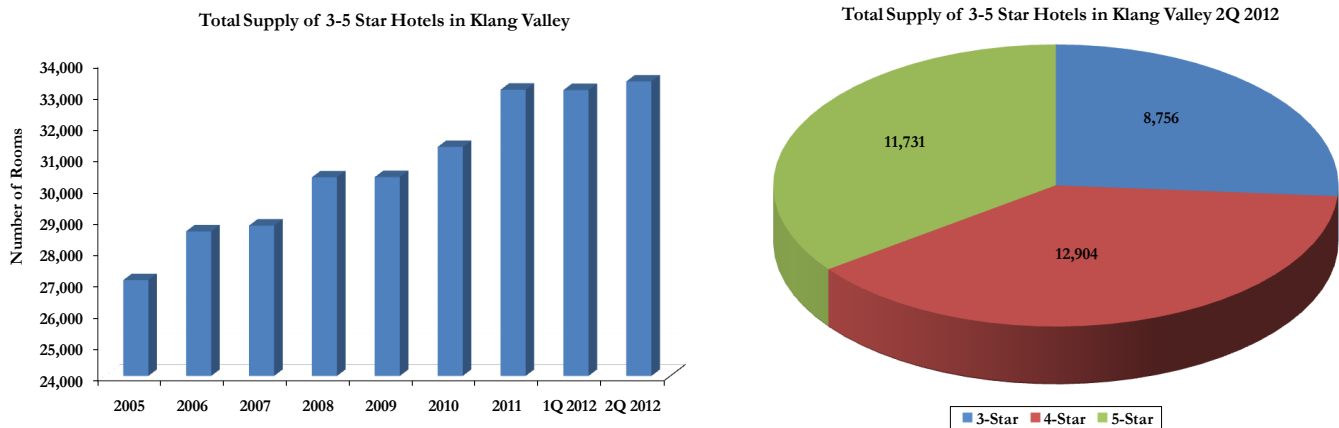
The tourism ministry, in the bid to attract the higher yield segment has acknowledged the call for better connectivity to key priority markets. Thus Tourism

Malaysia, for a start, has increased flight frequencies apart from developing an air-rights allocation framework to provide efficient development of the routes to 6 priority countries namely China, Japan, South Korea, India, Australia, Taiwan and aims to extend the same to other countries in the near future.

The Malaysian Convention and Exhibition Bureau (MYCEB) which was formed two years ago under the ETP programme to market, bid and secure the events to be held in Malaysia has proved to be successful in boosting the business tourism. During the first five months of 2012, MyCEB successfully secured 33 major events which attracted total delegates of 50,770 and generated an estimated economic impact of RM499.9 mil. Shrek the Musical and the Kids Golf World Championship Malaysia 2012 are among the events that were secured by MYCEB during the January to June 2012 period.

According to MyCEB general manager for international events, MYCEB is targeting RM900 million in revenue this year from international events such as sports, arts, culture and lifestyle.

## SUPPLY & DEMAND



Source: Zerin Properties Research

Malaysia is in need of more quality four and five star hotel rooms in the bid to attract high yield tourists. In a recent announcement, Ministry of Tourism stated that there are 59,804 four and five star hotel rooms currently available in Malaysia and by 2020 an additional 37,000 four and five star hotel rooms are required. The ministry is expecting to increase the supply of four and five star hotel rooms through the completion of 3,000 rooms during the year 2012 and at the present almost 71% of the target has been fulfilled through completion of 2,123 rooms under the four and five hotel segment thanks to the liberalisation of policies and lucrative tax incentives by the government.

As of June 2012, the total hotel rooms in Klang Valley stands at 39,375 following the opening of 362-rooms Best Western Premier Dua Sentral, completion of the 188-rooms extension of Impiana KLCC Hotel and also the closure of the 270-rooms Hotel Equatorial Kuala Lumpur during the second quarter of 2012 in order to make way for a new hotel which will be built in its place.

From the current total of 39,375 rooms, about 28,484 rooms or 72.34% are located within Kuala Lumpur (KL) and the remaining 27.66% (10,891 rooms) are located outside the city limits (OKLC).

The current supply of 3-star, 4-star and 5-star hotel rooms in Klang Valley stands at 8,756, 12,904 and 11,731 respectively. As for the budget hotel, presently there are about 5,984 rooms within Kuala Lumpur City.

During the second quarter of 2012, Grand Dorsett Subang Hotel completed the upgrading works and brandished the newly renovated rooms to its customers. Conversely, it was announced that the Crowne Plaza Mutiara KL hotel will cease operations on Jan 2, 2013. The hotel owned by Tradewinds and managed by Intercontinental Hotels Group (IHG) will be demolished to make way for new development called Tradewinds Centre which would comprise Grade A+ offices, retail offices and serviced apartments and is slated to be completed by 2020.

Intercontinental Hotels Group (IHG) in a joint statement with RB Capital during early 2012 stated that the former will manage Kuala Lumpur's first Holiday Inn Express which is to be built by RB Capital along Jalan Bukit Bintang. The hotel will comprise 200 rooms and will be located across iconic developments such as Lot 10, Pavilion KL and Starhill Gallery. The hotel is slated to open in 2015.

WCT Group announced that another 4-star Premier Hotel is in the pipeline which will be located next to the Paradigm Mall. It is to be noted that the group's first Premiere Hotel, a 250-rooms 4-star hotel located in Klang was opened in 2010.

There are a number of hotels that were expected to open this year which include the 412-room Grand Hyatt Kuala Lumpur, 500-room Ibis Styles Fraser Business Park Kuala Lumpur, 260-room Vivatel Hotel Kuala Lumpur and the revival of Majestic Hotel Kuala Lumpur together with the new 330-rooms annexe block.

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.

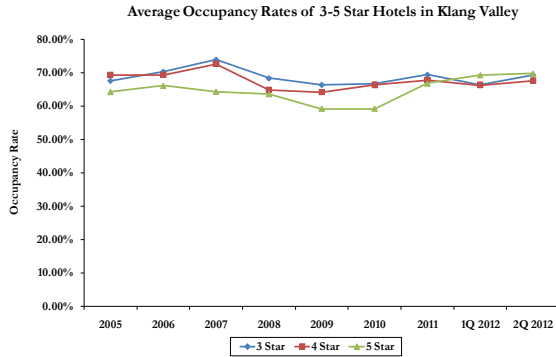
### *Future Supply of Hotels in Klang Valley*

NAME	LOCATION	RATING	EXPECTED COMPLETION DATE	NO. of ROOMS
<b>KUALA LUMPUR CITY</b>				
Ibis Styles Fraser Business Park	Off Jalan Tun Razak, KL	3	4Q 2012	500
Grand Hyatt Hotel	Jln Pinang, KL	5	Aug-12	450
Majestic Hotel Kuala Lumpur	Jln Sultan Hishamuddin	N/A	1-Dec-12	Existing + 320 rooms (new)
Vivatel	Jln Loke Yew, KL	4	Nov-12	260
<b>TOTAL SUPPLY (2012)</b>				<b>1,530 Rooms</b>
Pullman Kuala Lumpur Bangsar	Pantai Baharu, Bangsar	5	Early 2013	513
Aloft Hotel	KL Sentral	4	1Q 2013	482
Holiday Villa Kuala Lumpur City Centre	Jalan Mayang, off Jalan Yap Kwan Seng, KL	4	2013	203
<b>TOTAL SUPPLY (2013)</b>				<b>1,198 Rooms</b>
Best Western Bangsar	Bangsar, KL	3	1Q 2014	216
St Regis Hotel	Jln Travers, KL	6	End of 2014	208
Arcoris Mon't Kiara	Jln Kiara, Mon't Kiara, KL	Boutique Hotel	2015	275
Banyan Tree Signatures Pavilion Kuala Lumpur	Jln Conlay, KL	N/A	2015	50
Holiday Inn Express	Jln Bukit Bintang, KL	NA	2015	200
W Hotel	Jln Ampang, KL	6	2016	150
Platinum Park	Jln Binjai, KLCC	5	2016/2017	350
<b>TOTAL SUPPLY (POST 2013)</b>				<b>1,449 Rooms</b>
<b>TOTAL SUPPLY (KUALA LUMPUR CITY)</b>				<b>4,177 Rooms</b>
<b>OUTSIDE KUALA LUMPUR CITY</b>				
Royale Bintang, Damansara (formerly Royale Bintang Surian)	Mutiara Damansara	4	Jul-12	300
The Olives Hotel	Subang Jaya	4	4Q 2012	N/A
Ibis Styles Cheras	Cheras	3	3Q 2012	156
Best Western Shah Alam	Shah Alam, Selangor	3	Q4 2013	Under planning development
All Seasons Hotel	C180, Jln Cheras Perdana, Cheras, KL	Business Hotel	2013	156
MCT Hotel at Sky Park@One City	USJ 25, UEP Subang Jaya	4	2013	243
Novotel Klang Valley 1Gateway	Persiaran Raja Muda Musa, Klang	4	2013	187
Hilton Garden Inn@Millennia City	Puchong, Selangor	N/A	2013	255
Tune Hotel@DPulze	Persiaran Multimedia, Cyberjaya, Selangor	Budget Hotel	End of 2013	162
Damansara City 2	Damansara Heights, Selangor	5	2014	300
Movenpick Hotel & Convention Centre KLIA	Near to KL International Airport and F1 Sepang International Circuit (next to Sepang Holy Mosque)	N/A	Early 2014	333
Lot 12, PJ Sentral Garden City	Section 52, Petaling Jaya	Business Hotel	2016	N/A
Premiere Hotel	Kelana Jaya, Petaling Jaya (within the Paradigm Mall development)	4	N/A	N/A

Source: ZerIn Properties Research / Malaysian Association of Hotels (MAH)

# Klang Valley Overall – 3 to 5 Star Hotels

## Occupancy Rate

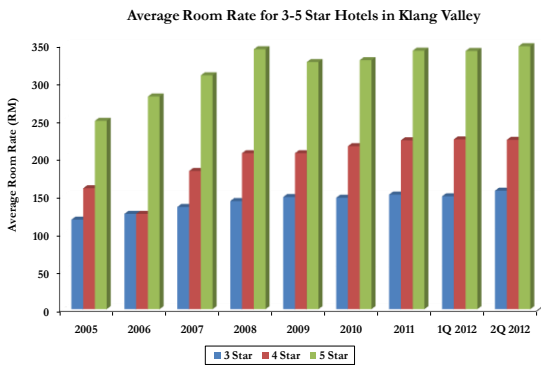


Source: ZerIn Properties Research

Occupancy for 5-star hotels in Klang Valley during 2Q 2012 was at 69.78%, increased from 69.33% that was recorded during previous quarter and 55.49% that was recorded during the corresponding period last year.

The occupancy rate of 4-star and 3-star hotels were at 67.62% and 69.35% respectively during the 2Q 2012 which increased from the 66.33% that was recorded for both 4-star and 3-star segments during previous quarter. Similar trend was noted for occupancy rate of the 4-star and 3-star hotels which improved from 62.13% and 66.61% respectively during the same period last year.

## Average Room Rate



Source: ZerIn Properties Research

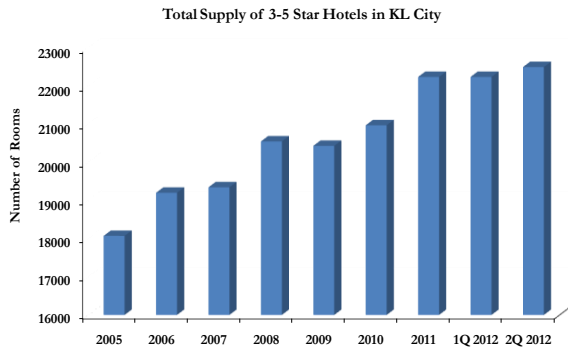
The average room rate (ARR) for 5-star hotels in Klang Valley was at RM348 in 2Q 2012 which is slightly higher than RM342 that was recorded in previous quarter and RM338 in 1Q 2011.

Meanwhile, the ARR during 2Q 2012 for 4-star remains at RM225 as previous quarter but improved from RM219 in 2Q 2011. The ARR for 3-star hotels was at RM157, increased from RM150 that was recorded during the previous quarter and 1Q 2011.

This indicates that the rates grew year-on-year for the 3-star, 4-star and 5-star segments by 4.67%, 2.74% and 2.96% respectively.

# Kuala Lumpur - 3 to 5 Star Hotels

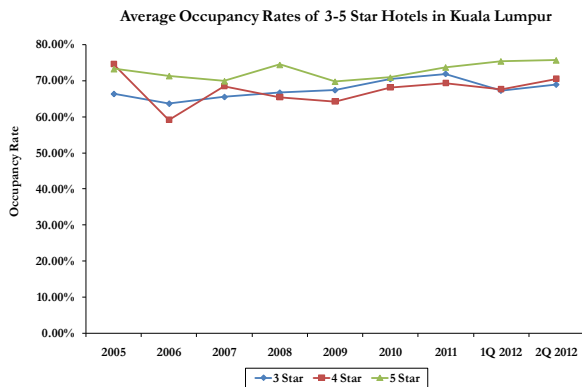
## Supply



Source: Zerin Properties Research

As of June 2012, the total supply of 3 to 5 star hotel rooms in Kuala Lumpur stood at 22,500, of which about 7,268 rooms or 32.30% falls under 5-star category while 10,001 rooms belongs to the 4-star category. The remaining 23.25% or 5,231 rooms are the 3-star rooms.

## Occupancy Rate

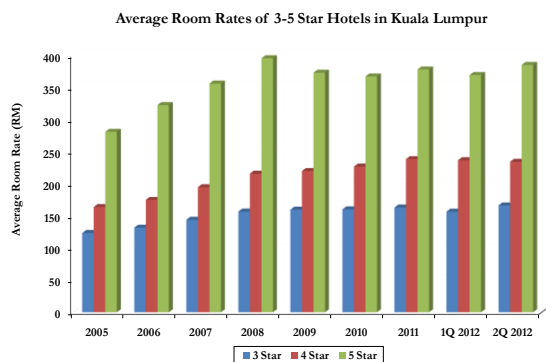


Source: Zerin Properties Research

The occupancy for 5-star hotels during 2Q 2012 was 75.80%, increased from 67.23% during the corresponding period last year and 75.51% during previous quarter. The 4-star hotels also followed the same trend whereby the occupancy rate increased to 70.69% from 67.77% during last quarter and 61.33% that was recorded during 1Q 2011.

The 3-star segment recorded 69% in the occupancy rate in 2Q 2012, increased slightly from 67.38% during previous quarter. However, it decreased from 72.62% that was recorded during the similar period in 2011.

## Average Room Rate



Source: Zerin Properties Research

Average room rates (ARR) for 3-star, 4-star and 5-star hotels in Kuala Lumpur during 2Q 2012 were at RM166, RM236 and RM384 respectively. The average room rates for all the segments (except 4-star segment) recorded increment from the previous quarter whereby the ARR during 1Q 2012 for 3-star and 5-star were at RM156 and RM367 respectively. The 4-star segment maintained the same rate as per the previous quarter.

During 2Q 2011, average room rates for 3-star, 4-star and 5-star hotels were at RM160, RM234 and RM366 respectively. This indicates the rates grew year-on-year for the 3-star segment by 3.75% and by 4.92% for 5-star segment but maintained about the same range for 4-star.

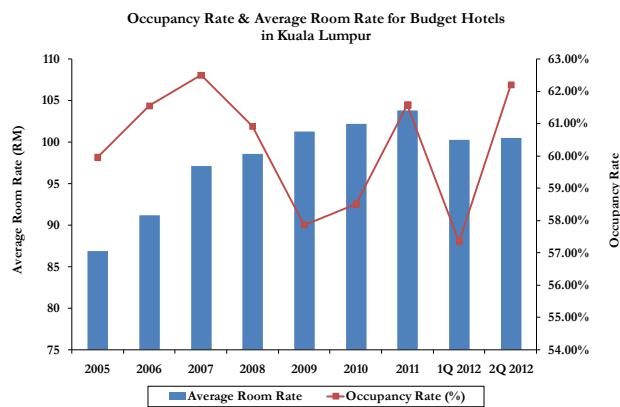
Overall, the performance of the 3-5 star hotels in Kuala Lumpur during 2Q 2012 has improved when compared to the previous quarter due to the summer holidays and also during the corresponding period in 2011, with the exception of the 3-star segment which declined slightly in occupancy rate during 2Q 2011.

## Budget Hotel – Kuala Lumpur

As of 2Q 2012, the total supply of budget hotel rooms in Kuala Lumpur stood at 5,984. 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 2Q 2012 improved from 57.35% that was recorded in 1Q 2012 and 57.41% in 2Q 2011 to 62.21%. Meanwhile the Average Room Rate (ARR) for budget hotels revolved around the range of RM100 during the second quarter of both 2012 and 2011 as well as in first quarter of 2012.



Source: ZerIn Properties Research

## Serviced Apartment – Kuala Lumpur

At present, there are 27 service apartment properties with a total of 4,925 units in Kuala Lumpur. There was no new addition of service apartment during the first quarter of 2012.

During the second quarter of 2012, UOA Development Bhd announced that it has engaged Frasers Hospitality Pte Ltd to manage ten premium floors of its 34-storey Camellia Services Suites in Bangsar South. Frasers Hospitality Group will manage the ten premium floors which will comprise 240 units including two exclusive rooftop levels equipped for recreational and business activities under a boutique hotel residence concept, namely Capri by Fraser. The development is expected to be completed by mid-2013.

The brand new apartment units of Fraser Place Kuala Lumpur are expected to be available by 3rd quarter 2012.

There are a number of new serviced apartments that are scheduled to come on stream in Klang Valley which include the St Mary Residences (3Q 2012) and the three new serviced apartments of the Ascott Group namely the Ascott Serviced Residences at KL Sentral (2013) and Citadines D’Pulze Cyberjaya (2014) and Somerset Damansara Uptown Petaling Jaya (2016).



## Occupancy Rate & Average Room Rate

Occupancy for service apartments in Kuala Lumpur during 2Q 2012 was 73.34%, increased from 67% in 1Q 2012 and 58.83% that was recorded during previous quarter.

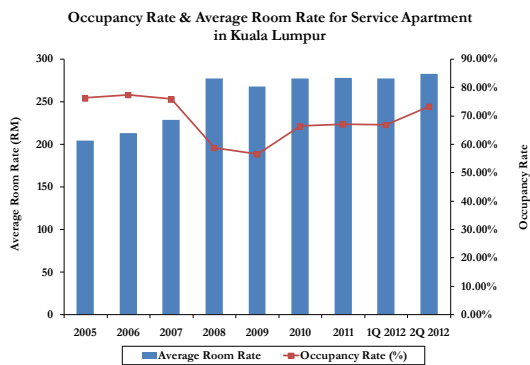
Meanwhile, the average room rate (ARR) for service apartments was recorded at RM283 during 2Q 2012 increased from RM277 in 1Q 2012 and RM270 that was recorded during the similar period last year.

As at June 2012, the notable Ascott Kuala Lumpur recorded an ARR of RM540 while the ARR for Garden Residences stood at RM433.

## Outlook

Overall, the Klang Valley hospitality sector was positively vibrant during the second quarter of 2012 with all the three hotel segments recorded improvement in terms of occupancy rate and room rates when compared to previous quarter as well as the corresponding period last year.

The opening of the 412-rooms Grand Hyatt Kuala Lumpur during the third quarter of 2012 is expected to further perk up activities in the local hospitality industry as it is anticipated to attract other leading international hotel brands to make their debut in Malaysia.



Source: ZerIn Properties Research