Serviced Apartments

HOME AWAY FROM HOME

Indian and international hotel chains are aggressively getting into the serviced apartments business, meeting the growing needs of business and leisure travel, says **Annamma Oommen.**

The concept of serviced apartments is fast catching up across India, as hospitality majors – both international and domestic – invest substantial amounts in promoting new projects.

When international executives began jetting into India in the first flush of liberalisation in the 1990s, promoting joint ventures, setting up their operations, or acquiring a stake in Indian firms, most of them had to stay at 5-star hotels, as the concept of serviced apartments had not taken off in the country.

Serviced apartments had their origin in the US in the 1950s; the objective was to offer a home away from home, not just a hotel room for the executive, but a comfortable living facility for him and, perhaps, even his family. The serviced apartment complex today includes studio units, or two or three bedroom facilities, furnished with all modern amenities including refrigerators, kitchenettes, microwave ovens, state-of-the-art entertainment facilities and the Internet.

They also provide gyms, conference rooms and party areas, besides full housekeeping facilities. This makes life comfortable for the executive, who can concentrate on work instead of focussing on domestic help, groceries, furniture, etc. The best part is that all these services are offered at prices 25 to 30 per cent lower than 5-star hotel tariffs.

The concept has now caught on in India, especially in cities such as Mumbai, Delhi, Bangalore, Hyderabad and Pune. Serviced apartments now offer services comparable to what a 5-star property offers to a growing number of expatriates and Indian executives relocating from

other cities.

India faces a significant shortfall of 5-star hotels. Hospitality industry estimates are that by next year, there could be a shortfall of 150,000 rooms in the 5-star category. This has resulted in 5-star properties becoming extremely expensive, with rooms in the three main cities – Mumbai, Delhi and Bangalore – averaging rates upwards of US$500 a day.

Some companies, such as Infosys Ltd, one of India's leading software firms, has invested in a 1,000-room hotel at its Bangalore campus, considering the acute shortfall of hotel rooms in the city.

In comparison, serviced apartments in these three cities offer accommodation at rates ranging from US$500 to US$2,500 a month for units ranging from 350 sq. ft. to sprawling, three-bedroom facilities. Not only are serviced apartments cheaper, they are even bigger.

However, it is not only about luxury. Cheaper mid- and lower-level service apartments too exist, especially on company premises where the firm develops the infrastructure and allows professional service companies to run them.

INTERNATIONAL MAJORS LAUNCH PREMIER SERVICED APARTMENTS

OAKWOOD Worldwide, a leading global temporary housing provider, opened Oakwood Premier Mumbai, its newest five-star premier property, comprising 62 serviced apartments, in India's financial and commercial capital in February 2009.

The company, with over 3,500 associates worldwide and nearly 23,000 apartments under its brand, operates three properties in India (including those in Bangalore and Pune) at present. It plans to have a portfolio of 11 properties by 2011, in places such as Chennai, Hyderabad, New Delhi and Thiruvananthapuram.

"Oakwood Premier Mumbai brings a new standard of luxury serviced apartments to the fashionable Juhu beach area, popular with Bollywood celebrities and elite travellers," says Frank Foster, vice-president, marketing & sales, Oakwood Asia Pacific. "The posh boutique property is designed in the style of a private European mansion complete with an ocean view restaurant, signature swimming pool and an exclusive fitness centre suitable for business and leisure travellers."

According to Supriya Malhtora, general manager, Oakwood Premier Mumbai: "The range of amenities, innovative facilities and personalised services give guests the opportunity to enjoy city living while relaxing in a private residence."

Another international major that has forayed into the Indian serviced apartment business is Shama Management Ltd (SML), a Hong Kong-based firm. Its first property in Bangalore, a 136-apartment complex is being developed by Harvest Hospitality and will commence operations later this year.

According to Bhupesh Yadav, chief operating officer, SML, the company aims to build a portfolio of 1,000 apartments in India over the next three to five years. Morgan Stanley Real Estate owns a majority stake in the company.

Anticipating a surge in the number of serviced apartments, the Federation of Hotel & Restaurant Association of India (FHRAI) is preparing for a grading and classification system for them.

According to Sunil Nayak, ceo, Radha Krishna Hospitality Services (RKHS), which services clients such as Dell Computers, TCS and HSBC, and offers about 1,000 apartments across India, the industry began taking off about five years ago, when 5-star hotel tariffs started climbing steeply. Nayak estimates the industry is growing by 15 to 20 per cent annually.

While Mumbai, Bangalore and Delhi have thousands of serviced apartments, the concept is now gradually spreading to places such as Chennai and Hyderabad. Says Tony Thomas, marketing manager, Star City, an 'apartment hotel' in Chennai: "People are now grasping the concept and advantages of service apartments. Initially, when we started two years ago, our clientele were mostly foreigners."

Serviced apartments are also becoming popular in tier-II cities and in tourist hubs. In Kochi, Kerala's commercial capital, many such facilities are being built, catering to both business and leisure travellers.

> With plenty of business and tourism opportunities, there is long-term demand for serviced apartments.

Families on holiday and staying in a particular location for a fortnight or more also prefer serviced apartments. Instead of staying in a cramped, 250-sq. ft. 5-star hotel room, they can live comfortably in a 750-sq. ft. apartment at a fraction of the cost.

Not surprisingly, many Gulf Arabs visiting Mumbai for a few weeks opt for serviced apartments these days. Likewise, business executives who visit India for a few months on temporary assignments prefer serviced apartments as they can bring their spouses and other family members.

Medical tourists also prefer staying at serviced apartments. The health tourist from the US, Europe, the Middle East, or Africa, who comes for a medical procedure lasting a month or two, is accompanied by family members. In some cases, the tourist has to stay back for a few more weeks after the operation for recuperation and a serviced apartment offers an ideal alternative to an expensive hotel.

In Delhi, the serviced apartments business has got a big boost because of the Commonwealth Games, which are to be held in the national capital next year. Prominent real estate development

companies such as DLF, Parsvnath, Ansals and the TDI Group, among others, are developing serviced apartment projects in the National Capital Region (NCR), which includes fast-growing hubs such as Gurgaon (in Haryana) and Noida and Greater Noida (in Uttar Pradesh). About 40 such projects are coming up in Noida and Greater Noida, according to real estate industry sources.

The Haryana government too is encouraging developers to put up about 50 such projects in Gurgaon, Sonepat and Manesar, all within easy reach of Delhi.

"The Commonwealth Games may just be a one-time event," says Pradeep Jain, chairman, Parsvnath Developers Ltd. "But with plenty of business and tourism opportunities in the region, there is sustainable long-term demand for good serviced apartments."

Global majors too are rushing in to get a piece of the action. Hospitality major Marriott International recently tied up with developer Nitesh Estates to develop three projects under the Marriott Residences brand in Goa and Bangalore. It has also tied up with real estate major Unitech for a similar project in Gurgaon.

The world's leading player in serviced apartments, Oakwood, has taken up its first project in the country in Bangalore. It is also developing properties in Pune, Bangalore, Mumbai and Chennai. Another international major, Starwood Hotels, has signed up with the Vatika Group for executing such projects in and around Gurgaon.

Other entrants include Four Seasons, Viceroy, Grand Hyatt residences, the Carlson Group, Shangri-La Hotels and Resorts and the European group Accor, among others.

Domestic players too are going all out to address this fast-emerging segment. Taj

DIVERSIFYING INTO TIER-II CITIES, LEISURE DESTINATIONS

Serviced apartments have been operating in Ahmedabad and other major cities of Gujarat for several years, catering to the needs of Gujarat-origin non-resident Indians (NRIs).

The vibrant hospitality segment is now expecting a boost with the Nano small-car project of Tata Motors coming up on the outskirts of Ahmedabad. The new plant is located about 25 km from Gujarat's commercial capital and developers are acquiring land along the Sarkhej-Gandhinagar and Ahmedabad-Sanand highways, with a view to building serviced apartment complexes.

They expect significant business from the new car plant, as an increasing number of company executives and component now prefer living in self-contained apartments with full service instead of at hotels. The new crop of serviced apartment complexes that are coming up in Ahmedabad offer state-of-the-art communications facilities, including Wi-Fi and broadband connectivity and direct-to-home television.

The apartments are relatively inexpensive, costing US$400 to US$800 a month, depending on the size. According to Vishal Dedhia, an executive at Space Management, Ahmedabad, business executives on temporary assignments also prefer serviced apartments as getting rental accommodation for singles is difficult, as many housing societies in the city have a policy of not entertaining single tenants.

Cities such as Ahmedabad are increasingly drawing the attention of promoters of serviced apartments. TravelOrg Holidays Pvt Ltd, which has set up a chain of fully-furnished serviced apartments across India under its Signature Crest brand, has targetted tier-II cities such as Indore and Pune.

"We tested the market in these two cities and then ventured into metros like Mumbai," remarks Venkatesh K, ceo, TravelOrg. "The demand has only risen and we have now diversified into leisure destinations like Shimla and Mussoorie."

TravelOrg has tied up with over 125 corporates, offering their executives accommodation at serviced apartments across India. "This industry has everything going for it," explains Venkatesh. In fact, Signature Crest now has a presence in 18 destinations across India and abroad and plans to add 10 more locations this year.

> People are now grasping the concept and advantages of service apartments.

Hotels, which already has serviced apartments in Mumbai, is now expanding to other cities including Delhi, Bangalore and Chennai. The Leela Group has developed 'high-end luxury residences,' in Delhi and Chennai. Other domestic players with a presence in this segment include the Royal Orchid hotel in Bangalore and the Brigade Group's Homestead Serviced Apartments located in the heart of Bangalore.

Akshay Kulkarni, hospitality director (South Asia) for Cushman & Wakefield, a leading international real estate consultancy, notes: "Serviced apartments have found favour as an offshoot of corporate needs and/or due to shortage of hotel rooms in most cities. In today's supply-shortage scenario, it seems like whatever one can build will get filled up, even if only through word of mouth."

However, over the medium-term he expects tariffs to fall by 15 to 20 per cent and unbranded complexes to be weeded out. This is because the investment already made in thousands of new hotel rooms all over the country will start to bear fruit over the next five years. "As the mismatch in inventory gets corrected and mid-market as well as budget hotels gain territory and share of the market, serviced apartments will become the last choice, since hotels are now looking to accommodate long-term stayers also," he avers.

But for the short-term, the serviced apartments segment will drive the hospitality sector in India, offering a lavish lifestyle for the busy executive in a strange city.