

Boutique niche in serviced flats

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Entrepreneurs Dinesh Nihalchand and Alex Bent recognized the buoyancy of the local serviced apartment market — and did something about it.

The pair, operating as Kush Living, plan to open three blocks of serviced apartments in West Mid-Levels on Bonham Road in early summer, providing up to 100 rooms.

With several years' experience running serviced apartments behind them, they successfully convinced investors to buy en bloc buildings.

Bent said: "Twenty individual apartments we are operating now are all rented out."

Nihalchand added: "The serviced apartment market is buoyed up by an increasing number of expatriates looking for short- to medium-term accommodation in Hong Kong, ranging from one to six months. Such demand supports a strong and healthy rental market."

Nihalchand, 32, previously worked in the financial services sector.

Simon Smith, Savill deputy managing director and head of research and consultancy, said overall occupancy levels in the serviced apartment sector exceeded 90 percent in the final quarter of 2006.

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ALEX BENT

"The booming financial services sector not only benefited the leasing market but also the serviced apartment segment with quite a number of project-based bankers and professionals drafted in," said Smith. Another factor was government policy which has brought increasing numbers of international exhibitions and conferences here.

Nihalchand said: "People love to come to Hong Kong and live here. Half a million expats now live in Hong Kong and there is a lack of serviced apartments."

Smith estimated that by the end of 2007 there will be 17,536 serviced apartments in Hong Kong, up 46.26 percent on last year, most of which will be in the Harbourfront Horizon Hotel and Harbourview Horizon Hotel. Some of those rooms are also likely to be used as hotel rooms.

Occupancy rates in serviced apartments in prime locations such as Four Seasons Place, the Atrium and Parkside are near 100 percent, according to Savill.

Bent, who is in his late 20s, said he and Nihalchand deliberately positioned their business away from the big developers.

He said that as a pair of younger developers they were aware of an accommodation need to service a younger clientele.

The older developers in Hong Kong "do very well," Bent said, "but we felt like we understand what these people, who are closer to our age, want."

The pair targeted young executives and business travelers aged between 25 and 40 from



Estimates are that by the end of 2007 there will be 17,536 serviced apartments in Hong Kong, up 46.26 percent on last year. Most of these will be at the Harbourview Horizon Hotel, above, and the Harbourfront Horizon Hotel, inset. SING TAO, AFP



multinational companies, law firms, and financial companies.

"Hong Kong has no real boutique players," Bent said. "If you go to big cities in the United States, the boutique hotels there are much hipper, stylier. They are more about lifestyle and will cater to individuals in a fashionable way."

Kush Living derives from the English word "cushy" meaning comfortable. "We want to create a lifestyle brand through design and service," Bent said. "You can't stay in a hotel for a month and even if you could it can be very impersonal. We don't want to be hotel-like and we will offer warmer, more comfortable places, tailored to young expats."

Boutique serviced apartments are usually conveniently located with trendy, cozy and contemporary themes, such as the apartments run by Kush Living. Nihalchand and Bent have looked to every detail in their room designs and offer fashionable lighting and modern, well-appointed bathrooms in their three blocks of serviced apartments.

As for prices, Nihalchand said: "We are more affordable than the five-star hotels, and prices will be in line with our competitors like Shama."

Shama, a boutique serviced apartment provider controlled by Morgan Stanley Real Estate Fund, is beefing up its portfolio in Hong Kong.

The company owns and operates six luxury boutique properties — all located in the prime commercial and residential districts of Causeway Bay, Central, Soho, Wan Chai and Mid-Levels. Another new project in North Point with 110 serviced apartments will open in late 2007.

The company will also soon have four new properties entering the market in the mainland.

The firm's initial China portfolio includes three properties in Shanghai and one in Beijing, coming on line in 2007 and 2008.

Shama's first mainland property, Shama Luxe at Xintiandi, Shanghai, started operation early this year, and features a 31-story tower with 100 apartments. The property sets a new benchmark for serviced apartments in the city.

Shama's first Beijing property is near the Workers' Stadium and will open its doors in the third quarter of this year. This property is owned by another Shama shareholder, The Gateway Fund.

Morgan Stanley Real Estate Fund acquired a majority stake in Shama through a management-led buyout in April last year.

With the launch of Four Seasons Place, the serviced apartment market in Hong Kong generally has repositioned itself toward smaller niche projects, either in the boutique or standard sub-segments, CB Richard Ellis said.

This repositioning is supported by a lack of suitable land and opportunity for new large-scale serviced suite projects in prime areas of the city on one hand, and a premier standard now benchmarked very high.

Given this, more sophisticated players will probably introduce new small serviced accommodation projects to the city, the consultant said. wendy.leung@singtaonewscorp.com