

DEVELOPER'S INSTINCT: SERVICED APARTMENTS

ALEX BENT and DINESH NIHALCHAND, founding partners of Kush Living, were introduced by mutual friends and were in business together within 24 hours. They purchased and last year opened three buildings west of Central – 255 Des Vouex Road West, 111 High Street and most recently 222 Hollywood Road – to fulfil their goal of creating 'cushy' serviced apartment living.

Business travellers have traditionally spent most of their time in hotels; however, serviced apartments – offering more comfort at reasonable long-stay rates – seem to have spread like wild fire in Hong Kong and the rest of Asia. As serviced apartment owners, how does your business compare to that of an hotelier in terms of overheads and return on investment?

Because we rent these apartments on a monthly basis we do need to turn them around nightly. This allows for a much more stable revenue stream and our operating expenses are about half that of a hotel. Hotels realise how successful this business model is, which is why large groups like Four Seasons have built 'residences' for long-term stays.

Having investors has allowed you to purchase the buildings in which you operate your serviced apartments. How has this added value to your business?

We have been fortunate to enjoy a partnership with one source of funding in the Gidwani family. The value added, in this case, is the benefit of enjoying a 'seamless' decision-making process between us and the investor group – from selecting acquisition targets to negotiating purchase prices and settling all legal considerations. Additionally, the Gidwanis have previous hotel investment experience in Australia and South America, so they have been able to share some 'lessons learned' with us and have offered certain perspectives on the subtle nuances surrounding hospitality, which has been helpful.

You have entered Sai Ying Pun with 111 High Street. Is this as an excellent area for investment in the short and/or long term? How dramatically do you foresee it gentrifying over the next couple of years?

With increasing rents in key locations on Hong Kong island, there has been a general movement west in commercial and residential property. Two years ago, Sheung Wan was seen as off the beaten track but rents there have now increased dramatically. We are

seeing the same movement now to Sai Ying Pun and with the MTR building a line there by 2012 there has been an increased interest by investors and end users in the past six months. We have also noticed a number of restaurants and cafes opening up in Sai Ying Pun, which is usually a good barometer for an improved financial sentiment in an area.

As investors of some experience in the market, would you consider obtaining a Hong Kong real estate licence?

We had previously considered obtaining an estate agent licence, which is quite easily achievable with the right amount of preparation and study. But in an effort to focus our energies on brand building and management, we decided not to. The licence would have certainly allowed us to generate transaction fees in the case of sourcing buyers and sellers and save in transaction fees when acquiring or selling our own properties, but the skill set and infrastructure required to enjoy long-term success for this sort of business model is very different from creating a boutique serviced apartment platform. Also, the estate agents in Hong Kong are quite clued in on the more active buyers and sellers with whom they have spent years cultivating relationships. If we opted to act as agents, this would consume a fair bit of time. There are a handful of agencies that do this work really well and we are quite happy acting as their clients.

How much time and energy do you invest in setting environmental standards in your buildings?

We have always been committed to environmentally responsible buildings. We are working with ISO14001 – the environmental grading system – to ensure that we are applying the highest environmental standards. In addition, clients get a recyclable shopping bag, toiletries are presented in special reusable containers, and light sensors throughout buildings save energy.



*BEST PIECE OF ADVICE

"We've been aggressive, but not foolishly aggressive. We haven't ever got ahead of ourselves."

Unfortunately, the Hong Kong government has not done anything proactive to incentivise recycling. But we are always tracking how we can improve our own standards. And we are really hands on, even when it comes to the maintenance of water heaters and air conditioning units!



Kush

Location 222 Hollywood Road, Sheung Wan • **Developer** Owned and managed by Kush Living • **Property type** 48 one-bedroom serviced apartments • **Size** Each flat is approximately 650 square feet • **Attractions** The boys at Kush aren't keen on cookie-cutter rooms; they opted for a sexy edge with their latest property: lustrous black or rich browns decorate each apartment while ample marble, glass sliding doors and colourful mood lighting create the desired ambiance. Value added features include B&O phones, a 42-inch plasma TV, Bose DVD entertainment system and Smeg appliances, including en suite washer and dryer. • **Price** Monthly rentals from \$35,000 to \$42,000. • **Contact** Call Natalie Wong on 2850 5866 or email natalie@kushliving.com • **Website** www.kushliving.com

👁️ Your neighbours are likely to be

Young overseas executives (25 to 40 years old) – the usual bunch of bankers, traders, lawyers and entrepreneurs.

❓ Not to be envied

Although the area is quickly gentrifying, nearby fish markets and their rubbish disposal may make unpleasant neighbours.

🔊 The buzz

Word has it the 222 property is testosterone heavy. Single women should take note . . .

The Harbourview Place

Location 1 Austin Road West, Kowloon • **Developer** Sun Hung Kai • **Property type** Located in the Cullinan II, one of the twin towers within the International Commerce Centre (ICC) complex, 266 serviced suites span the 50th to the 70th floor. • **Size** Ranging from studios at 464 square feet to palatial presidential suites at 3,270 square feet • **Attractions** Each suite is accompanied by the now standardised technological comforts of a home theatre system with iPod dock, wide-screen TV and personal safe. Additional provisions include access to a health club, lounge, guest relations team and around-the-clock multilingual concierge service to assist with 'settling into Hong Kong'. Residents also share a heated rooftop pool with the upcoming W hotel. However, the main attraction at the Harbourview Place is its proximity to ICC's financial offices such as Credit Suisse and Morgan Stanley. • **Price** Starting from \$60 per square foot, monthly rates range from \$29,000 to \$92,000. • **Contact** Call 3718 8000 or email enquiries@harbourviewplace.com • **Website** www.harbourviewplace.com

👁️ Your neighbours are likely to be

Bankers, bankers and more bankers.

❓ Not to be envied

How will all of these newly settled expats find their way back to 'the dark side'?

🔊 The buzz

The news that, for the lucky few, Friday hangovers can soon be relieved with a lunchtime nap has caused great

