



Apartments work for business

Apartment-style accommodation is growing fast in Australia, and corporates are responding. Accommodation expert **Pierre Joseph** advises on incorporating this option into a corporate travel policy.

THE RELATIVE GROWTH of the serviced apartment sector in Australia has definitely outpaced that of the hotel sector in recent years. According to the latest ABS figures, in the past five years, the number of serviced apartments has grown by 35.8% compared to an increase of only 7.3% for hotel rooms. Additionally, where five years ago the average room occupancy rate

for serviced apartments was more than 8.5% lower than that of hotels, this gap has since steadily narrowed. In fact, the ABS reported room occupancy figure of 69.9% for serviced apartments in the third quarter of 2004 has now nudged slightly ahead of the hotels' room occupancy of 69.3%.

However, there are still significantly fewer serviced apartments in total

than hotel rooms and the majority of these are not aimed at the corporate market. The development of coastal regions, in particular along the eastern Australian seaboard, has resulted in a large number of serviced apartments aimed squarely at the domestic leisure and international tourist markets. The holiday apartment developments on both the Gold Coast and Sunshine

Coast are prime examples of this segment. This increase in room stock, coupled with the introduction of two major low-cost airlines in the past five years, has resulted in the significant growth of short-haul domestic leisure business for serviced apartments.

Nevertheless, the popularity and availability of serviced apartment-style accommodation options for the corporate travel market has undeniably seen a marked increase within this same five-year period. There is now a wide range of serviced apartment providers in all major CBD areas across Australia. In a survey conducted for this article with some of the key players in the serviced apartment arena, including Quest (90 serviced apartment properties), Medina (20), Waldorf (20), Mirvac (16) and Pacific International (15), all reported an increase in the percentage of corporate room nights within their overall business mix during the last year. In addition, over 75% of the chains surveyed had further expansion plans for the coming year within Australia and New Zealand.

Whereas serviced apartments may previously have been mainly associated with long stays and relocations by the corporate travel sector, it is now becoming evident that apartment-style accommodation is predominately being used by corporate travellers for shorter business trips. The majority

of the serviced apartment chains surveyed reported an average length of stay of between two and four nights for the corporate market.

Driving growth

So what is driving this switch in short business trips from hotels and how does the serviced apartment product compare with the more traditional hotel product?

Generally speaking, the physical product standard of most serviced apartment properties (specifically those targeted at the corporate sector) is very high. This may be attributable to the fact that the majority of them are less than 10 years old and therefore have newer furnishings and fixtures and have also experienced less wear and tear.

Furthermore, serviced apartments, by definition, are able to offer considerably more space than a standard hotel room. Most travellers appreciate the comfort and convenience of having separate living and bedroom areas as it approximates the home environment more than a hotel bedroom as well as providing in-room space for small meetings or interviews. Feedback from the serviced apartment chains survey would suggest that this extra space is, in fact, the main reason for their popularity – not necessarily because this space is used for business purposes but quite simply because

their business travellers like to be able to “spread out and relax”. The other obvious main point of difference in physical product would be the inclusion of full kitchen and laundry facilities found in most (if not all) serviced apartments. Although kitchen and laundry facilities are often included in the list of those facilities most requested by corporate travellers, survey responses from the serviced apartment chains reveal that these facilities are, in fact, rarely used by corporate travellers on short stays.

Crucial to the rise in popularity of serviced apartments for business travel is that their product (including the extra space and cooking and laundry facilities) is often priced at levels similar to more traditional hotel rooms. This of course means that cost difference considerations do not automatically come in to play in the decision-making process between the two. In fact, particularly in the case of two bedroom/two bathroom apartments, it is likely to prove a cheaper option for two colleagues sharing than two separate hotel rooms without overly compromising personal space and privacy.

However, the reason serviced apartment providers are able to offer these extra facilities without a large price differential is by eliminating some of the high costs associated with more traditional business hotels. In simple

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| Serviced Apartments | 2000 | 2001 | 2002 | 2003* | 2004* |
|----------------------------|-------------|-------------|-------------|--------------|--------------|
| Number of rooms | 33,421 | 35,129 | 35,350 | 39,921 | 41,601 |
| Room occupancy rate | 58.1% | 57.3% | 58.7% | 68.3% | 69.9% |

| Hotels | 2000 | 2001 | 2002 | 2003* | 2004* |
|---------------------|-------------|-------------|-------------|--------------|--------------|
| Number of rooms | 76,783 | 78,574 | 77,516 | 77,914 | 78,777 |
| Room occupancy rate | 63.5% | 61.6% | 62.6% | 67.1% | 69.3% |

Source: ABS

** note: figures are at end Quarter 3, rest are full year*



Stamford Circular Quay



Somerset on Elizabeth

terms, by eliminating labour-intensive (and therefore high-cost) facilities such as a variety of food and beverage outlets and public areas, larger conferencing facilities and services like 24-hour reception and 24-hour room service, concierge desks, manned business centres and executive lounges, serviced apartment providers are able to keep their rates competitively priced.

It would be naïve to assume that there is no trade-off between space and service

when comparing serviced apartments with traditional hotels, particularly for the superior grades of hotels where the high levels and range of guest services provided are a fundamental part of the product offering. It is important to note, though, that some serviced apartment properties position themselves more as “apartment-style hotels” and include a more comparable set of traditional hotel services. Needless to say, these are invariably priced accordingly and may on

initial inspection appear uncompetitive but in reality would be similar in price to an executive or suite room category in a business hotel.

Travel Programme

So how can you successfully integrate serviced apartments into your corporate accommodation programme? Fundamentally by matching the specific needs of your travellers and company to the accommodation options available in the



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marketplace. There is a wide range of serviced apartments currently targeting the corporate travel market, therefore the best starting point to assess their suitability would be a simple set of questions:

- 1) **Check-in facilities:** Do they offer 24-hour reception and if not, what is the procedure for guests arriving outside their operating times? Does this match the requirements of your company's travellers?
- 2) **Food and beverage facilities:** Do your travellers require a variety of on-site restaurants and bars or are they happy to explore the options available in the immediate vicinity or to make use of the kitchen facilities in the serviced apartment? Do they require 24-hour room service? Do they offer a pantry shopping service if required?
- 3) **Location and parking:** Are the serviced apartments located near your travellers' primary place of business? If required, do they offer on-site parking? Is there a 24-hour convenience store nearby?
- 4) **Business facilities:** What do your travellers require to effectively carry out their business? Do they need in-room high speed internet access, suitable work desks and small meeting facilities on-site? Most serviced apartments will offer these as standard, however, if the requirements are more complex like secretarial services or audio-visual equipment support you may find that these are not available.
- 5) **Booking & reporting systems:** If you use a travel management company, are their booking systems compatible? If you book direct, are they easy to deal with and do they offer you accurate reporting if required?
- 6) **Other:** Not all serviced apartments offer a daily house-keeping service, so make sure you ask. Most serviced apartments offer a small on-site gym and/or pool if this is required. Traveller safety is an important concern, so security systems that match your company policy must be considered.

Certainly, the rise in popularity of serviced apartments for the corporate traveller shows no signs of abating any time soon. All the serviced apartment chains surveyed were forecasting an additional increase in the corporate travel sector for 2005. In essence, serviced apartments may be just as appropriate for business travel as traditional hotels – provided that the product they offer is suited to your travellers and your company travel policy.

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