

# Serviced apartment returns expected to outperform hotels

PUBLISHED: 13 Jun 2013 PRINT EDITION: 13 Jun 2013

Gift Article:  100



The demand for serviced apartments is being driven by the extended stay market. **Photo: Erin Jonasson**

## Matthew Cranston

Australia's serviced apartments sector is expected to rapidly outperform its hotel counterpart based on investment returns, a new report shows.

More than 90 per cent of operators in the [Global Serviced Apartments Industry Report](#) prepared by the Apartment Service Worldwide said demand for serviced apartments was increasing, compared with 77 per cent of operators in 2011.

The demand for serviced apartments in Australia is being driven by the extended stay market, which has grown by 30 per cent because more consultants are travelling to service customers.

The report, which draws on Atchison Consultants' data, notes investor returns of between 13 per cent and 15 per cent a year forecast for the serviced apartment market, compared with 10 per cent to 11 per cent for the hotel market.

Quest, the biggest serviced apartment operator in Australia, increased its supply in 2012 by 28 per cent.

It is followed by Oaks Hotels & Resorts, then the Mantra Group.

Quest Apartments chairman Paul Constantinou said the lower overheads for serviced apartments and the change in the way towns and cities were forming would contribute to better returns.

"In recent years, Australia has become decentralised; former regional towns are now regional cities, and the lack of accommodation in these areas is being addressed by serviced apartments rather than mainstream hotels," he said.

"Hotels will always kill us for experience but serviced apartments can deliver the privacy and space to allow - customers to get the job done."

However, report author Mark Harris said the region's serviced apartment sector was not entirely good.

"Global economic conditions are a major challenge for the sector due to banks' continuing reluctance to fund developments," Mr Harris said.

He said a decline in residential apartment sales presented a significant threat to industry growth.

The Australian Financial Review