

No-Frills Limited Service Hotels Launches in Asia

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Hong Leong Group Invests In No-Frills Limited Service Hotels With Istithmar And Tune Hotels.com

City e-Solutions Limited (CES), a member of the Hong Leong Group, is co-investing with Tune Hotels.Com and Istithmar PJSC, the investment arm of Dubai World, to develop and own a portfolio of 'no-frills' limited service hotels in key business and tourism destinations in ASEAN.

CES will take up 40% interest in Tune Hospitality Investments LLC ('THI'), a US\$50 million property investment fund dedicated to the development of around 30 'no-frills' limited service hotels in key cities across ASEAN. Istithmar Hotels FZE, a division of Istithmar PJSC, the investment arm of UAE-based Dubai World, will subscribe another 40% of the fund. The remaining 20% will be taken up by Tune Hotels.Com Limited who also is the developer and operator of the properties.

Tune Hotels.Com was created by Mr Tony Fernandes and Mr Kamarudin Meranun, the founders of Asia's #1 low-cost carrier, Air Asia. Tune Hotels.Com addresses the lack of affordable, quality accommodation in the ASEAN region. The Company also operates the only 'no-frills' hotel concept in Asia. The Tune business model utilises many efficiencies pioneered by low-cost carriers, including Internet-based reservations system, demand-based pricing, and outsourcing of non-core functions, amongst others. Each hotel has between 150 and 300 rooms.

The joint venture follows reports of strong tourist growth in the Asia Pacific. Recently, the Asia Pacific Tourism Forecasts 2007-2009 predicted tourist arrivals to the Asia-Pacific region contributing US\$110 billion (S\$167 billion) in economic activity over the next three years.

Mr Vincent Yeo, Chief Executive Officer of CES said: 'With low-cost carriers making air travel affordable and accessible to everyone, there has been a correspondingly strong demand for affordable and quality hotel accommodation to meet the needs of such economy travellers who are comfortable with prepaid, online bookings.

'This branded limited service concept presents a great opportunity for the Group to tap into the value-based tourism boom and to own a portfolio of limited service hotels in strategic locations. This is an important deal for the region and will bring an exciting new model to the market. Compared to North America and Europe, there has been gross under-investment in 3-star and below product in Asia. This under-investment creates an opportunity for us to deliver a quality product to the public and also generate attractive financial returns. We are delighted to be part of this venture,' Mr Yeo added.

The first Tune Hotel opened on 27th April in Kuala Lumpur, Malaysia and has been enjoying 91% occupancy.

More Tune Hotels are on track to be opened over the next few years in key Malaysian cities such as Penang, Johor Bahru, Kuching and Kota Kinabalu. Tune Hospitality Investments plans to open an additional 30 properties over the next three years in Malaysia, Indonesia, Thailand, the Philippines and Singapore. The venture will focus on destinations served by the region's rapidly growing low-cost carriers.

Founder of Air Asia, Mr Fernandes said: 'Our passengers can travel between Asia's major cities at incredibly competitive prices - but they are stuck having to pay 'with-frills' prices for hotels when they get there. That's why we came up with the concept of Tune Hotels.Com. With Istithmar and CES, we have the financial firepower and technical expertise to take the Tune experience to value-conscious consumers across Asia.'

Joe Sita, Chief Executive Officer of Istithmar Hotels FZE said: 'We have always been seeking out unique investment opportunities in the hospitality industry. And by leveraging on our partners' expertise, we expect that such investment will present significant and promising growth in the near future.'

Richard Johnson, Managing Director of Istithmar Real Estate, a division of Istithmar PJSC, said: 'The hotels sector is crying out for clean, safe branded budget accommodation in major cities. The Tune Hotels.com brand will deliver that need in destinations across Asia. Customers can be sure of a quality 'sleep and shower' experience in a clean and safe environment, and can then choose which other items they want to top up on. It's a really exciting model and we're looking forward to rolling it out across the region.'

Key elements of a Tune Hotel include a standard branded 5-star King Koil(R) bed with 250 thread-count deluxe duvet, electronic key card entry system and power shower in the ensuite bathroom in each guestroom. Within the hotel, there is a 24-hour convenience store, a branded food and beverage outlet, free Internet room, on-site 24-hour guarded security and extensive CCTV coverage in the property. The convenience store and food outlet are both outsourced. Certain items such as towels and bathroom amenities are available for a small additional charge. Average room rates are approximately US\$15++ but customers who book in advance online at www.tunehotels.com enjoy rates as low as USD\$3++.

Singapore-listed property group, City Developments Limited (CDL) holds has a 52% stake in City e-Solutions. Both are part of the Hong Leong Group. Hong Kong-listed City e-Solutions (CES) operates hospitality-related businesses for the Group mainly based out of Denver, Colorado in the US.

Istithmar PJSC is the investment company of Dubai World. It is 100 per cent owned by Dubai World, which is in turn wholly owned by the Government of Dubai. It has an investment portfolio which includes more than 50 successful companies. The real estate business aims to acquire and manage a distinguished and diversified portfolio of properties in commercial property, hotels and resorts, the leisure sector and in retail. Existing investments include Kerzner Group, International Hotel Investments, Mandarin Oriental in New York, The Adelphi in London, Jumeirah Golf Estates, the QE2, Cape Town's V&A Waterfront and Pearl Valley Signature Golf Estate and Spa.

Dubai World is the holding company which manages and supervises a portfolio of businesses and projects for the Dubai Government, working towards making Dubai the leading hub for trade and commerce. Dubai World has more than 50,000 employees in more than 100 cities around the world and its companies include DP World, P&O, Nakheel, Istithmar PJSC, Inchcape Shipping Services and Tejari.

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