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Why consider serviced apartment investments?

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The needs of business and leisure travellers are constantly evolving. Is the serviced apartment accommodating them?

Serviced apartments are a relatively recent phenomenon. They are fully furnished flats that have similar amenities to hotel rooms and can be used for either short-term or longer-term stays, offering a more home-from-home type experience. Benefits of staying in a serviced apartment over a hotel room include more privacy, flexibility, and space (serviced apartments are on average 30% larger than hotel rooms). These benefits also come at a reduced cost, as according to The Apartment Service, serviced apartments are 15-30% cheaper than the average hotel room.

The increasing popularity of the serviced apartment

In recent years, the serviced apartment – a subsector of the hospitality industry – has grown more than any other temporary accommodation class in Europe. This can in part be attributed to globalisation and the needs for workers to travel more frequently to offices located out of town, and companies looking for less expensive ways to accommodate them, and the changing requirements of the modern family.

Consequently, more people are using serviced apartments. The evidence of their popularity lies in occupancy rates. Serviced apartments in the UK averaged an 81% occupancy rate in 2016, and outperformed hotel rooms which stood at 77.2%. Amongst businesses, their usage is also increasing. According to a recent survey carried out by the Business Travel Show in November 2016, four in ten corporate buyers have reported that they would have used serviced apartments more by the end of 2016 than they did in 2015.

How does the serviced apartment stack up as an investment?



Investors considering serviced apartment investments will be enthused by the sector's fundamentals. Investors should be considering buildings with high quality facilities in prime central locations. Keeping in mind that the people who will use the apartments will be either business or leisure travellers (or a combination of both), they will require easy access to transport links and the area's attractions and amenities. Due to stays being generally longer (research has shown that 91% of stays are of 14 nights+), residents will be reassured of a more stable income as their apartment will be occupied for a definite period.

The longer than average duration of stay, coupled with lower running costs, means that serviced apartments generally achieve higher net operating incomes compared to traditional hotels. This helps to allay the worries of individuals considering hotel room investments but are concerned about the possibility of gaps in occupancy.

Liverpool's credentials complement the serviced apartment industry perfectly. The city boasts not only a booming tourism industry but also a growing economy - home to the largest proportion of fast growing new businesses in the country. A report on the hotel industry in 2017 by PwC also identified Liverpool as a place that will experience growth in terms of revenue achieved per room, indicating an increased demand and willingness to spend more in the city.

These factors ensure that there will be a sustained requirement for the apartments from tourists and business travellers alike.