



Mr Tan says that the group would continue to focus on Australia and New Zealand for acquisition opportunities. The group also hopes to find investment properties in Singapore. PHOTO: SHAWN TEO

Hotel Grand Central profit surges on Little India, NZ divestments

Group set to open new hotel behind Orchard Road on Monday; adjacent hotel slated for August opening

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HOTEL Grand Central, which posted on Thursday a surge in first-quarter net earnings to S\$76.6 million from S\$9.9 million a year ago, is gearing up for the soft opening of a 488-room hotel that it has built on part of the former Hotel Grand Central site behind Orchard Road.

Hotel Chancellor@Orchard is one of two hotels that the group has developed on the site. The other, a 264-room property bearing the original Hotel Grand Central name, is expected to open its doors in August.

Located in the Cavenagh Road/Kramat Lane locale (behind Concorde Hotel), the site is made up of two parts. The soon-to-open Hotel Chancellor@Orchard is on an L-shaped leasehold site of 2,805 square metres with a balance lease term of about 62 years, while the Hotel Grand Central stands on 1,239 sq m of freehold land.

Overseas, the group owns eight hotels in Australia, two in New Zealand, one in China, one in Kedah, Malaysia, and, through associate Grand Central Enterprises Berhad, five other Malaysian hotels.

Hotel Grand Central, which has been listed on the Singapore bourse since 1978, also owns investment properties – commercial buildings in Australia and New Zealand – that generate rental income.

Earlier this year, the group completed the sale of Hotel Grand Chan-

cellor in Belillios Road in Singapore's Little India district for S\$248 million to a Bangladeshi conglomerate which made an unsolicited offer for the property. Hotel Grand Central developed the hotel on a Government Land Sale site that it had clinched in a state tender in 2007 for S\$48.89 million. The hotel began trading in 2010.

In March this year, the group completed the sale of Hotel Grand Chancellor Auckland Airport for NZ\$23.3 million (S\$23.1 million).

In its Q1 FY2015 result statement on Thursday evening, the group stated that the disposals of the two hotels resulted in respective gains of S\$70.6 million and S\$5.7 million.

The group owns and operates its hotels under four brand names – Hotel Grand Chancellor, which has established a presence in Australia and New Zealand; Hotel Grand Continental (an economy-class chain in Malaysia); Hotel Chancellor (which will be flagged for the new property in Singapore opening next week); and Hotel Grand Central – currently with just one property, in Sihui in southern China but the name will make a comeback in Singapore with a refreshed image this August.

During the big earthquake in 2011 in New Zealand's South Island, the group's hotel in Christchurch was badly damaged and had to be demolished the following year. On that site as well as adjoining land, the group is now developing an office tower that will include car parks and ground-floor retail space. When completed in late-2016 or early-2017, it will be added to the group's pool of investment properties.

An agreement has been inked with the New Zealand government to lease 62 per cent of the building's net lettable office space for a 12-year period.

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Hotel Grand Central executive chairman and managing director Tan Eng Teong told *The Business Times* on Thursday that the group would continue to focus on Australia and New Zealand for acquisition opportunities. It has been in these two markets for about two decades. "We are looking for a site in the Melbourne CBD where we could develop a project with a hotel, serviced apartments and offices."

The group also hopes to find investment properties in Singapore. "We would prefer to develop a project ourselves but it is quite hard to get land in Singapore."

Mr Tan expects the Singapore hotel market this year to be softer than last year due to an increase in hotel room supply and weak growth envis-

aged in visitor arrivals. On a brighter note, Singapore could be starting to see a recovery in visitor arrivals from China.

The group's two Singapore hotels will target slightly different markets. Hotel Chancellor@Orchard will have a higher proportion of leisure travellers. Room rates for the opening will be around S\$150-160 on average per night; by year end, Mr Tan expects the figure to stabilise at S\$180 with occupancy hitting around 75 per cent.

Next door, Hotel Grand Central will be pitched more at business travellers, with an opening room rate of S\$180-200, and expected to stabilise at S\$200-220. Room sizes average 20 sq m at this hotel, and 19 sq m at Hotel Chancellor@Orchard.

Word on the street is that Hotel Chancellor@Orchard was in the market for sale last year. When asked

about this, Mr Tan said: "If someone offers me (a good price like) S\$1.2 million per room, we will consider."

The 78-year-old has handed over the company's day-to-day running to his eldest daughter, Hwa Lian, who is an executive director of the group. Another daughter, Hellen, is the financial controller. One of his nieces, Michelle, is executive director of Grand Central Enterprises in Kuala Lumpur.

The group's earnings per share rocketed to 12.32 cents for Q1 FY2015 from 1.65 cents a year ago. Net asset value per share increased to S\$1.50 as at end-March 2015 from S\$1.39 at end-December 2014. The counter closed unchanged at S\$1.50 on Thursday.

Recounting the decision to tear down the former Hotel Grand Central, which had 390 rooms, company offi-

cials said that it was a bold step, given that the hotel was the group's only Singapore property. Completed in the early 1970s and expanded in two later phases, the old hotel was out of step with the revitalisation of the whole Orchard area following the opening of the two integrated resorts.

Ms Tan Hwa Lian also highlighted the group's history of recycling capital, for instance in Australia, where it has disposed of older properties and bought new ones over the years. "We look for value and when the time is right, we do not mind letting go of an asset, to regenerate, rejuvenate our portfolio."

She was formerly in corporate banking (at Overseas Union Bank) and later moved to Great Eastern Life, where she was involved in asset management. She joined her father at Hotel Grand Central around 2003.