

## Prospects of Service Apartment in Chittagong: An Exploratory Study

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### Abstract

Rapid urbanization has become an acute problem for the country. The rate of urbanization is estimated to be 5-6% annually for Bangladesh (REHAB, 2004). About 25% of the people of Bangladesh is now living in urban areas and 34% will be living by 2015 (REHAB 2004). 50% by 2025 (Singha D., 2004). There is acute shortage of housing supply in all urban areas. Moreover, in a study Consumer Association of Bangladesh (CAB) shows that house rentals in Dhaka have more than doubled (249.62 percent) in last 17 years. In Chittagong the scenario is same. Tenants who are from middle, upper middle and lower middle class are worse victims of the rising trend of house rentals. The study has investigated the nature of service apartment to fulfill the housing need of the growing number of customers and the boost up the downtrend of housing business. The researchers have interviewed about 500 respondents from income group ranging from 20 thousand and above. Several locations have been identified for service apartments and a good number of findings will help the prospective researchers and developers as well.

**Keyword:** Housing, real estate, service apartment, housing market.

### 1.0 Introduction

A serviced apartment is a furnished accommodation with a bedroom, toilet and verandah generally more spacious than in a hotel. It also has amusement facilities such as swimming pool, gymnasium, restaurant, indoor games, etc. Serviced apartments, also known as Corporate Housing (US), Temporary Housing (US), Temporary Accommodation (US), Furnished Apartments (US), Furnished Apartments (Canada), Short Term Rentals (Canada), Corporate Housing (Canada)

Service companies rent apartments, furnish and equip them, then offer the apartments as corporate housing rentals and housing developers use some of their inventory as furnished corporate housing units. Management companies manage properties owned and furnished by individual real estate investors. The serviced apartment complex today includes studio units, or two or three bedroom facilities, furnished with all modern amenities includes refrigerators, kitchenettes, microwave ovens, state-of-the-art entertainment facilities and the internet. They also provide gyms, conference rooms and party areas, besides full housekeeping facilities. This makes life comfortable for the executive, who can concentrate on work instead of focusing on domestic help, groceries, furniture, etc. The best part is that all these services are offered at prices 25 to 30 per cent lower than 5-star hotel tariffs.

### 2.0 Origin of serviced Apartment:

USA in 1950, the objective was to offer a home away from home, not just a hotel room for the executive, but a comfortable living facility for him and, perhaps, even his family.

The concept of serviced apartments arrived in our subcontinent in 2003-04. Starting from Mumbai, Bangalore, Pune and Delhi. Mumbai, Bangalore and Delhi have thousands of serviced apartments; the concept is now gradually spreading to places such as Chennai and Hyderabad.

Leading hotel chains such as Hotel Leela Venture, Grand Hyatt and Marriott International run several serviced apartments in the country. Hilton Hotels plans to open its serviced residences in Bangalore in May 2012. Ascott, which says it is the world's largest serviced residence owner-operator, has been expanding in Mumbai, Delhi and Pune to cash in on the opportunity offered by the demand-supply gap. Top serviced apartment brands are operated mainly by mainstream hotel chains which want to lower operating costs and reduce the staff/guest ratio. A number of international brands have developed serviced apartments with local developers in Delhi, Mumbai and Bangalore, catering largely to the corporate sector," says Magazine.

### 3.0 Objectives of the study

- 1) To highlight the nature of service apartment
- 2) To find out customer preference on the location, price, size of service apartment.
- 3) To recommend some suggestions to the REHAB to overcome problems in downtrend of housing sector of Chittagong in particular.

#### 4.0 Methods

Both primary and secondary data have been used in this study. Collection of Data: The primary data have been collected with the help of pre-structured questionnaire. Opinions have been collected from selected developers (Member of REHAB) and experts in real estate firms. The scope of the study covers Chittagong city only. Out of 500 respondents 3 did not comment at all whereas different opinions have been found through the questionnaire. Secondary data have been collected from different journals, REHAB directory and monographs. Analysis of Data-The data thus collected have been tabulated first manually then, the collected and tabulated data have been analysed by employing by statistical techniques such as mean, hypothesis test, association test. Structure of the Study The whole study has been segmented into three sectors. First sector is introductory session that covers statement of the problem, objective, scope and methodology of the study. The second session covers summary of the findings from the respondents and the final section covers recommendations and conclusion.

#### 5.0 Nature and benefits of Serviced Apartment

Serviced apartments have rising in popularity because they have everything that a hotel doesn't. Free of troublesome living with comfortable price range has created the demand for service apartment. The demand is primarily driven by executives of multinational companies (MNCs) and expatriates who come to foreign country on deputation for periods ranging from weeks to months. Top level personnel, Doctors, Foreign students, Businessman, Local visitors, Retired persons may wish for service apartment. Apartments appeal to people who have to stay long-term and also to those who are traveling with families and want the comforts of home that hotel rooms don't provide, such as a kitchen, a living area, private bedrooms and a washer and dryer. A guest still doesn't have to sacrifice the benefits of staying in a hotel, however, as they still have access to room service, a snack bar, free Wi-Fi and cleaning services, but now they can have all those without the chaotic front-desk lobbies, overcrowded elevators and busy parking lots. More space where fresh air are available, Not only serviced apartments are cheaper, they are even bigger, More privacy, More convenience, Cost saving then hotel, Perfect place for spending leisure & travel time etc facilities will be available.

Financial intermediation in the housing sector is not found adequate because of high interest rates and limited sources of funds (Bhattacharya D., 2003). Bangladesh is still experiencing a weak financial system that hinders savings and investments, hence economic development. The housing sector, which is highly financing dependent, is particularly affected. The ambitious banking system cannot provide wholesale or individual long-term funds at an efficient rate for housing finance to the lower end of the population (Hoek- Smit M. C., 1998). unfortunately the real estate apartments got very low rate of growth which has been only around 9% that once again validates that though housing sector as a whole is getting the nod, the real estate apartment buyers and sellers are still in severe crisis for adequate financing. According to International Law, adequate housing should include at least the elements of security of tenure, availability/access to services such as safe drinking water, energy for cooking, lighting, sanitation and waste facilities, adequate space and protection, access to employment and various social services, affordability, and accessibility of the disadvantaged, etc (Khanam S., 2004). To encourage investment the government is encouraging more unaccounted money to be invested in this sector by offering tax advantages as well as getting clearance of white money.

#### 6.0 Global Scenario of Serviced Apartment

**Serviced Apartments in Asia:** Serviced apartments Singapore are sought after by business and leisure travelers who are visiting one of the world's top travel destinations. Unlike traditional hotels and even extended-stay hotels, serviced apartments usually offer spacious accommodations. According to the Urban Redevelopment Authority, the property market in Singapore has reached a 15 year peak. Rents are high and the trend is predicted to increase into 2013. In the serviced apartments sector rates are rising between 5 – 10% per annum, with eight new serviced apartment buildings opening in the city by 2015. Singapore districts 9, 10, 11 and 15/16 are the most popular expatriate housing areas and are located centrally close to international schools and embassies. [insert advertisements]

In December 2010 the mid-market Keys Hotels brand announced it is expanding into serviced apartments in India With hotel rates predicted to fall as a result of increased competition from the serviced apartment and budget hotel sectors, local corporate are being advised not to commit more than 75% of their overall requirement advance purchasing of room nights at discounted corporate rates. More and more Indian corporations have switched to serviced accommodation.

**Thailand :**As in other parts of the region, and despite decreasing expatriate numbers, supply of serviced apartments in Thailand continues to grow in allocations. In line with the commercial expansion Bangkok has seen over the past few years, luxury serviced apartments have become increasingly popular, especially among frequent travelers, families traveling together, business executives on short stays, or those seeking a base before permanently moving to Bangkok. While often offering the same services as top-class hotels, serviced apartments

also incorporate all the comforts of 'home'. Like a fully-equipped kitchen, separate lounge and dining room area, and every other little convenience to recreate a home-away-from-home experience. Throw in a convenient location close to shopping, nightlife and business area and you'll feel right at home indeed.

Selecting specific Developer Company is an important factor in the overall apartment purchase. All other preferences come down to selection of a brand that is trusted to have all those preferred qualities. This was done through non guided brand recall technique. However customer prefer to have such flat from the branded companies.(Sanmar, CPDL, Equity, ANZ, BTI, Keari , J.S.Builders, Amin Mohammad).

## 7.0 Findings and Analysis

**7.1 Potential location of service apartment:** Location of the apartment is one of the most important factors of consumers' preference in terms of an apartment. People try to move to those locations where communication facility is good and security is high.

From the table [insert table 1] it was found that most of the respondents opined for Khulshi and O.R.Nizam Road(52 percent) where different leading schools, offices, universities, superstores, banks, good communications are available. Although Jamal khan and others area include Khatungonj, Cornalhat etc.

### 7.2 Khulshi /Foy's lake as preference area:

People like those location where they can have good communication facility and safety as well. Considering this choice factors location have been identified from consumers preference. From the above table[insert table 2] we can easily understood that 33 people said that Foy's lake area is good for serviced apartment, also nearly 29% said average, 20% excellent. At last we can say Foy's Lake area is good for serviced apartment but 17.2% people said that Foy's lake area is not perfect due to safety and communication in night.

### 7.3 Ideal size of a Service Apartment

From the table [insert table-3] we found that most of the respondents (43.8 percent) prefer 300 Sft service apartments whereas some people wanted 16.6% more than 500sft as they think it as small sized apartment.

**7.4 Reasons for development of Service apartment:** [Insert table -4]Since banks and financial institutions are not providing huge long term loan service apartment are receiving easy and available financing because of suitability of resale value. Moreover, hazards in developing a land by owner, design and culture of living flat, costly land followed the reason to buy serviced apartment.

### 7.5 Reasons for development of Service apartment

From the table [insert table-5] it was found that most of the respondents (42 percent) prefer the price range should be 20-25 lac taka. Few (12 percent) responded that the price should be below 20 lac whereas 128 respondents (26 percent) thought that 300sft serviced apartment might cost upto 30 lac taka. Thus we can summarize that majority (334 respondent) wished the price range in between 20-30 lac taka.

### 7.6 Income (per month) may encourage someone to invest in a service apartment:

From the data[insert table-6] it was found that 3 percent (15) respondent earned below 15 thousand taka whereas more than 1 lac taka earned 161 respondents. The highest number was found under 50k-75k (35 percent). 78 respondents did not respond due to fear that income sensitive information. Thus if the respondents are categorized into first(Below 25k and 25k-50k),Second (50k-75k and 75k-100k) and third (100k and above) group of respondents, we can find that second group has the potential income holder.

### 7.7 Potential buyers of Service Apartment:

[insert table-7] from the table we can easily understood that maximum 47%respondents said that businessman will be the potential buyer of serviced apartment also 35% said serviced holder and 35% said Doctors. Some EPZ firms always deal with foreigners so they also can be the potential buyer of serviced apartment.

### 7.8 Preferable Facilities in a service Apartment:

Facilities from Developer Company are an important aspect of consumer purchase decision process. It is important to find out what kind of facilities consumers want from the Developer Company. In the questionnaire some criteria are given for rating along the scale ranging from 1 to 5. In a study it was found that timely hand over or completion of the apartment project is the most important service that customers want (Moslehuddin Khaled, at el. 2013). Facilities of apartment are also an important factor of consumers' preference in terms of an apartment. Facilities are actually design and development related features which makes one apartment project different from others and one company from other. That's why it is important to know that which types of facilities are most preferable to the apartment purchaser. From the table [insert table-8] it can be stated that kitchen is the most important desired facility followed by restaurant, House keeping, Indoor games. Then come gym, swimming pool, 24/7 service etc.

## 8. Recommendations:-

- The Concept of Serviced apartment is not familiar to the Bangladeshi people. Through promotional activities may help developers in Chittagong to introduce serviced apartment to the potential buyers.

- Integration of all socially responsible groups and/or individuals (Such as are engineers, environment analysts, bankers, and media representatives, both from print media and electronic media.) should be in proper order.
- Some senior executives appreciated the idea of serviced apartment they think that it is an excellent and innovative idea.
- Some EPZ firms always deal with foreigners so they can be the potential buyer of serviced apartment.
- Some strong rivals already exist in the market like; The Peninsula hotel, Well Park etc. So it could be unsustainable of this project if the standard and opportunities is not as well as rivals.
- Now a days people are concerned about securities and communication then other facilities so proper security and transportation should be ensured by developers in Chittagong.
- Developers in Chittagong should offer an affordable price for upper-middle and middle class people. They can offer proposal to the buyer of a serviced apartment with a limited amount of booking money and low monthly installment. Bank loan facilities should be ensured in this case.
- Developers in Chittagong have to achieve a clear set of distinctive competencies to distinguish its services from rivals.
- An informative and good-looking website with 3-D tour should be developed so that people get a quick look of the service apartment.

### 9. Concluding Remarks

Although there is downtrend in the real estate sector during 2010 to 2012, the future of construction and real estate business is bright. Some developers started their business without understanding customer perception about size of flat. The test and life style of apartment is also changing. Nevertheless, there is no entry barriers for starting housing business as growing number of entrepreneurs start such business but cannot continue after some years because of risks associated with it (such as construction materials costs, government agencies, different types of difficult customers, procedural length of planning, raw materials availability and supply in due time, regular payment by the customers. Financing market is neither easier nor available now a days. The amount of loan provided by the financing market is low than before. Although the study did not find the regression analysis on different values of price and size of the apartments and marketing ethics necessary for development of such service apartment, future research may be carried out in different areas of Bangladesh to identified cultural notations, opportunity of service business by developers, regulations of such apartments as well. On the whole, to satisfy the increasing demand and minimize the supply gap is necessary which can be fulfilled by arranging such type of facilities to the prospective customers.

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### Authors Biography

**A. M. Shahabuddin** completed his both Bachelor and Masters degree from International Islamic University Chittagong, Bangladesh. He worked in brokerage firm of Chittagong Stock Exchange, Standard Chartered Bank, Berger Paints Bangladesh Ltd and Delta Brac Housing Finance for couple of years. Now he is working as an Assistant Professor in the Faculty of Business Studies of IIUC. He is a Ph.D Student of Islamic University Khustia, Bangladesh.

## Appendix

Some advertisements are:

<u>Le Grove Serviced Apartments</u> 1-Bedroom Apartments - 840 Sq.ft Sleeps 3 Persons (1 Extra Bed) Deluxe, 1 Bathroom Fully furnished and equipped kitchen Minimum stay is 3 nights SGD 308 per Night	<u>Lotus at Joo Chiat Serviced Apartments</u> 3-Bedroom Apartments - 1,140 Sq.ft Sleeps 5 Persons Nonya Suite, 2 Bathroom Fully furnished Minimum stay is 7 nights SGD 400 per Night
<u>Treetops Executive Residences</u> 2-Bedroom Apartments - 1,200 Sq.ft Sleeps 4 Persons 2-Bedroom Premier (115 Sq.m), 2 Bathroom Fully furnished Minimum stay is 7 nights SGD 500 per Night (SAVE 38%)	<u>Le Grove Serviced Apartments</u> 3-Bedroom Apartments - 1,399 Sq.ft Sleeps 7 Persons (1 Extra Bed) Deluxe, 3 Bathroom Fully furnished and equipped kitchen Minimum stay is 3 nights SGD 688 per Night

**Table-1 Potential location of service apartment:**

	Khulshi	Halishahar	Sugandha	Jamal Khan	O.R.Nizam Road	Others	No Comment	Total
Respondents	180	60	14	30	78	80	58	500
Percentages	.36	.12	.03	.06	.16	.14	.12	100

Source: Field survey

**Table-2 Khulshi /Foy's lake as preference area:**

	Excellent	Good	Average	Poor	No Comment	Total
Respondents	96	169	146	86	3	500
Percentages(%)	20	33	29.2	17.2	.6	100

Source : Field survey

**Table -3 Ideal size of a Service Apartment**

	Below 300 sft	300-400 sft	400-500sft	More than 500 sft	No comment	Total
Respondents	47	219	58	83	93	500
Percentages	9.4	43.8	.12	16.6	.19	100

Source : Field survey

**Table-4 Reasons for development of Service apartment**

Reasons	Frequency	Percentage
Growing rate of easy and available financing	95	.19
Inadequate and costly land	64	.13
Encouraging remittance flow	70	.14
Hazards in purchasing/developing land by own	140	.28
Design and Culture Of living in flat	60	.12
Others	65	.13
No comments	6	.02
Total	500	100

Source: Field Survey

**Table -5 Reasons for development of Service apartment**

	Below 20 lac	20-25 lac	25-30lac	More than 30 lac	No comment	Total
Respondents	68	206	128	40	58	500
Percentage	.12	.42	.26	.08	.12	100

Source: Field survey

**Table- 6 Income (per month) may encourage someone to invest in a service apartment:**

	Below 25k	25k-50k	50k-75k	75k-100k	100k and more	No Comment	Total
Respondents	15	45	175	26	161	78	500
Percentages	.03	.09	.35	.06	.33	.16	100

Source: Field survey

**Table -7 Potential buyers of Service Apartment:**

	Doctor	Businessman	Student	Service holder	Others	Total
Respondents	80	233	25	103	59	500
Percentages	.16	.47	.05	.21	.12	100

Source: Field survey

**Table -8 Facilities of a Service Apartment:**

	Swimming pool	Gym	Restaurant	Indoor games	House keeping	24/7 service	Business Center	kitchen
Respondents	71	120	238	130	178	64	76	320
Percentages	.15	.24	.48	.26	.36	.13	.16	.64

Source : field Survey

\* Respondents are asked to select three most important facilities of which the data may found more 1197 choices in total from 500 respondents.

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