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HD **Frasers Hospitality on acquisition spree to grow Europe portfolio**

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It hopes to move fast to set up private **equity** fund

[SINGAPORE] Frasers Hospitality is on a buying spree to grow its portfolio, even as it is injecting six serviced residences into a hospitality Reit to be listed next month.

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It hopes to set up a private **equity** fund focused on acquiring assets in Europe, where yields are currently the highest among its existing markets.

Another wholly owned unit of Frasers Centrepoint Limited (FCL), Frasers Hospitality Global Limited (FHGL), is also gunning for more acquisitions - not just in serviced residences, but also in hotels, resorts and, down the road, retirement villages.

Choe Peng Sum, the chief executive of both Frasers Hospitality and FHGL, told The Business Times that Frasers Hospitality needs to move fast on the private **equity** fund.

"We don't have a date yet but suffice to say, we are working hard at it. We hope it will be within this year or next year - not too late because the window is closing on us. Other funds are going in as well," he said in an exclusive interview.

"We see Europe as a potential growth area. Almost three four years ago, the prices were ridiculously high. The same properties we are seeing right now have dropped quite a bit in prices. The yield now makes sense," he added. "That does not mean that later on, we will not set up other **equity** funds that could be **China**-centric or Asia-centric."

Frasers Hospitality is building a "hotel residence" in Frankfurt and rebranding an existing hotel in Barcelona under its "Capri by Frasers" brand - a hybrid concept that combines the full range of hotel facilities with the flexibility and conveniences of full serviced residences.

It is undertaking due diligence in Germany's Berlin and Hamburg as well as in Italy, in view of a huge demand for hotel residences in Europe.

Mr Choe noted that there is a surge in the number of companies relocating younger single executives, whom he referred to as "the road warriors", rather than senior executives with families, given shrinking corporate budgets. This is contributing to Capri's popularity, though it just started 11/2 years ago.

The **firm** has five brands: Fraser Place, Fraser Suites, Fraser Residence, Capri by Fraser and Modena, which is currently focused on **China**.

Given the parent FCL's plan to beef up its investment properties, FHGL was set up last October with a broader mandate to venture beyond serviced residences.

FHGL could go after greenfield projects, brownfield or half-fitted projects, conversions of office buildings into hospitality assets, or operating hospitality assets.

For a start, FHGL made an A$100 **million** (S$117.5 **million**) **acquisition** of an office building in Brisbane's CBD last year and is converting it into Capri Brisbane. A lacklustre office market and a shortage of hotel supply in Australia has presented such an opportunity for the change in use of office buildings.

Elsewhere, FHGL snapped up the five-star hotel Sofitel Sydney Wentworth for A$202.7 **million** last month.

Mr Choe noted that Australia remained a "safe market that could stand the test of time" despite recent softness in the **mining**, **oil** and gas industries, key pillars of its economy.

Frasers Hospitality's properties in Sydney, Melbourne and Perth are almost full-house now; it still has "some breathing space" before a major industry supply comes onstream. A report this year by Deloitte noted that hotel occupancies in Australia could push further into record territory.

Mr Choe said there are also many heritage buildings in Europe that can be renovated and transformed into hotels or serviced residences.

FHGL will "incubate these assets" and eventually inject them into the hospitality Reit, Frasers Hospitality Trust (FHT), which just lodged its prospectus yesterday. FHT's initial $1.66 **billion** portfolio consists of six serviced residences from FCL and six hotels from FCL's major shareholder TCC Group.

Mr Choe said Frasers Hospitality remains on track to double its assets to 30,000 rooms in five years. "We would like to add a piece of the jigsaw puzzle that we don't have - that is, the USA," he added. "We are looking aggressively to see how we can enter the market."

ART Mr Choe: 'The same properties we are seeing right now (in Europe) have dropped quite a bit in prices. The yield now makes sense.' - THE BUSINESS TIMES FILE PHOTO

CO ceprol : Frasers Centrepoint Ltd

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