



DECEMBER 2014

SRI LANKA TOURISM: MOVING FULL STEAM AHEAD

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“Sometimes serendipity is just intention unmasked”
– Elizabeth Berg

Introduction

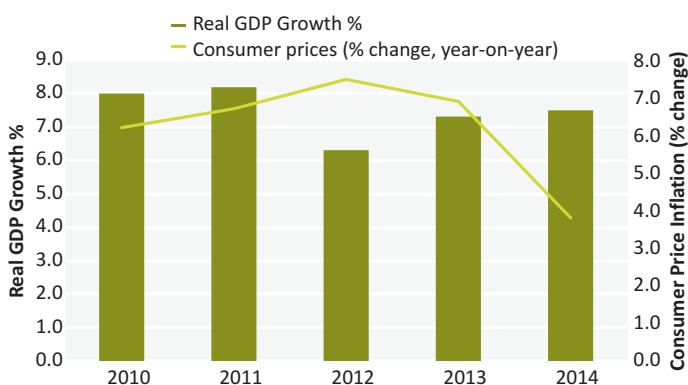
Sri Lanka, endowed with natural tourism destinations, observed a record surge in the tourist arrivals immediately post the end of the 26-year-long conflict. The Sri Lankan government formulated its 'Tourism Development Strategy 2011-2016' to harness the potential of tourism as an engine for economic growth of the country and spread the benefits across a larger section of society; the highlight of which is to attract 2.5 million tourist arrivals by 2016. To develop the tourism sector the government has over the years supported substantial infrastructure development, initiated an environment conducive for tourism, improved regulatory framework, and contributed towards enhancing the global image of Sri Lanka.

HVS examines the steady movement of the emerald isle towards its tourism target along with an analysis of its major existing and emerging hotel markets. The article also presents key trends and opportunities relating to the changing tourism and hospitality landscape in the country.

Economic Scenario – An Overview

Peace has brought many benefits to Sri Lanka including economic ones. After having achieved an impressive annual GDP growth of over 8.0% in 2010 and 2011, growth slowed to 6.3% in 2012 as a result of weakening of external demand and tightening of credit conditions domestically. The economy rebounded in 2013, clocking a growth of 7.3% in 2013 and is anticipated to expand by 7.5% in 2014, led by strong growth in exports, private consumption, tourism, transport, telecommunication, ports, and financial services. Inflation, measured as consumer price inflation, has remained low and is expected to average 3.8% in 2014. Figure 1 shows GDP growth and inflation from 2010 to 2014.

FIGURE 1: GDP GROWTH AND INFLATION – A FIVE-YEAR TREND



Note: 2014 figures are estimates
Source: Economist Intelligence Unit

Over the next five-year period (2015-19), the Economist Intelligence Unit forecasts GDP to record an annual average growth of 6.9%¹ mainly on account of private consumption fuelled by increasing incomes and remittances from Sri Lankans abroad along with reconstruction efforts in the north and east of the island, as well as rising public spending on infrastructure, business investment and property investment.

Infrastructure Development – Building blocks for transformation

In its efforts to rebuild the nation, the Sri Lankan government has committed itself towards the development of infrastructure, which includes a complete upgrade of the road, rail and air facilities. This will facilitate the aim of developing the country as a leading regional aviation, navigation and trading hub in South Asia as well as enhancing tourism growth.

Sri Lanka is naturally endowed with tourist attractions such as pristine sandy beaches, luscious rain forests, archaeological sites, culture and history, national parks and wildlife amongst others. The greatest concentration of tourism facilities was traditionally in the Southwest, owing to its sandy beaches and proximity to Colombo, the only port of entry to Sri Lanka by foreign tourists. The tourism strategy aims to expand the traditional tourism base to capture the diverse attractions all over the country and globally position them in the form of eight experiences – **pristine** (beaches), **heritage, thrills** (adventure), **wildlife, bliss, scenic, essence**, and **festive**. To build and improve accessibility to both old and new destinations, connectivity is a given precursor. The focus on infrastructure development has facilitated improved access to traditional hotel markets in Colombo and Southwest Coast as well as opening up new markets in the east and north of the island.

The infrastructure development has led to improved access to the traditional hotel markets of Colombo and Southwest Coast. Additionally, focus on road and rail development is also facilitating the development of new markets in the east and north of the island.

Figure 2, overleaf, lists some of the major infrastructure developments in Sri Lanka.

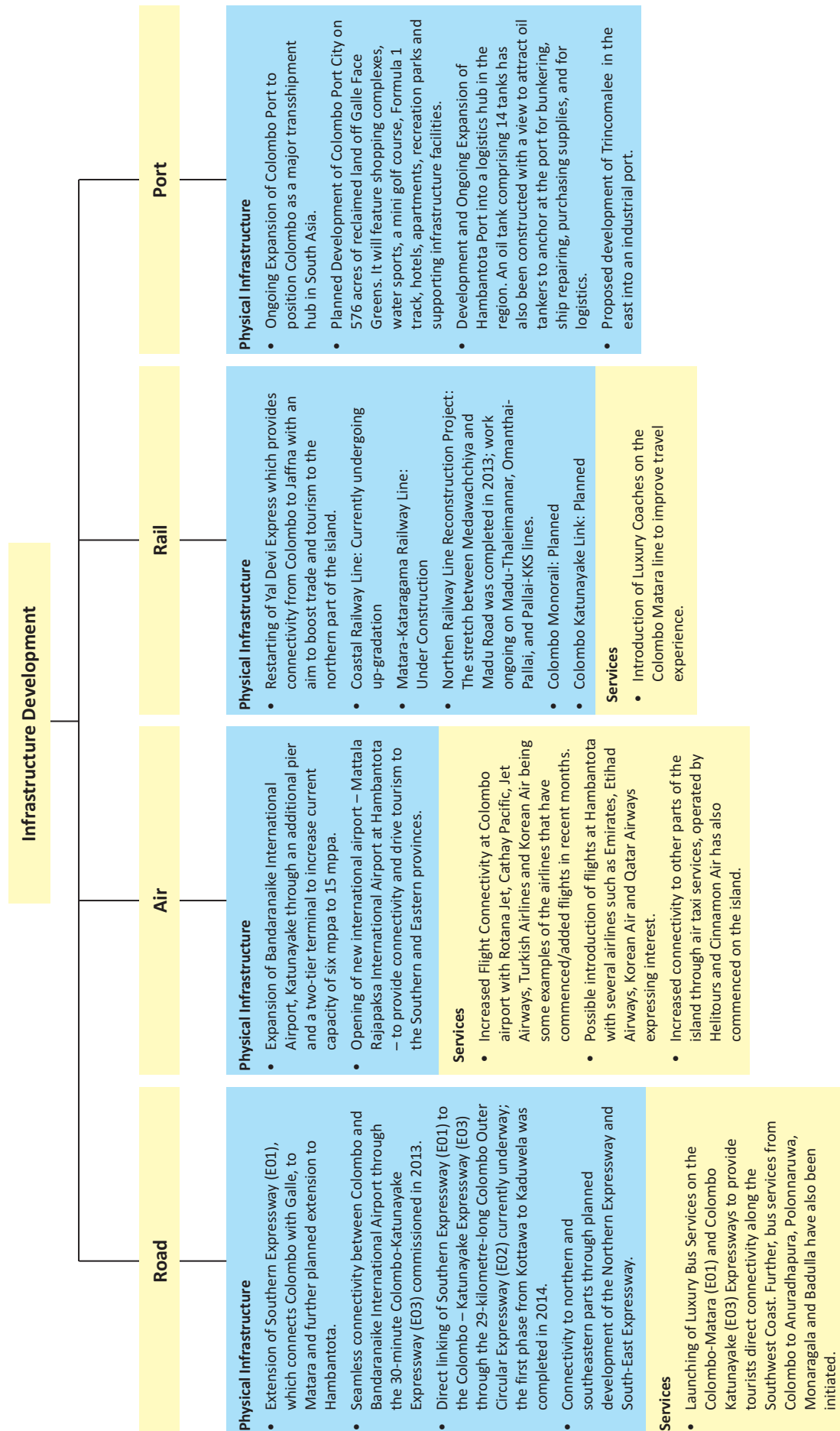
Tourism Initiatives – Changing the landscape for tourism

The development of tourism in the country is guided by a national strategy comprising the policy and regulatory framework to create an environment conducive for tourism, the upgrading of existing locales and augmenting the formation of new destinations/products, along with marketing or promotion of the country's tourism experiences.

This tourism vision is slowly but surely translating into a reality as the sector is on the brink of large-scale expansion with substantial investment in the country. There is a committed foreign investment of nearly US\$3 billion along with

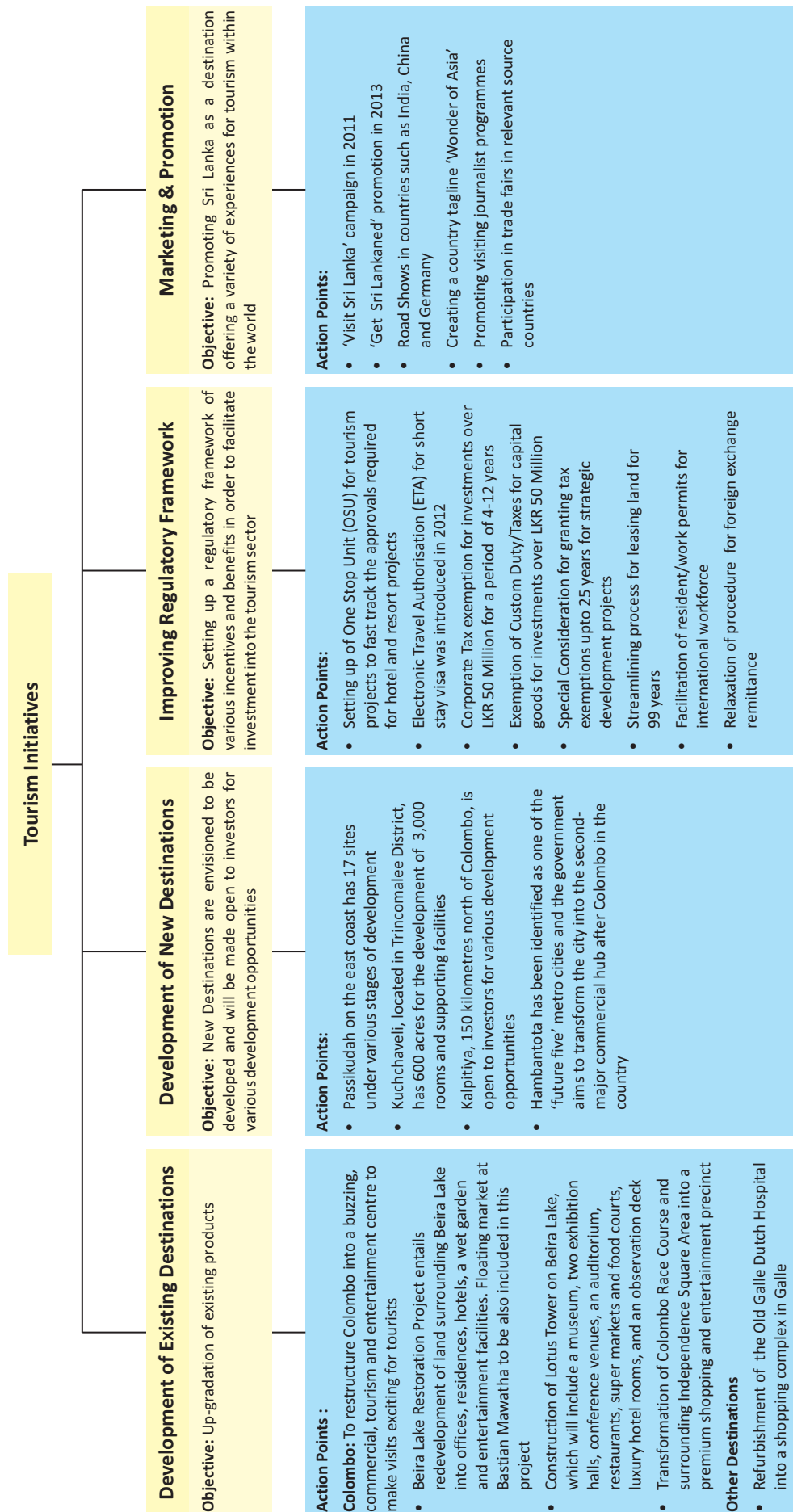
¹ Country Report, November 2014, Economist Intelligence Unit

FIGURE 2: MAJOR ROAD, AIR, RAIL AND PORT INFRASTRUCTURE DEVELOPMENT PROJECTS (ONGOING AND PROPOSED)



Source: HVS Research

FIGURE 3: MAJOR TOURISM INITIATIVES



Source: HVS Research

considerable investments from domestic players planned over the next few years. Key projects underway include the

The policy, regulatory, institutional framework, infrastructure development, marketing and promotions for attaining the goal are already in place. Additionally, there is a committed foreign investment of nearly US\$3 billion along with considerable investments from domestic players planned over the next few years.

Grand Hyatt, ITC Colombo One, Shangri La, Mövenpick and Sheraton in Colombo, and the Marriott, Shangri La, Anantara, Aitken Spence-RIU along the Southwest Coast. Investment hot spots such as Passikudah and Kalapitiya are also seeing significant interest from various stakeholders. Figure 3 provides a summary of major initiatives supporting the

transformation of the country's tourism landscape.

Tourism Trends – Key Highlights

Tourism has grown vigorously, not only with respect to tourist arrivals but also tourism receipts. Tourist arrivals have nearly tripled in 2013 (1.2 million) as compared to those in 2009 (0.45

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million) with receipts having increased five-fold (US\$1,708 million in 2013 versus US\$349 million in 2009). The tremendous performance has continued through 2014, with tourist arrivals having seen a year-on-year increase of 20.3% as of November YTD. Figure 4 illustrates tourist arrival statistics from 2005 to 2013

and for 2014 (January to November).

FIGURE 4: TOURIST ARRIVALS TO SRI LANKA THROUGH 2005-13 AND YTD 2014



Note: 2014 figure and % change is for Jan-Nov
Source: SLTDA

According to the Central Bank of Sri Lanka (CBSL), earnings from tourism grew by 33.8% to US\$149.1 million in the first half of 2014 when compared to the previous year. Furthermore, the hotels and restaurant sector, which has averaged a double-digit growth rate since 2009, has also seen a year-on-year increase of 20.5% in the first six months of 2014. Direct and indirect employment in the tourism sector rose to 270,150 in 2013 from 132,055 in 2010. Figure 5 depicts the earnings from tourism and the corresponding growth in the hotel sector from 2005 to 2013.

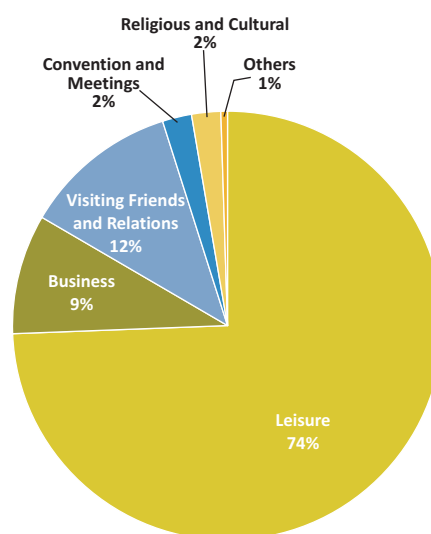
FIGURE 5: TOURIST EARNINGS AND GROWTH OF THE HOTEL SECTOR THROUGH 2005-13



Source: Economic Perspective 2013,
Ministry of Finance and Planning

Figure 6 reveals that a large portion (74%) of the arrivals to Sri Lanka are for leisure followed by nearly 12% of travellers (mainly Sri Lankans residing abroad) visiting their friends and relations. Commercial (business) travellers come in third at 9% followed by

FIGURE 6: TOURIST ARRIVALS – PURPOSE OF VISIT (2012)



Source: SLTDA

convention attendees and visitors for religious and cultural purposes, each at 2%. A minute component (0.5%) is contributed by others.

As evident from Figure 7, the **top ten source** markets for Sri Lanka saw some interesting changes in 2013 as compared to those in 2012. While the top three source markets retained their positions (India, UK and Germany), the remaining markets witnessed a change in contribution.

Asian economies such as China (nearly having doubled its visitation to the country) and the Maldives (with a year-on-year growth of 67% in its tourist traffic into Sri Lanka) have emerged as prominent source markets. Going forward, we expect tourism

The fact that almost three-fourth of the total arrivals is for leisure purposes highlights the country's significance as a major Leisure destination.

to continue to grow supported by considerable investment in infrastructure and hotels together with booming outbound travel, especially from China and India.

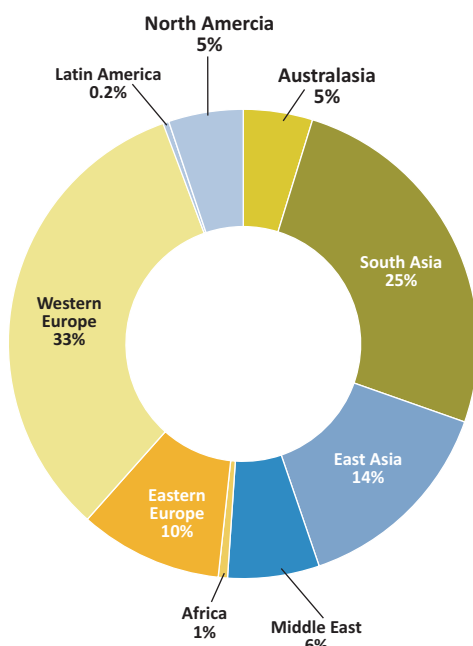
FIGURE 7: PERFORMANCE OF TOP TEN SOURCE MARKETS IN 2012 AND 2013

Market	Total Arrivals		% Change
	2012	2013	
India	1,76,340	2,08,795	18.4%
U.K.	1,14,218	1,37,416	20.3%
Germany	71,642	85,470	19.3%
Maldives	47,572	79,474	67.1%
France	56,863	64,388	13.2%
China	27,627	54,288	96.5%
Australia	51,614	54,252	5.1%
Russia	28,402	51,235	80.4%
Ukraine	22,348	38,607	72.8%
USA	29,907	34,690	16.0%
Canada	29,329	30,926	5.4%

Source: SLTDA

With reference to contribution to **tourist arrivals from various regions** (Figure 8), we note that Europe (western and eastern) has continued to remain as the largest source region for Sri Lanka. Warm weather in Sri Lanka during their harsh winter months coupled with golden beaches and calm blue waters are the principle attractions for the Europeans. South Asia (India, Maldives, Pakistan, Bangladesh, and others) forms the second-

FIGURE 8: CONTRIBUTION OF REGIONS TO TOURIST ARRIVALS IN 2013



Source: SLTDA

largest chunk. Tourists from India are attracted to Sri Lanka due to lower costs of accommodation and boarding when compared to beach destinations in India such as Goa and Kerala and due to its locational proximity. East Asia, whose share has seen a marked improvement in its contribution comprises China, Japan, Malaysia, Philippines, Indonesia, Singapore, Thailand, South Korea, and others. Steadily growing economies resulting in higher available disposable incomes along with improving connectivity have provided an impetus to inter country travel.

Hotel Market Performance – Key Indicators

Along with analysing tourism trends at a macro level, we have assessed the performance of the key hotel markets in Sri Lanka. While Colombo and the Southwest Coast have been the traditional hot destinations recording the highest visitation numbers in the country, we have also presented an overview of Passikudah, an emerging locale and a notable tourism development initiative by Sri Lanka Tourism Development Authority (SLTDA).

Colombo

Colombo city along with the airport area (Katunayake) is a pivotal hotel market in Sri Lanka owing to the city's stature as the commercial capital and proximity to the biggest international airport (Bandaranaike International Airport).

Colombo city is witnessing the development of several iconic projects such as the Colombo Port City Project, the Lotus Tower that is planned as South Asia's tallest telecom tower, and the John Keells' mixed-use project on Slave Island. Additionally, infrastructure developments such as the expansion of the airport, Outer Circular Road development, Colombo Port Expansion Project, and the Beira Lake Restoration Project are expected to enhance the city's potential as a destination for both Commercial and Leisure travellers.

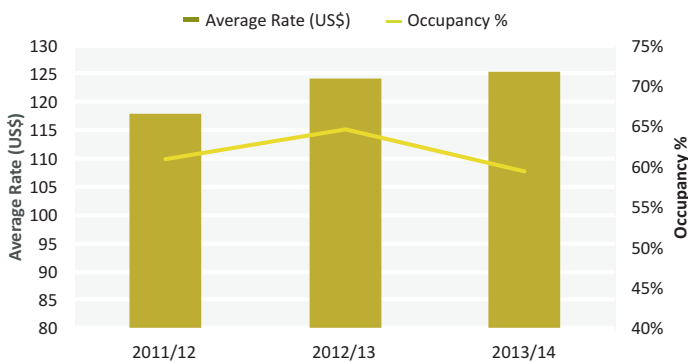
The following analysis of the Colombo hotel market includes the major domestic and international branded five and four-star hotels in Colombo and Katunayake; it excludes small boutique properties, one to three-star rated hotels, and the unorganised sector. We have taken into account an existing supply of



approximately 2,700 rooms as of March 2014.

As seen in Figure 9, the occupancy level was around the 60% mark in Colombo in 2011/12. Marketwide occupancy has shown a marginal decline in 2013/14, over 2012/13, as many hotels were undergoing extensive renovations in order to prepare for the future. Slow uptake in demand in the first half of the year added to the decline. With respect to average performance, the government has fixed minimum rates for hotels according to their star classification. This results in a compulsory movement of average rates. Rates have remained almost flat since the last revision in the policy in April 2011.

FIGURE 9: COLOMBO OCCUPANCY AND ARR TRENDS THROUGH 2011/12-2013/14



Source: HVS Research

Although customer segmentation differs from property to property, our research indicates that demand in Colombo is generated primarily in the Commercial segment from telecommunication companies, banks, insurance firms, government offices, diplomatic missions, the port, and companies involved in infrastructure development activities. These projects also generate Extended Stay demand for hotels in the city. Colombo also caters to a fair quantum of Leisure demand as the city acts as a gateway to Sri Lanka for tour groups and individual travellers who may spend 1-2 nights in the city

either at the beginning or end of their tour. Traditionally, the city's hotels have catered to some demand from the Meetings, Incentives, Conventions and Exhibitions (MICE) segment generated by large-scale conventions and events such as the CHOGM Summit in 2013 and the cricket world cup in 2011. Going forth, additional such conventions and opening of hotels with large-scale meeting and convention spaces is likely to bolster growth in this segment. Owing to Colombo's proximity to Bandaranaike International Airport, a small portion of the accommodated demand is also contributed by the Airline crew segment.

Market Outlook: The year 2014/15 is a unique one for Colombo as it has seen the opening of two new hotels, both positioned in the mid scale space (Cinnamon Red and Ozo by Onyx). HVS

believes that this development trend presents an excellent opportunity for the hotel market to tap into the burgeoning middle class outbound traveller segment, primarily from India and China. Going forth, we are tracking a proposed supply of 5,500 rooms, of which 65% is actively under construction and likely to enter the market over the next few years. A majority of this supply is planned in the luxury and upper upscale space and includes projects such as the Shangri La, Grand Hyatt, ITC Colombo One, Mövenpick, Sheraton and Crown.

The continuing development of Colombo as an important commercial and leisure centre will, in turn, fuel the growth of demand for hotels in the city. However, development of three and four-star hotels will facilitate all-rounded market development.

We believe that as the aforesaid hotels open, average rates and occupancies will come under pressure before stabilising in the long term. As highlighted earlier, average rates in Colombo are governed by the minimum rate policy across star categories. However, as new hotels with contemporary product profiles become operational, HVS anticipates that a need to do away with the minimum rate policy will become imminent with two very different product offerings in the five-star category.

Additionally, we believe that the city is moving towards the formation of an inverted pyramid structure, with a high quantum of supply anticipated in the five-star segment not supported by a proportionate increase in the mid scale category. Considering the commercial nature of the city, development of three and four-star hotels would facilitate an all-rounded development of the hotel market.

To conclude, Colombo will retain its position as a key hotel market in the country since it is the most important commercial destination with no other city matching up to it in terms of infrastructure and office space supply. The continuing development of Colombo as an important commercial and leisure centre will, in turn, fuel the growth of demand for hotels in the city.

Southwest Coast

In the past few years, the Southwest Coast has become a major tourist destination for leisure and relaxation. The coastline offers pristine golden beaches and calm blue seas with great opportunities for swimming and other water sports such as diving and surfing. Important attractions include the turtle hatcheries in Kosgoda, reefs in Hikkaduwa, and the ancient city of Galle, a UNESCO World Heritage site. The area is also known for its handicrafts and gems and jewellery. In our evaluation of the hotel market, we have considered major three to five-star resorts located in Wadduwa, Kalutara, Beruwala, Bentota, Hikkaduwa, and Galle (2,600 rooms as of March 2014). Our analysis omits small boutique hotels, home stays and villa accommodation. Figure 10 exhibits the location of all destinations along the Southwest Coast that we have considered in our analysis.

FIGURE 10: LOCATION OF COMPETITIVE DESTINATIONS ALONG SOUTHWEST COAST CONSIDERED IN OUR ANALYSIS



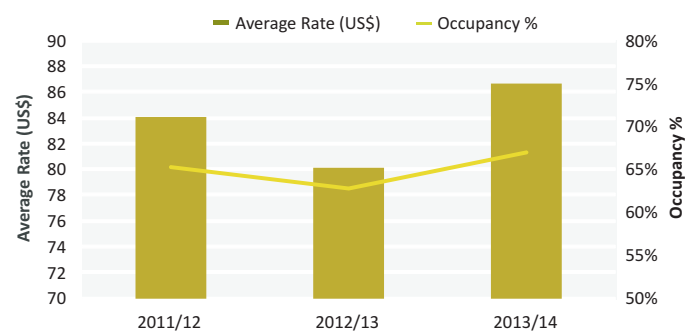
Source: SLTDA

As evident from Figure 11, occupancy and average rate experienced a small decline (3.7% and 4.6%, respectively) in 2012/13 as compared to that in the previous year. Considering that supply witnessed a double-digit growth (10.5%), a marginal correction in occupancy indicates the strength of the market and its resilience to absorb new supply. In 2013/14, the market witnessed a healthy growth in demand (18.2%) resulting in an upward movement in both occupancy and average rate. This upward trajectory has been a direct beneficiary of the transformational improvements in accessibility due to the infrastructure upgrades, primarily the Southern Expressway and Colombo Katunayake Expressway coupled with marketing efforts by the government. Additionally, over the past two years, several resorts have undertaken refurbishments and new properties have opened providing a facelift to the product offerings in the region.

The Southwest Coast is characterised principally by the Group Leisure market, which comprises tour operator business and charters flying directly into Sri Lanka mainly from Europe. In addition to hotel accommodation, these tour packages typically

include return airfares, full or half board, and hotel-airport transfers. Demand is also generated in the Individual (Foreign) segment, which represents individual travellers visiting for leisure purposes. Both these segments contribute to relatively long length of stays (7-14 nights) and peak during October to March. However, with the opening of the expressway, a spurt in domestic tourism is observed especially during long weekends and festivals as well as the summers when package rates offered by hotels are very attractive. The region is also beginning to see some traction from MICE demand though it is currently limited due to the lack of substantial meeting facilities available at the resorts.

FIGURE 11: SOUTHWEST COAST OCCUPANCY AND ARR TRENDS THROUGH 2011/12-2013/14



Source: HVS Research

Market Outlook: We expect an addition of nearly 1,600 rooms over the next five years. Going forth, we believe that as infrastructure continues to improve and as more branded hotels become operational, Leisure demand will continue to grow. Also, opening of resorts with large-scale meeting facilities will drive growth in the MICE segment.

Overall, our outlook for the Southwest Coast region remains bullish despite the planned addition of nearly 1,600 rooms over the next five years.

Furthermore, HVS believes that the ease of accessibility and connectivity from the airports, abundance of land and presence of untouched beaches will aid in the development of new destinations such as Weligama, Tallale, Tangalle and Hambantota along the coast. Overall, our outlook for the region remains bullish.



Passikudah

Located in the Eastern province, about 35 kilometres northwest of Batticaloa, Passikudah was a popular beach destination famous for its shallow coastline, pristine beaches and corals. However, its visitation sharply declined during the civil war and due to the 2004 Indian Ocean Tsunami. Post the end of the war, SLTDA shortlisted Passikudah as one of their key tourism infrastructure projects. As a part of the project, the tourism authority planned to develop 150 acres along the town's crescent-shaped coastline distributed amongst 17 sites. The sites were consequently auctioned to various hospitality players and developers for resort development. Approximately 300 rooms, out of the planned 1,000, are now operational. This sudden influx of room supply in the nascent market has resulted in poor performance with hotels averaging a mere 35-40% occupancy year-round. Average rates have ranged between US\$60-US\$100 per night and all-inclusive packages are a common feature here. As more supply enters this market, the hotels are expected to see a further pressure on both occupancy and average rates. However, the government is working alongside the hotels to improve the destination's accessibility and visibility. Unlike the Southwest Coast, demand picks up from April to October when it is dry and the weather is pleasant. Occupancy witnesses a dip from November to February owing to the onset of monsoons on the East Coast during this period. As its wet season coincides with the peak travel period of the Europeans, currently the island's largest source region, a majority of the demand is sourced from other segments such as domestic travellers. Since domestic visitation peaks during holidays and over weekends, average length of stay is roughly two nights.



Market Outlook: Passikudah is gifted with clean beaches and has the potential to perform well during its dry season that stretches to eight months in a year. In an effort to improve visitation to the locale, continuous efforts are being made by the government to upgrade connectivity. Colombo is currently a six-hour drive (overnight luxury coaches have also been introduced) and air travel is available in the form of small charter flights to Batticaloa and Trincomalee. Additionally, the government is attempting to increase destination awareness, in its established (Europe) as well as upcoming source markets (China and Middle East). With these initiatives, we believe that the government is

taking the right steps towards the development of this destination. Currently, supporting six properties, we anticipate this number to go up to 11 over the next two-to-three years. The absence of any large domestic or international hotel operator remains conspicuous. As the market is weak in the short term period, we see that there are opportunities for investors to buy some distressed assets. In the long run, we expect the market to pick up pace and the offering to become a superior beach destination on the East Coast with quality beaches and resorts.

Passikudah is gifted with clean beaches and has the potential to perform well during its dry season that stretches to eight months in a year. Currently, supporting six properties, we anticipate this number to nearly double over the next two-to-three years. As new resorts open and awareness increases, we anticipate the market to pick up pace in the medium to long term.

Trends and Opportunities

We summarise a few trends and opportunities that have emerged within the rapidly transforming tourism and hospitality landscape of the country.

Emergence of new destinations.

Improving connectivity together with concerted efforts by SLTDA has facilitated the emergence of new tourism destinations. In addition to the gateway city of Colombo and the Southwest Coast area, we believe the following locations will present immense potential for the development of hospitality projects going forth.

In addition to the gateway city of Colombo and the Southwest Coast area, we believe locations such as Yala, Jaffna, Trincomalee, Arugam Bay, Kalpitiya and Anuradhapura will present immense potential for development of hospitality projects going forth.

- **Yala and Sinharaja:** Proximity to the South Coast and improving connectivity will drive the growth of these wildlife hotspots.
- **Jaffna** – Better road and rail connectivity will boost trade and traffic in Jaffna.
- **Trincomalee** – The proposed development of an industrial port at Trincomalee will enable the city to develop into an important commercial hub.
- **Arugam Bay and Batticaloa** – Surfing and sailing are slowly becoming established sporting facilities in Sri Lanka. We believe that hotel brands and developers can consider the development of budget and economy hotels to tap into rising demand from this segment in Arugam Bay and its neighbouring city of Batticaloa.
- **Kalpitiya** – Located in Puttalam district on the Northwest Coast, Kalpitiya consists of 14 islands encompassing a marine sanctuary and vast beaches. The area has been identified as a tourism infrastructure project by SLTDA.
- **Anuradhapura** – The capital of the North Central Province was one of the ancient capitals of the country and is

famous for its ruins of the Sri Lankan civilisation. The city has great cultural value as it is considered sacred in the Buddhist community and is a UNESCO World Heritage site.

Asian countries emerging as drivers of tourism growth. Sri Lanka's proximity to countries such as India and China and growing connectivity to other countries such as the Maldives, Japan, and Malaysia is helping in sustaining tourism growth. The increase in available disposable incomes and therefore, consumer spending in these economies will supplement growth in tourism in addition to increasing demand from the traditional long-haul source region (Europe and CIS countries). Another region showing promise is the Middle East owing to better connectivity.

Growing opportunities for domestic travel. In addition to increasing foreign tourists, the country has witnessed an increase in domestic visitation. Improved connectivity and opening of the East Coast have been instrumental in driving domestic travel as highlighted earlier. As per WTTC, domestic travel spending accounted for 52.1% of the direct travel and tourism GDP in 2013 compared with 47.9% for visitor exports. This spending is anticipated to grow by 4.6% in 2014 and average an annual increase of 5.9% by 2024.

Opportunities for domestic and international hotel brand alliances. Traditionally, the country has seen growth in its hotel supply mainly as a result of expansion by home grown brands. Going forward, several international brands are anticipated



Growing base for MICE demand. The country is slowly attempting to develop into an attractive MICE destination. Events such as the Chaaya Blu IODA Asian Optimist Sailing Championship in 2012, CHOGM summit in 2013, and the 16th International Coloured Gems Stone Congress scheduled in 2015 highlight the country's efforts to capture demand from this segment and position itself as a premier MICE destination. Location in the South Asia region, proximate to rapidly growing economies particularly India and China presents enormous opportunities for the island to tap into this segment. Improving regional connectivity would also make the destination more attractive. Currently, hotels and resorts offer limited meeting spaces and can, therefore, cater to small-medium format conferences and events. Going forward, the opening of large hotels such as the Shangri La, ITC Colombo One and Grand Hyatt would in our opinion, induce significant demand particularly in this segment.

Addressing Challenges

As tourism rapidly develops and the market matures to accommodate this growth, we perceive the following challenges to emerge which can be addressed right now so that Hospitality can keep pace with the growth.

Need for revenue optimisation. Currently, Sri Lanka relies heavily on tour operators and travel agents in generating business for its hotels.

Addressing Challenges

Considering most of the demand lies in the Leisure segment and is sold through brochured programmes, hoteliers are often squeezed for rates thereby restricting their potential to maximise revenues. We believe that as the

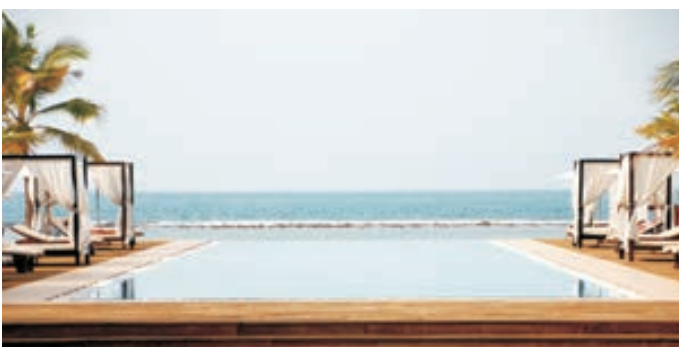
- **Need for revenue optimisation**
- **Incorrect space utilisation in hotels**
- **Demand for skilled manpower**

Trends and Opportunities

- **Emergence of new destinations**
- **Asian countries emerging as drivers of tourism growth**
- **Growing opportunities for domestic travel**
- **Opportunities for domestic and international hotel brand alliances**
- **Growing base for MICE demand**

to enter the market by way of investments or through management contracts. In certain cases, joint-venture partnerships have been established between a domestic and international player such as the Minor International-Serendib Leisure properties

association and the more recent Aitken Spence-RIU partnership for the development of their Ahungalle resort. We believe that such tie-ups are mutually beneficial; international brands get an opportunity to expand their footprint while domestic brands get to benefit from the global marketing reach of an international operator.



awareness of the country increases, opportunities increase for tapping into more profitable sources of reservations such as global distribution systems and hotel websites. Moreover, as the hotel market becomes more mature, tools such as search engine optimisation, pay per click, mobile website marketing, social marketing, and viral marketing will become essential. Additionally, hotel companies will also need to introduce dedicated online marketing teams either at the property level or brand level that focus on reputation management, implementation of multi channel initiatives, and website analytics.

Incorrect space utilisation in hotels. Historically, most hotels and resorts in Sri Lanka offered several dining options to generate revenues from non-residents since room occupancies were limited owing to the conflict; however, the Food and Beverage (F&B) division typically averaged much lower profitability than the Rooms division. Keeping this in mind, along with a substantial projected pick in occupancies, and the development of retail and F&B precincts such as the Dutch Hospital in Colombo, we believe that an opportunity lies in maximising hotel area programmes and consequently, revenues and profitability. We, therefore, suggest that instead of multiple F&B outlets, hotels can explore large-format restaurants including three-to-six interactive kitchens and cuisines.

Demand for skilled manpower. As new hotels continue to get added across the country, we see a rising demand for trained manpower. Over the last few years, our interactions with key stakeholders have shown a phenomenon similar to that of reverse brain drain with several professionals beginning to

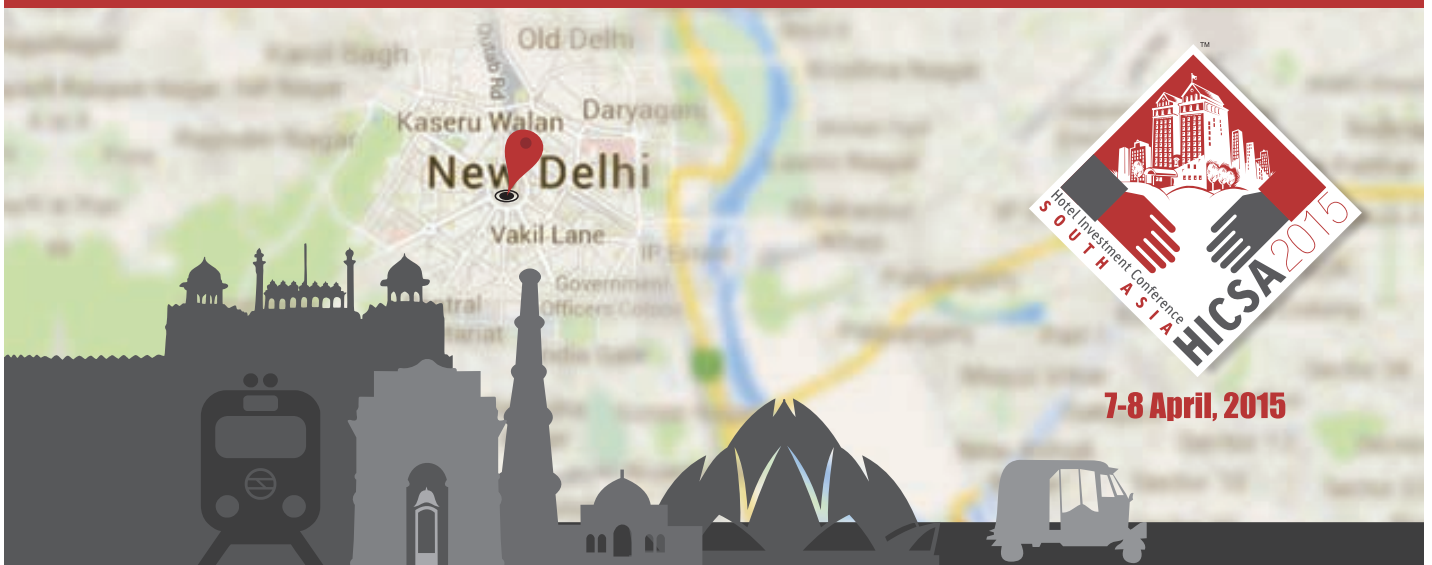
return to the island for work, having previously moved to other countries during the war. Going forth, the flood of international and domestic branded hotels anticipated to enter the market will result in a demand-supply imbalance of manpower. We believe that along with supporting the development of hotels and infrastructure, setting up of hotel management schools and vocational institutions is vital to cultivate a suitably trained and sizable workforce.

Closing Thoughts

Sri Lanka has grown by leaps and bounds since the end of its internal conflict in 2009. With its building blocks of infrastructure, a rapidly expanding economy, a stable government, security, and continued efforts by the government to position the emerald isle as a 'Wonder of Asia' in place, we believe that the country is moving full steam ahead to reach its goals. Moreover, double-digit year-on-year growth in tourist arrivals and receipts attests the growth story of the tourism sector. From a destination perspective, not only does the country offer a variety of experiences, but also has the capability to do so year-round with its unique seasonality patterns on the west and east coasts. The country presents a unique set of very favourable conditions, not often seen across the world under the given muted global financial situation, allowing for investors, lenders and brands to capitalise on over the next few years.

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About the Authors



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*Editing support was provided by **Avantika Vijay Singh**. All photography in this article is copy written to the author, **Shamsheer Singh Mann**.*