

Star turn to spark refurbish rush

Andrew Cleary

The \$870 million renovation of The Star casino in Sydney and ongoing development at Crown Ltd's properties in Melbourne and Perth have sparked a rush of upgrades across casinos and hotels potentially worth billions of dollars to the construction and refurbishment industry.

ISIS, a privately owned interior construction specialist backed by Advent Private Capital, forecasts up to \$400 million will be spent on refurbishments next year by the hotel industry. That is in addition to major casino renovation projects in Queensland, Adelaide and Darwin all commencing over the next 12 months.

As ISIS winds down three years of work worth \$180 million at The Star, group executive Glen Thompson predicted that rivals, including Crown and New Zealand's SkyCity (the owner of Adelaide and Darwin casinos), and luxury hotel operators would all have to respond to what he said was a new benchmark in design and fit-out.

"I don't think you'll find anything in Australia that is of this standard," Mr Thompson said.

"I think Crown and others will have to try and respond. This industry is very much a mirror of the economy... and we're certainly part of that big growth spurt at the moment."

The construction of new five-star hotels in capital cities is likely to remain on ice so long as revenue per room — an industry gauge of profitability — remains low.

But none of the existing operators is holding back when it comes to lavish renovations, according to ISIS commercial manager Con Koulouris.



Glen Thompson predicts a \$400m hotel refurbishment spree.

Photo: JIM RICE

"I don't think in the hotel sector people can trim their cloth," Mr Koulouris said. "Occupancy rates are at their highest, and the hotel market is really trying to capture and deliver a product that is competitive on the international stage."

"They need to play catch-up. There is a niche here for the overseas high-roller market and [high-end] tourists."

Dean Dransfield, an independent adviser to hotels, said the industry standard in Sydney in particular had dated. He said new competition from The Darling and the \$60 million renovation of the Park Hyatt under the

Harbour Bridge had changed expectations among consumers.

"It certainly creates pressure and it also reminds [hotel operators] that there is that opportunity to push rates up if they upgrade," he said.

"It's a return on investment proposition, and with occupancy rates really high right now owners have to think about whether they upgrade some or all of their rooms. The motivation for any owner is the immediate competition and how do I look versus them."

ISIS, which has led interior construction projects at hotels including

the Four Seasons and Westin in Sydney and the Shangri-la in Cairns, has managed most of the interior build at The Star. That includes the renovation of the main gaming floor, the fit-out of private high-roller gambling salons and the VIP suites on the top two floors of the five-star hotel.

The company recently won a tender worth \$17 million to design the casino's "Manhattan" nightclub, which is due to open in March.

According to Mr Thompson, an agreement over the scope of work to be done at Adelaide casino should be struck early next year, with owner SkyCity using the same architect as Echo Entertainment Group did at The Star.

ISIS is seeking a role at Echo's \$625 million redevelopment of its three Queensland casinos, most of which is in the planning and approvals process after the state government awarded the company extra gaming concessions.

James Packer's Crown will attempt to steal back some of the momentum that Echo has captured in the VIP market. It is opening two private mansions set beside a new pool development at the renamed Crown Perth casino, slated for the first quarter of 2012.

Crown is spending more than \$750 million on the property in a bid to shed its budget image and to act as a counter to The Star's growing appeal among the high-roller market in Australia.

An \$11 million motor yacht, plush, 600-square-metre VIP suites and celebrity chef restaurants such as Neil Perry's Rockpool are all part of the push upmarket for the property formerly known as Burswood.