hospitality INSIDE SPECIAL

OCTOBER 2012 // EXPO REAL EDITION FOR HOSPITALITY & REAL ESTATE EXPERTS

EXPO REAL 2012

www.exporeal.net

15. Internationale Fachmesse für Gewerbeimmobilien und Investitionen
8.–10. Oktober 2012, Montag–Mittwoch • Messe München

15th International Trade Fair for Commercial Property and Investment
8–10 October 2012, Monday–Wednesday • Messe München

Exhibitors in the EXPO REAL network of hospitalityInside:

Schoerghuber Unternehmensgruppe	A1.214
RMDS Hotel Development	B1.120
Deutsche Hypothekenbank	B1.344
Union Investment	B2.142
WTSH – Business Development and Technology Transfer Corporation of Schleswig-Holstein	B2.330 + C2.234
Motel One Group	C2.010
"World of Hospitality" joint stand	**C2.234**
ACCOR Hospitality Germany	C2.234
bbg-CONSULTING	C2.234
Christie + Co.	C2.234
Grand City Hotels	C2.234
HospitalityInside	C2.234
HOTOUR Hotel Consulting	C2.234
InterContinental Hotels Group	C2.234
Jung & Schleicher Rechtsanwaelte	C2.234
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Lindner Hotels & Resorts	C2.234
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1 SPECIAL REAL ESTATE FORUM – HOSPITALITY INDUSTRIE DIALOGUE
2 INVESTMENT LOCATIONS FORUM
3 PLANNING & PARTNERSHIPS FORUM
4 EXPO REAL FORUM
5 MEDIA LOUNGE
6 Konferenzräume / *Conference Rooms*
7 Meeting Center
8 Pressezentrum / *Press Center*

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Zieladresse für Ihr Navigationssystem:
Messe München, Paul-Henri-Spaak-Str. 12, 81829 München
Address for your Sat Nav:
Munich Trade Fair Center, Paul-Henri-Spaak-Str. 12, 81829 Munich

Dear hospitalityInsiders and visitors of EXPO REAL 2012,

You're holding the third hospitalityInside EXPO REAL SPECIAL magazine in your hands:
you have this high-quality print issue with 100 pages and the e-magazine that can be accessed at www.hospitalityInside.com anytime. Be sure to take enough copies from the trade fair with you or send the link to your business partners.

In this unique, purely hotel-focused publication at EXPO REAL, you will find – both in German and English – articles on issues relevant to the trade fair and the industry, e.g. on hotel markets, brands, financing, agreements, and trends.

Naturally, we promote our own activities and our partners in this issue, but at the same time, the selection of articles gives you a good impression of the way we report all year. hospitalityInside focuses on information and objectiveness. The fact that we do so without any advertising in the online magazine means a vital boost in quality for both authors and readers.

It is all the more appreciated when well-known companies from real estate/investment and the hotel industry are once again willing to place an advertisement in a special issue like this one. We would like to say a big thank you to our advertisers for this, and we are very happy that a high-quality context is appreciated in this way.

We define journalism as "information network" – and this is exactly what we practice here at EXPO REAL. Each year stronger, both online and offline. Together with the trade fair, our young publishing company is becoming a motor of the hospitality industry. For the fifth time, I am organizing the "Hospitality Industry Dialogue" hotel conference, for the fourth time, hospitalityInside and EXPO REAL invite select guests to the relaxed "Bricks & Brains" get-together and networking event, for the third time, we are publishing this SPECIAL issue, and for the second time, we have initiated the "World of Hospitality" joint booth.

Measuring 168 square metres, this booth is twice as big as at last year's premiere! We consider this a clear vote of our co-exhibitors in favour of EXPO REAL and it shows that the sector is clearly willing to assert itself as a trustworthy asset class next to commercial real estate.

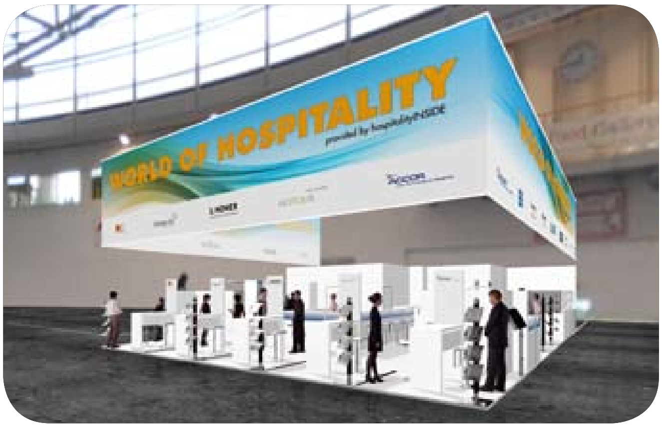
The 14 "World of Hospitality" exhibitors are partly worldwide active, highly specialized and nameable companies (in alphabetical order): Accor Hospitality, bbg-CONSULTING (new), Christie + Co, Grand City Hotels, Hotour Hotel Consulting, InterContinental Hotels Group, the law firm Jung & Schleicher Rechtsanwaelte (new), Kohl & Partner Consulting (new), Lindner Hotels & Resorts, Louvre Hotels Group (new), Rilano Hotels & Resorts (new), Siemens Financial Services (new), Treugast Solutions Group (new), and WTSH – Business Development and Technology Transfer Corporation of Schleswig-Holstein.

Seven of these partners ventured to share last year's premiere with us and agreed to take part this year right afterwards. And several sponsors of our "BRICKS & BRAINS" networking event are just as loyal: for the fourth time, Kempinski Hotels & Resorts will be the main sponsor. In addition, (Treugast) Solutions Holding, Choice Hotels, RMDS Hotel Development and bbg-CONSULTING are also back on board. A new partner in 2012 will be Fondara Unternehmensgruppe owning Riem Hotels Munich located right next to the trade fair grounds, opening its doors for you in 2013!

The hospitalityInside team wishes you a successful EXPO REAL 2012!

Maria Puetz-Willems
Editor in Chief
hospitalityInside.com

CONTENT



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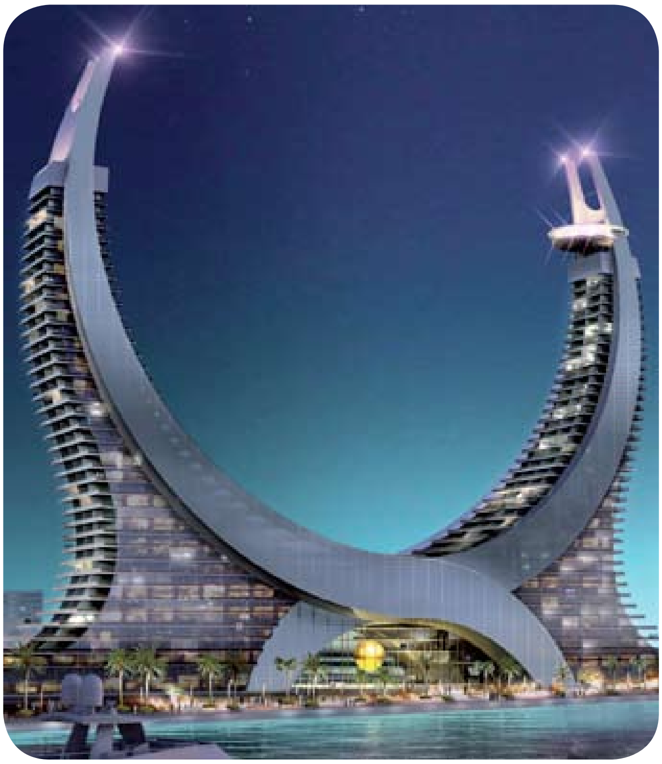

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Partners of the networking event "BRICKS & BRAINS" (in alphabetical order): bbg-CONSULTING, Choice Hotels Europe, Kempinski Hotels & Resorts, Riem Hotels Munich/Fondara Unternehmensgruppe, RMDS Hotel Development, Solutions Holding.

hospitality INSIDE
•COM YOUR INFORMATION NETWORK.

A quick access to reliable information has always been the decisive element in the success of any person or business. Today, new media produce a constant flood of data, yet reliable sources are hard to come by. More and more, users invest in research time while doubting the quality of information available.
Hence, hospitalityInside was born in 2005 on the vision of a information network between expert journalists and hotel executives. Clear rules, transparent price structures and information headings differentiate information fields, currently subdivided into the editorial "magazine", into "Solutions" for specific information by the industry's service providers and suppliers, and in "Network" for conferences, events and all future social media activities.

- hospitalityInside.com is a purely editorial independent magazine with focus on the international hotel industry.
- Online distribution ensures rapid and reliable delivery of important news to all corners of the globe (inter alia, by way of "Breaking News").
- The target group comprises of managers in the hotel industry and associated industries.
- The magazine is published every Friday (48 times per year).
- It completely appears in two languages (German/English).
- The online magazine is entirely free of advertisements.

The aim of the magazine is to bring transparency into the hotel market. The geographical focus of reporting is currently on Europe and the Middle East, though does include international hotels, hotel groups and associated markets and players. The editorial team provide their own research based contributions with in-depth articles, background reports and further interesting links.
Who does What Where When Why and How? hospitalityInside will tell you – and more.

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EXPO REAL, the 15th International Trade Fair for Commercial Property and Investment, is being held at the New Munich Trade Fair Centre from 8 to 10 October 2012. It is a key networking event for interdisciplinary and international projects, investment and finance. It caters to the full spectrum of the property sector, offering an international networking platform for markets spanning from Europe, Russia and the Middle East to the United States. The fair's extensive programme of conference events, featuring some 500 speakers, gives participants valuable insight into the latest trends and innovations in the property, investment and finance market.
A total of 1,610 companies from 35 countries exhibited at the EXPO REAL 2011. The event attracted more than 37,000 participants from 72 countries and took up six exhibition halls, covering 64,000 square metres of space. The statistics for EXPO REAL are audited by an independent accountant on behalf of the Gesellschaft zur Freiwilligen Kontrolle von Messe- und Ausstellungszahlen (FKM, Society for Voluntary Control of Fair and Exhibition Statistics) (www.exporeal.net).

Messe München International

Messe Muenchen International (MMI, Munich Trade Fairs International Group) is one of the world's leading trade-fair companies. It organizes around 40 trade fairs for capital and consumer goods, and key high-tech industries. Each year over 30,000 exhibitors from more than 100 countries, and over two million visitors from more than 200 countries take part in the events in Munich. In addition, MMI organizes trade fairs in Asia, Russia, the Middle East and South America. With six subsidiaries abroad – in Europe and in Asia – and more than 60 foreign representatives serving over 90 countries, MMI has a truly global network. Environmental protection and sustainability are key priorities in all MMI's operations, at home and abroad.

Anzeige

Union Investment:
A multi-brand property portfolio

"Radisson Blu Royal Hotel", Brussels, Belgium

By making multiple brands the trademark feature of an internationally diversified hotel portfolio, Union Investment has demonstrated how the investment potential of hotels can be successfully leveraged in the context of open-ended real estate funds. With a total of 12 hotel brands currently "on board", ranging from Arcotel to Hilton and Steigenberger, its holdings in this complex asset class boast a letting ratio of 100% and average leases of 13.7 years. The property fund manager, which currently manages hotel assets worth around EUR 1.6 billion comprising 25 properties in the two- to five-star segment, aims to extend its strong position in the European hotel investment market by further developing its hotel expertise and entering into new strategic partnerships. "The general environment and investment regime require increasing specialisation from institutional investors both on the transaction side and in terms of portfolio and contract management," says Andreas Löcher, head of Asset Management Hotels at Union Investment Real Estate GmbH, Hamburg. "We are expanding our in-house expertise in this area with the objective of implementing individual contract structures for our investment products in future, such as franchise agreements or triangular arrangements whereby tenants sign a management agreement with an international operator." The second cornerstone of the company's hotel strategy is to develop partnerships with leading, financially strong national and international hotel operators with a proven track record. "Our hotels traditionally give our open-ended real estate funds a significant performance boost. Even in tough economic times, performance is not undermined by loss of rent," adds Löcher. "Alongside monitoring hotel performance, the choice of operator is a key function of hotel asset management."

"Scandic Hamburg EMPORIO", Hamburg, Germany

At around 8%, hotels already represent a strategically important proportion of total property assets and Union Investment plans to further increase this figure, partly by acquiring development projects. "We are also looking for investment opportunities involving forward purchase structures," says Löcher. Business, trade show and airport hotels with a minimum of 120 rooms are all in the frame, with major cities in Western Europe forming the focus of investment, especially locations with an international gateway function such as Amsterdam, London and Paris. Union Investment is particularly interested in focused-service hotels and has already entered into strategic partnerships with Motel One and Holiday Inn Express.

"Hotel Crowne Plaza Amsterdam-Zuid", Amsterdam, Netherlands

Union Investment takes care to ensure that its hotel investments meet key sustainability requirements, having started to embed sustainability into its investment processes many years ago. At the start of 2012, Union Investment became one of the first large property holders in Germany to carry out a comprehensive sustainability analysis of its global property portfolio, which currently includes 23 properties with a total value of EUR 3.4 billion that are certified in accordance with national or international sustainability standards such as BREEAM, DGNB, HQE and LEED. The Scandic Hamburg EMPORIO, which forms part of Union Investment's property portfolio, was one of Germany's first hotels to be pre-certified Silver by the German Sustainable Building Council (DGNB). Andreas Löcher: "Today, hotel brands with a quality focus can no longer afford to ignore sustainability when planning, developing and operating their properties."

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EXPO REAL EXHIBITION DIRECTOR CLAUDIA BOYMANNS ON THE 2012 FAIR

Focusing on investment

Munich (October 8, 2012). Aside of concentrating on real estate, the 15th EXPO REAL Munich will be increasingly focusing on the investment segment. This is why particularly the growing activities connected to the hotel industry are a welcome element of the trade fair mix: at the 2nd „World of Hospitality" joint booth, at the „BRICKS & BRAINS" networking event and in the course of the „Hospitality Industry Dialogue" hotel conference, investors and operators will be meeting each other. Again, the number of exhibitors remains stable this year. The fair is trying to create customer loyalty by improving its services and new online tools. EXPO REAL Exhibition Director Claudia Boymanns talked to Maria Puetz-Willems about the 2012 trade fair.

15 years of EXPO REAL – and since 2010, the trade fair bears a new name: it no longer focuses solely on commercial real estate, but also on investment according to the extended subtitle. Why is this?

Claudia Boymanns: Extending the subtitle by the term „investment" points out that EXPO REAL has turned into a meeting point for real estate investors – more than originally intended. This refers to both companies seeking to invest their money as well as those locations and companies on the lookout for investment. At the same time, the segment of hotel real estate has aroused the investors' attention. However, most hotel chains act only as operators, while institutional and/or private investors invest in the property itself.

What can you report on EXPO REAL bookings compared to the previous year? In which segments do you record the biggest changes?

Fixed and virtual meeting points

Claudia Boymanns, Exhibition Director EXPO REAL

Boymanns: We are happy to record stable bookings and expect about 1,600 exhibitors, similar to last year. Some of them have enlarged their booths. Unfortunately, we cannot provide any information on the development of individual segments before your editorial deadline, as acquisition is still running. However, there will be a new joint booth of the logistics industry titled „Log RealCampus", which makes it possible to extend the area for logistics real estate.

Last year saw the first "World of Hospitality" joint booth. How does the trade fair see this project and what were the reactions from your perspective?
Boymanns: From our point of view, the first joint booth was a great success. The booth was well frequented on all days and exhibitors where highly satisfied with the whole appearance and the reactions.
The fast growth of this year's joint booth reaching twice the size compared to last year is a clear sign for the growing interest in hotel real estate as an asset in general. At EXPO REAL, the hotel industry has the opportunity to meet the right people to find new locations and realize new projects. In turn, these people meet the necessary operators ensuring high yield. In short: it is the perfect opportunity to establish new contacts for new collaboration.

As mentioned before, this year's second "World of Hospitality" is already twice as big as last year, which makes hospitalityInside really happy being its initiator and coordinator. How could the trade fair management support this industry segment this year and in future even more?
Boymanns: We are very happy that the „World of Hospitality" joint booth and, as a result, the hotel segment is experiencing such positive development. We plan to continue growing in this field while maintaining quality, and go on supporting the hotel sector at EXPO REAL. Accordingly, there will be a dedicated advertising campaign covering the hotel sector addressing visitors in order to attract even more interested visitors.
In order to support networking in connection with the hotel industry and partners from the real estate segment, we offer our exclusive BRICKS & BRAINS event on the first day of the trade fair. In the past three years, this event was very well frequented and thus provides a perfect background for establishing new contacts and caring for existing ones.

Both at the hospitality booth and the hotel conference on Monday, the Hospitality Industry Dialogue, sees a growing number of noteworthy and international experts and companies. How do you consider the industry's competence compared to other segments present at the trade fair?
Boymanns: The Hospitality Industry Dialogue hotel conference has been a fixed part of the EXPO REAL programme for many years. Being the organizers, we are very happy that the hotel industry has recognized the value of EXPO REAL as a place to gather information and a marketplace. Year after year, the well-frequented event attracts a growing number of visitors. However, we're not looking for unlimited growth. Instead, we aim for maintaining quality of the content and giving participants an idea of current issues and trends important to the hotel industry.

Trade fairs are perfectly suited for quick, direct communication and interaction. What services do you offer both exhibitors and visitors?
Boymanns: Services and online tools are getting more and more important when it comes to preparing and planning a visit to the trade fair. Therefore, we aim at constantly improving them to their benefit simplifying their planning process. Accordingly, this year the participant database will be extended enabling each visitor to book a detailed profile, e.g. including an image, a company logo as well as a QR code.
The „personal trade fair office" of my.exporeal.net is not new but still rather unknown. Using the organizer feature, visitors may administer contacts, make appointments with exhibitors and other visitors, as well as prepare a personal event calendar. My.exporeal.net is connected to both a participant database and the conference programme. Important contacts from the database or an interesting panel discussion can be directly highlighted and will be transferred to the „personal trade fair office".
Similar to last year, both the EXPO REAL app and a mobile website will be at the visitors' disposal. In addition, there will be an EXPO REAL blog for the first time summarizing all social media activities during the trade fair. Via our blog, visitors also have the opportunity to participate in the Johann Jacob Astor Competition.
There is a connection to the hotel industry here, too: Johann Jacob Astor from New York owned and operated two hotels, the City Hotel and The Astor House, the most exclusive hotel of its time which even provided running water. The competition is to award particularly social-cultural, sustainable and ecological commercial real estate projects. The winner will be voted on by the social media community. The prize will be awarded on the second day of EXPO REAL 2012.

We wish EXPO REAL good luck in 2012! Thank you very much for the interview.

TOPICS: FINANCING, ASSETS, EXPANSION, TRIANGULAR AGREEMENTS, APARTMENTS

11th Hospitality Industry Dialogue

Munich (October 8, 2012). Financing, financing, financing ... this term dominates a huge number of talks across the hotel sector. This is why the hotel conference at EXPO REAL 2012 deals with this issue in a two-hour mega session. The audience is requested to participate, as they are allowed to ask more questions than before during the panel discussion. Concerning real estate assets there is the question whether real estate management was necessary. Is yield still calculable? And is chain expansion in truth solely about pushing competitors out of the market? Topics like these make sure that the 11th „Hospitality Industry Dialogue" has its finger again on the pulse of time (see programme below). Experience about 25 international and top-notch experts from the fields of real estate, investment and hospitality on Monday, October 8, 2012. Some will be appearing at Expo Real for the first time. Between 10.30 am and 5.30 pm at the „Special Real Estate Forum" in hall C2.

10.30-12.20 h

Hotel Financing: Different stories, different players?
2 hours-non stop talk including questions by the audience

Moderation: Christoph Haerle, CEO Continental Europe, Jones Lang LaSalle Hotels & Maria Puetz-Willems, Editor in Chief, hospitalityInside.com

Panel:
- Key Note: Paul Slattery, Director Otus & Co Advisory Ltd.
- Michael Hartmann, Senior Vice President Head Market Development Board Hospitality and Entertainment, Siemens Financial Services
- Christof Winkelmann, Managing Director Special Property Finance, Aareal Bank
- Uwe Niemann, Bank Departmental Head, Deutsche Hypothekenbank
- Peter Norman, Senior Vice President Acquisitions & Development EAME, Hyatt International
- Desmond Taljaard, Chief Operating Officer Europe, Starwood Capital
- Peter Norman, Senior Vice President Acquisitions & Development EAME, Hyatt International
- Prof. Dr. Werner Pauen, Professor of Tourism & Controlling and Real Estate Valuation Expert Witness

12.30-13.20 h

Asset management: Predictable yield?
Moderation: Markus Beike, Managing Director, Christie+Co

Panel:
- Markus Semer, Senior VP Corporate Affairs & Strategic Planning, Kempinski Hotels & Resorts
- Andreas Loecher, Head of Division Asset Management Hotel, Union Investment Real Estate
- Heribert Gangl, Senior Associate, Hamilton Hotel Partners
- Prof. Stephan Gerhard, CEO, Treugast Solutions Group

13.30-14.30 h BREAK

14.30-15.20 h

Development without limits? Capturing market share by expanding
Moderation: Martina Fidlschuster, Managing Director, Hotour Hotel Consulting

Panel:
- Rolf Huebner, Director of Operations Central & Eastern Europe, InterContinental Hotels Group
- Michael Muecke, Managing Director & SVP Operations ibis, Accor Hospitality Germany
- Prof. Andreas-Norbert Fay, Chairman of the Advisory Board, Fay Projects
- Ian Biglands, Director of Development, B&B Hotels

15.30-16.20 h

Chain reactions: The malicious triangle of ownership, lease and franchise
Moderation: Susanne Stauss, Senior Editor, hospitalityInside.com

Panel:
- Margit Hug, Managing Director Central European Operations, Choice International
- Christian Windfuhr, CEO, Grand City Hotels
- Gert Prantner, Managing Partner, RIMC Int. Hotel Resort Management & Consulting
- Dr. Mathias Jung, Founder & Partner, Jung & Schleicher Lawyers

16.30-17.30 h

Niche hotels: Serviced apartments & dormitories
Moderation: Prof. Dr. Christian Buer, Head of Tourism Management/Hotel Management, Heilbronn University

Panel:
- Prof. Dr. Max M. Schlereth, Managing Partner, Derag Living Hotels
- Reiner Nittka, Chairman, GBI AG
- Rainer Nonnengaesser, Chairman of the Board, Youniq AG
- Matthias Niemeyer, Head of Development Germany, Toga Hospitality

Portraits Panellists


Desmond Taljaard


Peter Norman


Markus Semer


Andreas Loecher


Margit Hug


Gert Prantner


Rainer Nonnengaesser

Desmond Taljaard, Chief Operating Officer Europe of Starwood Capital Group (SCG) is responsible for all asset management, and for growing SCG's asset management base in Europe. In 2009 he led the acquisition out of bankruptcy of the Golden Tulip Group. He joined SCG in November 2006 from Whitbread Group.

Peter Norman, Senior Vice President Acquisitions & Development EAME of Hyatt Hotels Corporation has held development positions in a number of international hotel groups including Dolce, Le Meridien, Marriott, Whitbread and Choice Hotels. He has been involved in all aspects of real estate finance, development and consulting for more than 25 years. Earlier in his career, Peter held operational roles with groups such as Hilton and Accor in France, Germany, Sweden and the UK.

Markus Semer, Senior VP Corporate Affairs & Strategic Planning of Kempinski Hotels & Resorts started his career in 2002 as part of Kempinski's development team after gaining his MBA degree from Ecole Hotelière de Lausanne. In 2008, he was appointed member of the management board of Kempinski with responsibilities for strategic planning, legal services, corporate communications and people services as well as corporate affairs.

Andreas Loecher is a Head of Division of Asset Management Hotel at Union Investment Real Estate GmbH, Hamburg, since July 2010. He is in charge of the hotel investment strategy and coordinates all Hotel Acquisitions and Sales as well as Asset Management activities within the Hamburg-based property investment company. Prior to joining Union Investment, he was a Head of Hotel Acquisitions & Sales at Deka Immobilien GmbH, Frankfurt and a Vice President at Aareal Bank AG, Wiesbaden, responsible for real estate finance (hotel).

Margit Hug, Managing Director of Choice Hotels Franchise GmbH since 2006, is a qualified banking professional focused on hotel and restaurant management already during her studies of business administration. After one and a half years as project manager for Paulaner Brewery, Margit joined Choice Hotels as Director Franchise Service in 2001.

Gert Prantner, Managing Owner of the RIMC International Hotel Resort Managment and Consulting GmbH started his career in the hotel industry in 1954. A Cornell graduate, became Managing Director and CEO of the Hotel Vier Jahreszeiten in Hamburg in 1968 and stayed on until 1993. In 1990, he already founded RIMC planning and realising hotels and mixed-use concepts in Austria, Benelux, Germany, India, Italy, Russia and Switzerland today.

Rainer Nonnengaesser was appointed the chairman of the Management Board of YOUNIQ AG on 1 July 2010. During his 20-year career in the real estate sector, he held various management positions within Union Investment and the AXA Group starting in 1998. Among others, he was responsible for investments and project development at the AXA Group.

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Who is Who?

ACCOR
Open New Frontiers in Hospitality

ACCOR, the world's leading hotel operator and market leader in Europe, is present in 92 countries with more than 4,400 hotels and 530,000 rooms. Accor's broad portfolio of hotel brands – Sofitel, Pullman, MGallery, Novotel, Suite Novotel, Mercure, Adagio, ibis, all seasons/ibis Styles, Etap Hotel/Formule 1/ibis budget and hotelF1 – provide an extensive offer from luxury to budget. With more than 180,000 employees (including 145,000 in owned, leased and managed hotels) in Accor brand hotels worldwide, the Group offers to its clients and partners nearly 45 years of know-how and expertise. In Germany Accor is represented by over 330 Hotels of the brands Sofitel, Pullman, MGallery, Novotel, Suite Novotel, Mercure, Adagio, ibis, all seasons/ibis Styles, Etap Hotel/ibis budget and Formule 1.
www.accor.com

BBG-CONSULTING: Founded in 1962, the company is with 50 years of experience Europe's pioneer in consulting services for hotel-development, foodservice-design and event-catering. The full-service concept includes market analyses, concept design, feasibility studies as well as functional building-design advisory, foodservice design, realization and market-introduction.
The proven experts combine economical goals with an optimal workflow organization and solutions for an efficient functional design. This holistic approach prevents conventional interface problems; thereby maxing out an asset's full earning power.
BBG-Consulting realized over 9,000 consulting and design projects and specified over 350 million Euro of FF&E which makes the company one of the leading players in this field. Multiple international awards document excellence in innovation and design for hotels and foodservice operations of

any kind. This performance is based on more than 10 years of fundamental and engineering research within the hotel and foodservice industry, also on behalf of the German Federal Ministry for Education and Research.
For 44 years, BBG-Consulting also publishes Germany's leading industry benchmarks, known as "Betriebsvergleich Hotellerie & Gastronomie Deutschland", in which over 800 operations of any kind participate.
This combination of profound market expertise, business knowledge, organizational and technical know-how, experience in design-work as well as in market launch and management makes BBG-Consulting an ideal partner. Accordingly, the main activities of BBG-Consulting concentrate on concept and project development, asset management as well as repositioning.
www.bbg-consulting.com

Christie + Co
BUSINESS INTELLIGENCE

CHRISTIE + CO was established in London in 1935 and is Europe's leading agent and adviser in the hotel property sector. In addition to hotel transactions, the company offers informed consultancy and valuation services. Operating in 26 offices worldwide with more than 250 specialists, who combine their understanding of regional and national markets with their vast knowledge of current market trends and local distinctions, Christie + Co transacts around 300 hotels a year in Europe. Further information can be found on **www.christiecorporate.com** and **www.christie.com**.

GRAND CITY
HOTELS

GRAND CITY is a European Hotel Management company operating more than 110 hotels in the 2, 3, 4 and 5-star categories in Germany, the Netherlands, Belgium, Austria, Cyprus, Spain, and Hungary.
Hotels under Grand City management significantly improve their revenues and profitability as a result of Grand City's excellent management, sales and marketing, e-commerce and cost control expertise as well as professional property upgrades and refurbishments.
Hotels taken over by Grand City perform highly above market average and show significant improvements over their own past performance. The hotel's turnaround process typically takes 1 to 2 years.
Grand City operates several of their hotels under strategic franchise agreements with various world renowned brand names as well as under their own "Grand City Hotels" brand. It is the strategy to grow the company to over 160 hotels within the next two years.
For the second consecutive year, Grand City has been rated "AA" by Treugast. This rating is based on various parameters, among them the analysis of the financial data, the composition of the portfolio and the strategic orientation of the company such as contracting and partnership.
www.grandcityhotels.com

hospitality INSIDE
WORLD OF HOSPITALITY INFORMATION.

HOSPITALITYINSIDE is the initiator of the joint stand "World of Hospitality". The Augsburg-based company publishes the online magazine www.hospitalityInside.com addressing to the management of the international hotel industry and related industries in German and English language. Furthermore, the company connects executives of the industries during fairs, workshops, hotel conferences and own events by its grown information network.
www.hospitalityInside.com

Hotel Consulting
HOTOUR

HOTOUR HOTEL CONSULTING: The goal of the Frankfurt-based consulting firm is to support clients with lasting effect in the most varied of problems and strategically important decisions in all phases, from the project development up to the hotel opening. The foundation for the success of a

Stand Talk 2011: 5 minutes plain talking with Lukas Hochedlinger, Christie & Co.

long-term added value is a creative solution approach and individually tailored consultation services. Hotour's fields of activity: "Transaction Consulting" for Purchasers, Sellers and Banks: Valuations; Hotel-specific and management analysis / due diligence; Search for investors and operators Preparation and support of negotiations.
"Project Development Consulting" for Project Developers, Investors and Banks: Feasibility studies and plausibility appraisals; Hotel development, conception and planning of new or reconstructed buildings; Search for investors and operators.
"Asset Management" for Banks, Owners and Investors: Hotel check: building, operator and budget assessment; Preparation of business plans; Coaching and monitoring with detailed reporting; Implementation of interim management or new operator; Project management of renovation works.
"Hotel Appraisals" for Banks, Investors, Project Developers and Operators.
www.hotour.de

IHG® InterContinental Hotels Group

INTERCONTINENTAL HOTELS GROUP (IHG) is a global organisation with nine hotel brands including InterContinental Hotels & Resorts, Hotel Indigo, Crowne Plaza Hotels & Resorts, Holiday Inn Hotels and Resorts, Holiday Inn Express, Staybridge Suites, Candlewood Suites, as well as our two newest brands, EVEN Hotels and HUALUXE Hotels & Resorts. IHG also manages Priority Club Rewards, the world's first and largest hotel loyalty programme with over 67 million members worldwide. IHG franchises, leases, manages or owns over 4,500 hotels and more than 666,000 guest rooms in nearly 100 countries and territories. With more than 1,000 hotels in its development pipeline, IHG expects to recruit around 90,000 people into additional roles across its estate over the next few years.
InterContinental Hotels Group PLC is the Group's holding company and is incorporated in Great Britain and registered in England and Wales.
www.ichotelsgroup.com


Stand Talk 2011: 5 minutes plain talking with Michael Muecke, Accor.

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JUNG & SCHLEICHER RECHTSANWAELTE: Located at the heart of Berlin, Jung & Schleicher (J&S) provide comprehensive legal advice to national and international clients in all areas of business law and particularly in real estate law – always focused on performance and solutions. The company offers individual and personal service at the highest professional standards.
J&S is specialized on complex and interdisciplinary issues of real estate, hotel, banking, finance, corporate and commercial law and is well experienced in all kinds of national and cross-border transactions. In the last few years alone, we successfully accompanied funds and financing of more than – 2 billion, complex real estate transactions and developments of more than – 3,5 billion (more than – 2 billion in hotel and management properties) and M & A/corporate-structuring of more than – 1.5 billion.
In addition to such major project work, J&S advises its clients in all questions of their day-to-day business operations such as developing and drafting contractual concepts (management, lease, franchise, building, service, licensing, cooperation, purchase, loan or outsourcing agreements), enforcing damage claims, achieving settlements, handling public law and license requirements with the competent authorities, negotiating loans and mortgages, etc. Depending on the client's wishes all correspondence and documents are provided in bilingual versions or English only.

Each year J&S represent clients in more than 250 regional and appeal court proceedings nationwide. Clients describe our success quote as outstanding. J&S has also been acting in arbitration proceedings before the International Court of Arbitration.
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HOTEL & TOURISM CONSULTING

KOHL & PARTNER: Clients of the leading tourism consulting company in Austria are famous tourism destinations, leading companies, public authorities, and well-known investors. The firm with more than 30 years of experience in the field of tourism stands for "quality in tourism". The company is being developed and managed according to the EFQM Model for Business Excellence and won the "Austrian Quality Award" (a contest of the Austrian Ministry of Economics) for SMEs in Austria. Furthermore Kohl & Partner is an affiliate member of the UN World Tourism Organization and works in accordance with international consulting standards. Beside the German speaking markets Kohl & Partner puts a special focus on Central, Eastern and Southeastern Europe. Currently, there are 12 offices in nine countries (Austria, Germany, Italy, Switzerland, Hungary, Romania, Bulgaria, Macedonia and Albania). The core business areas of Kohl & Partner are hotels & restaurants, destinations, touristic infrastructure, seminars & trainings. **www.kohl.at**

Hospitality catering at Expo Real

The Young Wild ones with culinary tickles

Munich. Hotel managers love to enjoy – this is also the case at Expo Real. For the fourth time, the guests of the networking event "BRICKS & BRAINS" will be able to feast on the exquisite finger food created by Sven Buettner from Kempinski Hotel Vier Jahreszeiten in Munich. However, it will be a premiere for the new catering team of Rilano No.6 Lenbach Palais from Munich under the new chef Steffen Sonnenwald who will be spoiling the booth partners and their guests at the joint stand "World of Hospitality". In the case of both maîtres, you can still distinguish the culinary past of the "Junge Wilde" – the young wild ones.

His private favourite dish is still his wife's sauerbraten done Rhenish style, Sven Buettner confesses – in his job, however, he has let loose and created the most extraordinary dishes like lobster with suckling pig, following the motto "switch off the brain and listen solely to your taste buds." This was typical for the representatives of the chefs' association "Die Jungen Wilden" (the young wild ones), to which Sven Buettner was admitted in 1999.

Die Jungen Wilden were initiated only two years before as an association of junior chefs following the motto "cooking is a religion for us." They were committed to turning down the rules of traditional gastronomy in favour of young and avant-garde cooking and gastronomic concepts. In 2004, the group dissolved; but their positive image is still aglow up to the present day.

Today, Sven Buettner would no longer describe his culinary style as wild but rather as usually creative in the Hotel Vier Jahreszeiten Kempinski. Whether parmesan crème brûlée or frothy truffle potatoes, every single canapé melts in your mouth.

In 2009, Sven Buettner from Schleswig-Holstein, who worked at Hotel Atlantic Kempinski Hamburg at that time, joined the chef's team at Maximilianstrasse in Munich.

For the 4th time, Kempinski Hotels & Resorts and Kempinski Hotel Vier Jahreszeiten are the main sponsors of the top-class networking event "Bricks & Brains", to which HospitalityInside and Messe Muechen have sent out invitations. 150 carefully selected guests will be able to savour extraordinary creations once again, the superb quality of which will not suffer from

Left:
Sven Buettner

Right:
Steffen
Sonnenwald

the logistic challenges of trade fair catering: the chefs will put the final touches on the finger food in a mobile kitchen area. Under Sven Buettner, Hotel Vier Jahreszeiten has consistently expanded its external catering services. Its references include premium events at Hugo Boss, Hermès, Calvin Klein and Bulgari.

Lenbach impressions at the stand "World of Hospitality"

Steffen Sonnenwald was a founding member of "Die Jungen Wilden" besides renowned colleagues like Holger Stromberg or Stefan Marquard. The variety of aromas is still an incentive for him. "I want to have an inspirational cuisine, a natural, straightforward Mediterranean cuisine," he says, in view of the new Rilano No.6 Lenbach Palais in Munich, which will officially open on October 12 – directly after the Expo Real. Close to Stachus, in the historic walls of the Bernheimer Palais from the late 19th century, Steffen Sonnenwald, who originally comes from Munich, wants to leave his culinary mark: with a new gastro concept between fine dining and high-class chill out created by means of a DJ and dance floor after 11 pm. From October onwards, the city's trendy meeting spot will be the first – gigantic – F&B outlet belonging to the young Rilano Group, which has been operating cultivated 4-star business hotels under the Rilano brand and smart design hotels under the 24/7 brand so far. As the Lenbach will become the 6th Rilano business, the number has been included in the new name. With the Lenbach restaurant (200 seats), the bar (160 seats), the historic hall (260 seats) and 150 seats on the terrace, Steffen Sonnenwald and the bar team of Anton Mueller will be able to prove their ability in juggling fine dining and finger food, à la carte and quick snacks, a bar business and catering under one roof. Sonnenwald is well acquainted with the hotel industry and gastronomy: among others, he worked at the restaurants Austernkeller and Le Gourmet in Munich, in the Romantik Hotel Hof Zur Linde in Muenster and in the Schlosshotel Oberstotzingen. // map

LINDNER
HOTELS & RESORTS

LINDNER HOTELS & RESORTS: Innovative hotel concepts, multi-media solutions and a variety of spa, sports and golf opportunities are the features of the 34 4-star Lindner Hotels & Resorts based in Duesseldorf. Still looking for real estates in the field of constructing, managing, lease and franchising in Europe. Focus of the independent consulting subsidiary Lindner Hotels Real Estate GmbH is providing international hospitality & real estate solutions. It includes consulting, conception and realisation of hotel projects, investment consulting and brokerage for external clients and internal objects. The newest subsidiary me and all hotels GmbH combines high-tech and first-class equipment. Core feature is the community lounge with five theme zones. Search criteria for buildings: lively hearts of city centers, appropriate infrastructure for daily needs, real estate buildings up to 8,000 sq.m. GFA. www.lindner.de and www.lhre.de

Louvre Hotels
GROUP

LOUVRE HOTELS GROUP is positioned among the World's Top 10, with more than 1,090 hotels, 87,000 rooms, 6 brands

and 55,000 clients/a day. Constantly evolving, the group stands out in the market by its history, where prosperous development is combined with sustainable growth. Including a strategy founded upon the dynamism and the ambition of all our employees.
Established in over 40 countries, developing brands abroad with help from local partners who know the local hotel and real-estate market inside out. What makes the group unique and distinctive is the range of different brands that it is made of.
Every one of those 6 brands ranging from 1 to 5 stars, seeks to shake up the standards of its category. And they all have something in common: a determination to innovate and a challenger's state of mind.
The 6 brands : Premiere Classe – Campanile – Kyriad – Tulip Inn – Golden Tulip – Royal Tulip. **www.louvre-hotels.com**

Rilano HOTELS & RESORTS

RILANO HOTELS & RESORTS: The Rilano Group is a hotel management and consulting company situated in Kleve, Germany. Founded by private property owners and managers with many years of international experience in the hotel industry, the Rilano Group GmbH benefits from the entire value chain of hotels. Banks, investment funds and international hotel chains belong to their clients such as institutional investors and property owners. The business areas are project development, acquisition of existing hotels, operational and strategic hotel management, design and planning as well as the operation of new hotel properties. Competence, responsibility and passion for outstanding service are the company's values.
The objectives of Rilano Hotels & Resorts is a sustainable economic and value-based management of hotels with strong focus on further expansion of first-class hotels, which fulfill the needs and requirements of business and leisure travelers.
The portfolio of Rilano Hotels & Resorts includes three to four star brands as The Rilano Hotel, a first class product with full restaurant and conference rooms, the design and limited service brand Rilano

Stand Talk 2011: 5 minutes plain talking with Christian Windfuhr, Grand City.

24/7 Hotel and Rilano Resort. The actual hotel portfolio contains: The Rilano Hotel Munich, the Rilano 24/7 Hotel Munich, the Rilano 24/7 Hotel Munich City, The Rilano Hotel Hamburg, the Rilano 24/7 Hotel Wolfenbuettel and the Rilano Resort Kitzbueheler Alps.
In spring 2013, the actual The Rilano Hotel Cleve is reopened at a new location. The hotel is at the moment under construction. Latest move of the young and innovative hotel group: From October 12th, the Rilano No.6 Lenbach Palais completes the portfolio as the first independent restaurant under the Rilano flag. **www.rilano.com**

SIEMENS

SIEMENS FINANCIAL SERVICES (SFS) enables dedicated finance packages for verticals: Siemens AG (SAG) has identified vertical markets as growth engines for cross-sectoral business opportunities. In aligning world-class infrastructural solutions along vertical market needs all necessary organizational efforts have been taken to provide the best possible solutions and services for the named customer portfolio. Part of this unique initiative SAG put SFS in place to support and facilitate this growth initiative providing tailor-made finance packages.
Siemens Financial Services steps into the hospitality and entertainment market (H&E): Increased competitive pressure both from within and outside the traditional hospitality & entertainment industry and changing customer expectations drive the need for new services, solutions and finance packages. As a result, Siemens understand, that H&E players are faced with the challenge of reconciling the necessary short-term investments in infrastructure, new technologies and brand standards with their long term business goals in terms of profitability, business continuity, operational efficiency, sustainability and investor value creation.
Siemens as trusted worldwide partner with the design, engineering, project management and implementation of innovative solutions, can help address the challenges in the fields of energy efficiency, safety and security, guest comfort and cost management, for which Siemens, jointly with Siemens Financial Services, aim to combine these advanced technologies with a comprehensive service portfolio and a affordable finance solution, to ensure high system availability and reliability, facilitating seamless system upgrades and expansions – for long term investment protection.
http://finance.siemens.com/financialservices/uk/Pages/home.aspx

TREUGAST Solutions Group

TREUGAST Unternehmensberatungsgesellschaft mbH, founded 1985 in Munich, is a member of Treugast Solutions Group and belongs to the leading consulting companies in hospitality industry in Europe. Years of experience and expertise of more than 30 Consultants and 600 employees worldwide in Treugast Unternehmensberatung, Treugast Hotellerie and Treugast International Institute provide decision-makers with the planning reliability, which is essential for the development and execution of projects within the tourism environment.
The Treugast portfolio includes:
- Around 120 consulting projects per year, among others in fields like development of tourism destination, site surveys, feasibility studies, operational analyses, expertises, coaching & controlling as well as marketing & sales;
- Since 1995 more than 120 self-operated hotels in terms of Pre-Opening-Management, Interim Management,

Turn-Around-Management as well as Operational Asset Management;
- Scientific activities of Treugast International Institute, among others publisher of several industry-relevant publications like Hotel Investment Ranking Germany and Austria, Hospitality Trends, Business Comparison Hospitality and Gastronomy as well as Hotel Location Attractions Index.

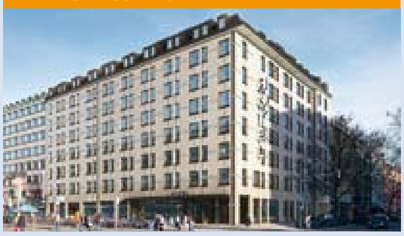
The American Academy of Hospitality Sciences bestowed Treugast Solutions Group as the first consulting company worldwide with the Star Diamond Award. Furthermore, Treugast was distinguished with the Special Award "Hotelier des Jahres 2011" (Hotelier of the Year 2011).
Among several other international activities Treugast conducted hotel projects in Georgia as well, which ensures that knowledge on the specific hotel market can be provided. **www.treugast.com**

WTSH – BUSINESS DEVELOPMENT AND TECHNOLOGY TRANSFER CORPORATION OF SCHLESWIG-HOLSTEIN / Investment Management hotel projects: The main point of contact for hotel operators, investors, local authorities and project developers is the Investment Management for Hotel Projects team at the Business Development and Technology Transfer Corporation of Schleswig-Holstein (WTSH).
Through customised services offered free of charge we provide qualified support in every project development phase, e.g. in finding the right location, applying for subsidies or looking for project partners.
We offer sound and specific market and locational knowledge plus details of interesting development sites; we open door to the state's ministries and decision-makers; and we have a broad-based network of contacts in the hotel industry.
www.wtsh.de/hotel

Advertisement

Current Hotel Projects

BAYERSTRASSE MUNICH



The completion of a new hotel – situated close to the central station – is scheduled for early 2015.

QUARTIER D³ DÜSSELDORF

The attractive new development in the north of Düsseldorf will include a hotel in addition to offices and apartments.

MILANEO STUTTGART

The completion of the hotel in the vibrant new urban district in the heart of Stuttgart is planned for 2015.

BIKINI BERLIN

25hours, a design hotel in «Urban Jungle» style, will open between the Berlin Zoo and Ku'Damm in 2013.

Bayerische Hausbau:
Extensive expertise for successful hotel concepts.

As a traditional property developer our core competencies include the planning, construction and development of hotel properties. What began more than five decades ago with the construction of the first hotel in Munich, we continue today with new successful hotel concepts throughout Germany: from careful selection of the site to individual project development and on-schedule completion. The key to lasting success and increasing value of the property lies, in no small measure, in the choice of a suitable operator, whom we carefully select through our long-standing contacts with the national and international hotel industry. Our current hotel projects in Munich, Berlin, Düsseldorf and Stuttgart are testimony to our high-quality standards.

Visit us at EXPO REAL from 8 to 10 October 2012: Stand 214/Hall A1

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BAYERISCHE HAUSBAU
WERTE, DIE BLEIBEN.

A hospitalityInside Network Event hosted by Expo Real Munich

Monday night: Get together

Munich (October 8, 2012). Relaxed talks in a familiar atmosphere – the top management of the hotel industry and investment scene meets at the fourth „BRICKS & BRAINS".

Impressions of BRICKS & BRAINS 2011.

Like in the previous years, hotel operators, investors, bankers and project developers will meet on Monday evening of the trade show. Traditionally, sponsors, network partners and participants of the "Hospitality Industry Dialog" will make up half of all participants. The remaining seats will be reserved for new guests. This event is intentionally "by invitation only" in order to enable top decision makers a few hours of efficient talks despite the relaxed ambience.

The number of seats is limited, only invited guests with confirmed registrations will be admitted. Accompanying persons will not be allowed to join the round.

4th BRICKS & BRAINS

The top-notch networking event of the hotel industry will take place for the fourth time at EXPO REAL. The Fondara group of companies has become part of the phalanx of sponsors. Fondara will be contributing substantially to the supply of overnight stays at the trade show with the opening of Riem Hotels in Munich next year. The company invests into a complex of H2 and Ramada Hotel scheduled to open before EXPO REAL 2013. For Philipp Hlousek, Managing Director of Fondara, this was reason enough to show colours at this event.

Just as in the last few years, "Platinum Sponsor" Kempinski Hotels & Resorts promises a culinary highlight in the evening: Hotel Vier Jahreszeiten Munich and its catering team will spoil the guests with a creative flying buffet for the fourth time in a row. It is already foreseeable that the team of General Manager Axel Ludwig will be a success factor that evening.

Among the present "Gold Sponsors", the following will be present once again: hotel group Choice Hotels Europe, Solutions Holding with Treugast founder Stephan Gerhard at its head, RMDS Hotel Development corporation, Reutlingen with architect Cornelia Markus-Diedenhofen, and bbg-CONSULTING from Duesseldorf with the two Managing Directors Tina Froboese and Karlheinz Kreuzig.

As bbg-Consulting has also become a sponsor for the second time, the "hospitalityInside Networking Society" at BRICKS & BRAINS increases to five members. Without these strategic partnerships the development of the hospitality network at the fair would not become reality.

Again, the event is organized by MMG Event, the event agency of Messe Munich.

THANK YOU VERY MUCH
To all our partners for their valuabe BRICKS & BRAINS support in 2012!

SAVE THE DATE 2013

Would you like to become a partner for BRICKS & BRANS 2013 and benefit from the top contacts at this event? Please, send an eMail to office@hospitalityInside.com.

YOU ARE a hotel operator, investor, financing expert or hotel developer and like to be a guest of BRICKS & BRAINS 2013? Please, send your request on time, including your contact data to service@hospitalityInside.com.

EXPO REAL 2013 will take place from Monday to Wednesday, 7-9 October 2013. Consequently, BRICKS & BRAINS 2013 will take place on Monday, 7 October 2013.

SAVE THE DATE!

KEMPINSKI HOTELS & RESORTS, Hoteliers since 1897, are one of the leading luxury hotel groups of the world. Originally German, the collection today consists of 73 historical Grand Hotels, business hotels and resorts in 31 countries. bbg-CONSULTING, founded in 1962 has been Europe's first specialized consulting firm for hotels, restaurants and catering services. Based on 50 years of experience, one of their "brands" is the benchmark "Betriebsvergleich Hotellerie & Gastronomie Deutschland", a comparison between hotels and restaurants in Germany, published 44 years ago for the first time. CHOICE HOTELS EUROPE represents about 500 hotels of the group in Europe under the Comfort, Quality and Clarion brands of which more than 70 hotels are located in Germany, Italy, Switzerland and the Czech Republic. With more than 6,200 hotels and 495,000 rooms, Choice Hotels International is the world's biggest franchisor. RIEM HOTELS MUENCHEN will open their doors next year right opposite the entrance of the Munich fairground. The hotels belong to Fondara company group developing, building and managing real estate projects in retail, hotel and commercial real estate. RMDS Hotel Development stands for a network of hotel experts who construct, care for and furnish hotel projects from a single source. The experts behind are Cornelia Markus-Diedenhofen from Reutlingen, a graduate engineer having received several awards in the last years, the architects and city planners of Buero Riehle + Assoziierte in Reutlingen, and Scholze Gruppe with its engineers and consultants specialised in building services engineering and working worldwide. SOLUTIONS HOLDING encompasses all subsidiaries and affiliates of Treugast founder Prof. Stephan Gerhard. Treugast Solutions Group is the core of the holding. Founded as Treugast Consulting in Munich in 1985, the company is one of the leading consulting firms in the European hotel industry, in gastronomy, tourism and leisure. Except for consulting projects, the group also runs self-operated hotels in terms of Interim, Turn Around- and Operational Asset Management.

MORE HOTELS THAN DEMAND: ONLY ECONOMY AND POLITICS ARE ABLE TO CHANGE THIS

Caught in the downward maelstrom

London. In many of the major economies over the past five years, the rate of growth in hotel supply has exceeded the rate of growth in hotel demand. The resulting low levels of room occupancy are jeopardising returns on investment, a situation that cannot be maintained for much longer. Paul Slattery, Director of Otus & Co Advisory, a London based investment bank, specialising in hotel chain transactions and advising hotel chains and investors on long-term strategies, has to cope with these issues on a daily basis. In his analysis, if investors in hotel real estate and hotel chains had paid enough attention to the economic structure of countries and to the economic policies pursued by governments then the excess room supply would not have been an issue.

In the second edition of his book "The Economic Ascent of the Hotel Business", which was published in March, Slattery analyses the web of relationships between economies and the hotel business. In today's interview, he traces the developments in hotel demand and supply in France, Germany and the UK, based data from the Otus Hotel Brands Database. Concerning this subject, Slattery will give the key note in the discussion about financing at Expo Real's hotel conference "Hospitality Industry Dialogue" on October 8, 2012, in Munich. Extracts of the interview.

What changes occurred in hotel demand in France, Germany and the UK since the start of the economic traumas?

Paul Slattery: First let me compare the hotel demands of the years 2011 and 2006. By the end of 2011 in France, Germany and the UK the total volume of room nights sold had nearly recovered to the volumes achieved at the end of 2006, the last full year before the economic traumas began.
Over the same period, hotel chains in each country increased their share of demand at the expense of unaffiliated hotels, whose share declined. Of the four sources of demand – domestic business demand, domestic leisure demand, foreign business demand and foreign leisure demand – each source in each country declined over the period except for foreign business demand in the UK, which was maintained by organizational activity connected with the London Olympics in 2012.

In which markets did hotel investors and hotel operators primarily believe?

Paul Slattery: In general, chain rooms supply grew while unaffiliated supply declined. Broken down to the individual markets, over the 5 year period of economic trauma we saw hotel chains in France expanding room stock at an average annual rate of 1.8%, chains in Germany expanding at an average annual rate of 4.0% and in the UK by 3.7% producing the supply increases depicted in Table 4:
Over the period, the faster growth in rooms supply than in demand has produced decline in room occupancy in Germany and the UK and flat occupancy in France. Chain room occupancy also declined in Germany and the UK and increased in France. The real problem is in the unaffiliated sector where room supply and demand declined as also did room occupancy.

Which conclusion do you draw from these developments?

Paul Slattery: There is too much supply for the available demand.

Which factors will stimulate hotel supply until 2020?

Paul Slattery: Economic structure and economic policies! And here we talk about severe shifts in the significance of economic segments. There is a causal relationship between economic structure, economic policies, hotel demand and hotel supply in every economy. In an idealised world, economic structure is the fundamental determinant of the volume of hotel demand. Economic policies control the pattern of hotel demand, while the volume and pattern of hotel supply in any econo-

Table 4: Hotel Rooms Supply Actual Change 2011/2006

	Total Rooms	Chain Rooms	Unaffiliated Rooms
France	-2.000	24.170	-26.370
Germany	14.000	41.910	-27.910
UK	42.000	55.110	-13.110

Source: Otus & Co Ltd

Table 9: Employment by Segment in France, Germany and UK 2010

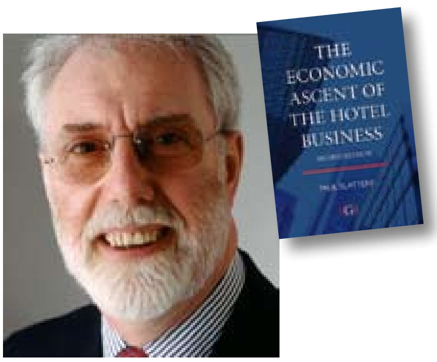
	Agriculture	Industry	Public Services	Service Businesses	Experience Businesses
France	5%	31%	36%	20%	8%
Germany	2%	37%	37%	18%	6%
UK	2%	18%	29%	38%	13%

Source: Otus & Co Ltd

Dear Readers,

In this SPECIAL, we focus on the hotel industry at EXPO REAL 2012 and on the hot topics of the industry. Current topics of the fair are part of this magazine. Also, you will find younger articles and excerpts from the online trade magazine www.hospitalityInside.com.

my reflect the prevailing hotel demand.
A broad picture of the different economic structures of France, Germany and the UK is seen in Table 9 (see left page).
Service businesses and experience businesses yield the highest domestic business demand into hotels – agriculture and industry yield the lowest. Thus, the lower proportion of employment in the high yielding segments in France and Germany is reflected in the lower volume of domestic business demand and domestic leisure demand into hotels compared with the UK.
The shift in the significance of economic segments is an outcome of change in economic policies. The BRIC economies (Brasil, Russia, India, China) are developing their economic structure from agriculture to industry. This has required the building of more hotels, but the significance of hotels to the BRIC economies is minor. The ratio of hotel rooms per 1,000 citizens in the BRIC economies is around 1 compared with Germany's 6.3 and the UK's 8.4.
The greater reliance of Germany than the UK on the industrial segment goes a long way to explain the higher rooms supply ratio, the higher rooms concentration, the higher the volume of domestic business demand and the higher the volume of domestic leisure demand in the UK.
For the past 60 years, the default economic policy in Europe to deal with unemployment has been to expand the public services segment, which now accounts for 10 to 15% of hotel demand across Europe. Now that public services are being shrunk as a matter of economic policy, it is a threat to hotel demand.



Paul Slattery is a Director of Otus & Co Ltd corporate financial and strategic advisors to the hospitality and travel business. Previously, he worked for Dresdner Kleinwort Wasserstein for 15 years until 2002, establishing its reputation as one of the market leaders in hospitality stockbroking and investment banking. Prior to that he was an academic at the University of Huddersfield

How can you balance these threats?
Paul Slattery: The fundamental economic problem to be solved is high and rising unemployment. In the case of France and Germany and other Eurozone economies, the lower yielding segments – agriculture and industry – cannot create enough new jobs to solve the problem.
The realistic option is to pursue economic policies to expand the service business segment: communications, financial services, personal services, professional services and retailing. A larger and growing service business segment will yield much higher volumes of domestic business and domestic leisure demand into Eurozone hotels as it has done in the US and the UK. The achievement of this transition will neither be easy nor fast, but no other economic policy initiative will reduce unemployment enough and grow domestic hotel demand enough.

What will happen if this policy change will not work?
Paul Slattery: Without policy change, growth in hotel demand will be slow, at best. If the rate of new supply is maintained, the performance of hotels and the return on hotel investment will plummet. For hotel chains and investors to survive, the chains will need to take even more demand from unaffiliated hotels, banks will need to cut-off unaffiliated hotels from credit and more heavily constrain the access to credit for chains and hotel real estate investors.
However, it is not all bad news. For the first time, most of the world economies, simultaneously need to shift the structure of their economies to the next stage. The very good news is that when the appropriate economic policies are enacted and the structure of the economies shifts forward, there will be an explosion of hotel demand from each of the four sources, globally.

The interview was conducted by Maria Puetz-Willems.

10 CONSULTING COMPANIES: FINANCING TERMS INCREASINGLY DRASTIC

Rotten conditions

Augsburg. The banks are no longer justifying their existence by financing projects. They are continually adverse to risk and with this, are strangling an increasing amount of hotel projects. The equity ratio rises and rises, the lease leaves no opportunity to management and franchise. The projects that still seek financing are squeezed into a simple model of conditions. While central European financing suffers from Basel III, the Euro discussion brings international investors to hesitation. hospitalityInside.com has questioned ten well-known consulting and broker companies on how they see the current financing situation in the central European hotel industry. Seldom are the appraisals of experts so closely together – and laying negatively in this trend.

The following companies have taken part in the survey:

- Markus Beike, Managing Director, Christie + Co., Berlin
- Tina Froboese, Managing Director, bbg-Consulting, Dusseldorf
- Prof. Stephan Gerhard, Managing Partner, Treugast Solutions Group, Munich
- Martina Fidlschuster, Managing Director, Hotour Hotel Consulting, Frankfurt
- André Gribi, Managing Partner, Kohl & Partner, Vienna / Villach
- Matthias Hautli, Consultant, Kohl & P artner, Vienna
- Olivia Kaussen, Senior Director/Head of Hotels Germany & CEE, Munich
- Ursula Kriegl, Manager, Jones Lang LaSalle Hotels Deutschland, Munich
- Max Luscher, Managing Director Corporate Finance Real Estate, KPMG, Frankfurt
- Christian Walter, Managing Director, PKF hotelexperts, Vienna

And are here their answers to 6 questions:

1. How strongly do the political Euro zone discussions burden your talks during negotiations?

Ursula Kriegl: On the one hand, negatively uncertainties concerning operational business development, restraint from investors, banks and operators, on the other hand, positively (perception of real estate as a relatively secure investment).

Markus Beike: Immensely – the restrictive financing policy that is marked by lower lending values and a slowed credit verification seems an indication of the very low transaction volume in comparison to last year.

Olivia Kaussen: Particularly with the international partners, e.g., from Asia or America, we note that some investors first wait for how the Euro zone discussion develops before they consider further acquisitions. Besides, with some international investors, a delay in the transaction process is perceptible on account of the additional complexity or the difficultly calculable risk. In addition, some currency risks slam at the revenue, which leads to price reductions. But all in all, it can be said that Germany still counts as one of the most popular hotel investment countries with the Euro zone and is much less troubled by this subject than some southern European countries.

Martina Fidlschuster: Bricks and mortar help here! The more unstable the Euro becomes and the higher the fear of inflation is, the more investors flee into real estate.

Stephan Gerhard: It is odd really, but the political Euro zone and Euro crisis discussion has played no, or only little, role in financing negotiations with banks.

Tina Froboese: The Euro crisis is little addressed as a central theme during negotiations. Rather, the negotiations are burdened by the subject of Basel III that is increasing paralyzing financing readiness. In the course of the company equity securitisation, the banks are adjusting their commercial strategies in such a manner that the industry must also struggle with the prolongation of the course. As a result, there is a great amount of reduction in hotel exposure that does not come to pass, even with respectable projects.

Matthias Hautli on Austria: Uncertainty among banks is increasing. Restrictive financing directives for hotel projects are being tightened even further. There is concern that certain important demand markets could be lost (e.g. Spain or Italy). There is another large question mark over interest rate developments.

André Gribi on Switzerland: For Switzerland, the strong Swiss franc obviously weighs on negotiations. In particular for investors from outside Europe, Switzerland has become even more expensive and demand from the Eurozone is low. Investors from Asia, Russia and the Arabic countries have been the main prospective investors in this market over recent months.

TREND: NEGATIVE

2. Which hotel properties are experiencing stronger demand from investors, which saw such high demand in previous years?

Markus Beike: The interest tends to be focused on lower volume properties (Euro 10-20 million). Lower loan-to-value ratios require investors to commit more equity. The question of finance therefore limits demand for higher volume properties. Demand focuses on operator-free (cheaper) hotels and hotel investments (hotel + lease contract). Locations remain A and B hotel markets. A run on C markets has not occurred up to now.

Tina Froboese: At present, interest is increasingly focused on budget products or

the luxury hotel industry. Products in the midscale segment are only interesting for investors where these have real unique selling points and the potential to be positioned as a niche product. In certain locations, we are also seeing a considerable increase in demand for boarding houses. A strong brand is becoming ever more important to investors than it was in the past. This brand should either have high international visibility or have a very strong national presence.
Christian Walter: Trading assets remain very much in demand. Projects are currently difficult to market. Classic institutional investors are looking for budget and midscale hotels in large European cities. Luxury hotels are especially popular as a means of securely parking capital (current example: Ritz-Carlton Vienna/ investors from Kazakhstan). And then there are of course the bargain hunters looking for run-down hotel properties which can be renovated and repositioned with a new operator and subsequently sold on at profit.
Stephan Gerhard: Real "bargains" are again very much in demand, in particular owner-operator hotels. Otherwise, the former focus on "only 4 or 5-star hotels" or "only budget" is no longer present. Security, returns and sustainability are in the foreground of thinking now.
Martina Fidlschuster: Foreign (and) private investors continue to prefer trophy properties, those here have thrown themselves wholeheartedly on the budget waggon. The trend there continues to strengthen. Matthias Hautli on Austria: The focus is clearly on city real estate. Demand centres primarily on 3 and 4-star hotels in Vienna. Larger deals have, however, up to now been absent. Russian investors have caused a stir this year by buying up three historic hotels in Obergurgl and Soelden within a short period of time. In Tyrol, only Kitzbuehel has been of interest up to now. These transactions clearly show which investor groups are currently active (mostly those with high levels of equity to invest).
André Gribi on Switzerland: The focus remains, as has long since been the case, on city real estate. Zurich, Geneva and Basel are the most popular cities. A few exceptions are formed by large investments by foreign investors in rural areas such as Andermatt and Buergenstock. Otherwise, there is practically no demand for resorts.

➜ TREND: STABLE

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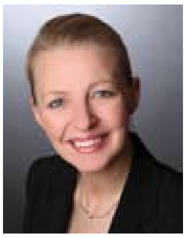




3. What are the usual investment sums/ ranges at present, what was usual in previous years?

Olivia Kaussen: Portfolio transactions have become much rarer. There are portfolios on the market, but these are difficult to finance. The expectations of the vendor and the offers made by investors are often some distance apart. The focus of most institutional investors is on single assets of between 20 and 50 million Euro, as in previous years. Only a few have the requisite diversity in their hotel holdings to be able to cushion any possible cluster formation on transactions of over Euro 50 million.
Financing banks have also reduced their financing caps so that many investors which would like to invest in larger assets have their hands tied. Compared to previous years, it's obvious that there are no investments of over 100 million Euro. In general, volume has tended to fall, though the number of transactions has remained the same.
Ursula Kriegl: The focus remains on hotels with transaction volumes of 20 to 50 million Euro. Large volume transactions (over 50 million Euro) have been absent this year to date. There have, however, been relatively many transactions of between 1.5 and 5 million Euro (over 40% of all individual transactions) led by high net worth individuals (HNWI) or private equity companies in the first half-year.
Max Luscher: Tends to be small volume investments. The environment for owner-operator transactions is becoming increasingly difficult.
Stephan Gerhard: In previous years, we saw transactions of between 5 and 20 million Euro, today there are opportunities for up to 5 million Euro and properties/ projects from 20 million Euro.
Matthias Hautli on Austria: According to current market reports, the total transaction volume in the Austrian hotel investment market (January to June 2012) stands at 130 million Euro, slightly below the level from the previous year. Transactions are primarily individual transactions in the 3 or 4-star segment.

TREND:
NEGATIVE

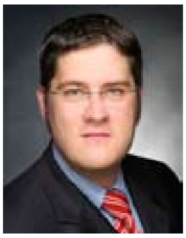
4. How are banks behaving at present? What sort of finance is being granted, and what is not being granted?

Stephan Gerhard: Banks remain (or are again) reticent. Equity requirements have increased to up to 50%. Hotels are, however, still being financed. It is clear though that banks with sizeable hotel finance assets in their portfolio don't want to expand this area further. On the other hand, there are other banks which are returning to the hotel market and which therefore bring balance.
Martina Fidlschuster: Banks able to refinance through Pfandbriefe are more easily approached than ones that don't. In today's market environment, banks tend to require more equity from the borrower than to cover risk by higher interest rates.
Ursula Kriegl: Banks remain cautious but there are some that continue to provide hotel finance. The "simpler" (existing property, lease contract) the finance application, the better. Management contracts and projects remain difficult.
Tina Froboese: New projects are larger investment sums are difficult. Depending on location, there is a general willingness to finance revamps and further development of existing properties in the private hotel sector. The requirement here is an excellent track record of the hotelier which, in the best case, is supported by a sound successor agreement.
Christian Walter: Banks are happy when the hotel project includes elements which can be sold as residential property - that is hotel plus serviced residences. In the luxury sector, this is already on the agenda (examples from Vienna: Four Seasons, Kempinski). In certain cases, sales contracts with the subsequent users of the serviced residences can be included as equity.
These so-called non-disturbance agreements are not exactly welcomed by the banks though. This has caused many a finance application to fail. At present, they are looking for lease or management contracts with (at least!) owner's priority return, very good location and a known brand. This is nothing new, but bank risk managers are now focussing intensively on these attributes.
Matthias Hautli on Austria: Banks' behaviour with respect to hotel finance remains very restrictive. The equity ratios required make finance for hotel projects and also for some hotel refurbishments ever more difficult. Risk aversion is high. Only secure projects in prime locations with strong operators are being financed. Pure management contracts without collateral are difficult to get through. There are high premiums over Euribor.
André Gribi on Switzerland: Banks have not changed their earnings-orientated stance over recent years. Good projects require at least 40% equity.

TREND:
NEGATIVE

5. In the past years, there has been more talk about franchising. Does this type of agreement have a chance when it comes to financing?

Olivia Kaussen: A franchising model could definitely be an alternative compared to management agreements. Major hotel companies like Event, Westmont, and Foremost can keep up with several nameable hotel chains regarding the number of hotels, and they have a good standing among banks. In addition, there are numerous successful


From left:
Markus Beike, Martina Fidlschuster, Tina Froboese, Stephan Gerhard, André Gribi, Matthias Hautli, Olivia Kaussen, Ursula Kriegl, Max Luscher, Christian Walter

small lessees collaborating with major brands such as the Success group. However, less experienced small franchisees have a hard time trying to receive funding. A good credit rating and a positive track record of both lease company and franchisor are particularly important – unless a franchisor provides additional securities. The latter, however, is almost never the case.
Stephan Gerhard: Franchising is a good thing as long as the actual contractual partner/lessee provides a satisfactory credit rating. One could almost say that franchise models get financing in cases when the brand is of no significant importance and financing would also occur under a weaker brand keeping the same operator.
Tina Froboese: Franchising has a chance of being financed as soon as a lease agreement is involved. This model also requires the lessee to have a good credit rating, which is supported by hotel companies through contributions to investment costs or guarantees with respect to individual projects. These are rather rare exceptions.
Markus Beike: Yes, franchising is increasingly being discussed, but mostly in connection with a lease solution rather than in a triangle of contractual partners with an international hotel brand standing in the focus. In the end, it is all about the lessee's credit rating.
André Gribi about Switzerland: Basically, franchising a good brand is generally considered positive by the banks. They expect increasing revenues from it as well as a certain security. We think this is in fact wrong. Franchising means more costs, and the added value needs to be proven first. In addition, franchising practically doesn't allow any conclusions regarding the management, particularly concerning the middle-class segment.

➜ TENDENCY:
NO CHANCES

6. How much equity capital do investors have to contribute to projects up to 20 million Euro, up to 50 million Euro or over 100 million Euro today?

Ursula Kriegl: For good projects, banks are normally willing to finance 50 to 60 percent. Concerning larger projects starting from 100 million Euro, financing is more difficult.
Martina Fidlschuster: The requirement of equity capital depends less on the amount of investment and more on the risk evaluation of the bank and the bank's experts, who determine the property's loan value and who evaluate and assess the credit rating of the borrower and the hotel manager. To put it simply: the use of equity capital asked for by the banks has doubled since the beginning of the financial crisis.
Stephan Gerhard: As far as we can see, the share of equity capital is not implicitly dependent on the investment volume, but solely on the sustainability/stability/security of the project.
Markus Beike: At the moment, the loan-to-value ratios are 50 to 60 percent, independent of the volume. This means, the purchaser has to provide up to 50 percent equity capital. Especially for deals with a large volume, this is deadly – exceptions prove the rule.
Max Luscher: The tendency goes towards 50 percent equity capital at least; exceptions prove the rule. Investment volumes of more than 50 million are nearly impossible.
Christian Walter: This solely depends on the location/market and the constellation of the project. For projects (in Europe) up to 20 million, you might be able to manage with 30 to 35 percent equity capital; for projects up to 50 million it could be 35 to 40 percent; and for projects with an investment volume of more than 100 million Euro, you have to expect more than 40 percent.
Tina Froboese: The equity capital rate strongly depends on the individuality of the concept and the total investment volume. Products with a high standardisation level and a less complex structure concerning gastronomy and other services, e.g. budget hotels, have a higher probability of financing. If financing is possible, it often includes 45 to 50 percent equity capital. In addition, the location is decisive, as always. However, concerning the financing of more complex and top-class projects, the banks are very reluctant.
Matthias Hautli about Austria: A general statement is not possible in this case. Depending on the project, 20 to 50 percent equity capital could be necessary. In cities, financing with less equity capital is possible, generally speaking. Additional factors of influence are the form of agreement with the operator (lease is clearly preferred), the securities of the owner or investor, the usability for alternative purposes, and the fact whether the property transitions into a funds financing at the start of the operation and therefore only temporary financing was necessary or not.
André Gribi about Switzerland: Basically speaking, I would say it is between 40 and 50 percent, regardless of the volume. The evaluation is important. For larger projects, banks share the risk by founding a syndicate.

➜ TENDENCY:
NEGATIVE

Summary: Maria Puetz-Willems

GERMAN MINISTRY OF FINANCE AND EU INTRODUCE NEW REGULATIONS FOR FUNDS

AIFM Directive: Spectacular development

Brussels. What a development! The German Federal Ministry of Finance presented the long-awaited draft for the implementation of the European Directive on Alternative Investment Fund Managers (AIFM Directive). The draft caused much concern among both open and closed-ended funds last week, which in the past have often provided hotel finance. The fund industry has reached a turning point. The draft, if it were to be approved, would prohibit the inception of new open-ended real estate funds. To date, though, not all points covered by the draft are clear. Many points appear ill-tailored. The draft will therefore need considerable reshaping. And much is likely to be lost along the way.

Associations need to submit their statements and suggestions for improvements by mid August, since time is short. The deadline for implementation of the directive into national law will expire on 22 July 2013. Just weeks ago, rules on the distribution of funds were placed on a new regulatory footing with the amendments to investment legislation. July 2013 is still a long way away. Though one thing is already certain: Whatever the ultimate shape the law takes, it will mean a permanent change for the financial landscape.
The Ministry intends to place capital investment within a statutory framework, bringing together existing statutes on investment with future statutes for managers of alternative investment funds. This also affects the hotel industry, as an important buyer group could break away in parts. What a spectacular development!
The draft's arrival – it has been expected for quite a long time – was in the end quite sudden and much of its contents weren't anticipated. It was setting down rules for managers, as required by Brussels, the draft also sets down rules for the products themselves.
This is possible, though up to now Germany has taken a special approach. Berlin might have seen this as necessary – as a reaction to the various problems over recent years with open-ended real estate funds (no less than eleven such funds are currently in liquidation) and the many scrapes experienced by closed-ended funds, for instance

with their inclusion in foreign currency denominated loans, mainly Japanese yen or Swiss francs, or their high debt capital components.
These problems have been overlooked by Berlin. For this reason, Federal Finance Minister Wolfgang Schaeuble has now set about a full reform. The AIFM Directive seems to have given him just the opportunity he was looking for to clean up the fund landscape and, after all these years, make it more transparent. This has been well-received by an electorate still reeling from the financial crisis.

Who selects trustworthy bidders and distributors?

Of course, regulation is the right basic concept, even if there are still mistakes and dead ends such as the asset class definition that is based on the past and according to which only buildings, ships, airplanes, public private partnerships and renewable energy facilities could be admitted to funds in future.
The German Federal Ministry of Finance (BMF) touched a sensitive nerve with its draft paper. Sometimes you need to tackle thorny issues such as investor protection, even though lateral thinkers and troublesome people have become rare. Whether the current draft is able to solve the problems piling up is everything but clear. Lawmakers have tried everything to exclude untrustworthy bidders, but nonetheless, many regulations have had next to no effect or have been downsized to a minimum. But

Funds

why? Because it is not government regulation that matters but the selection of trustworthy bidders and decent distributors. A hard task.
And consequently, the federal government seems to be hiding behind inaccurate suggestions for regulation while unavoidable loopholes keep emerging. As a matter of fact, AIF would be allowed to invest up to 49 percent in securities, which could also include Greece bonds, Commerzbank shares, Facebook shares or US mortgage bonds, which did not really pay off for investors.
And now, a cut is supposed to be made in terms of asset classes? That's nonsense. Variety among asset classes is essential. Common sense tells us that more than just the yield/risk ratio needs to be considered in the meantime when it comes to capital investment, as investors increasingly demand innovative sustainable products. But above all, they want to decide themselves instead of being treated patronizingly.
The entire issue is becoming increasingly polarized, as it is about high amounts of money after all.

Open-ended funds to die?

The whole subject is polarizing the industry: High sums at stake: Around 84 billion EUR are invested in open-ended funds. 13 open-ended funds with a volume of around 24 billion EUR are currently being wound up or are still frozen. The special funds market comes in at close to 34 billion EUR and over 200 billion EUR have been invested in the closed-ended funds market to date, including loans for over 400 billion EUR.

Special funds also affected

And so it's clear that from the perspective of volume alone, the consequences of the discussion paper will be far-reaching: If the draft is approved as it stands, it would mean the complete prohibition of new open-ended real estate funds. Existing open-ended real estate funds will be protected. They will remain active. As the draft currently stands though, new products would no longer be possible. Richter is critical of such a rule. It is not in the interests of investors to only allow real estate funds as closed-ended funds in future.
Special funds are also affected by the draft. Closed-ended real estate funds, by contrast, are actually strengthened by the proposals. However, they must also accept a glut of rules which involve incisive changes and which not all issuers will survive.
After the associations have submitted their statements, the whole topic will be under discussion in summer und early autum. Now it is all about persuading politicians.

// Beatrix Boutonnet

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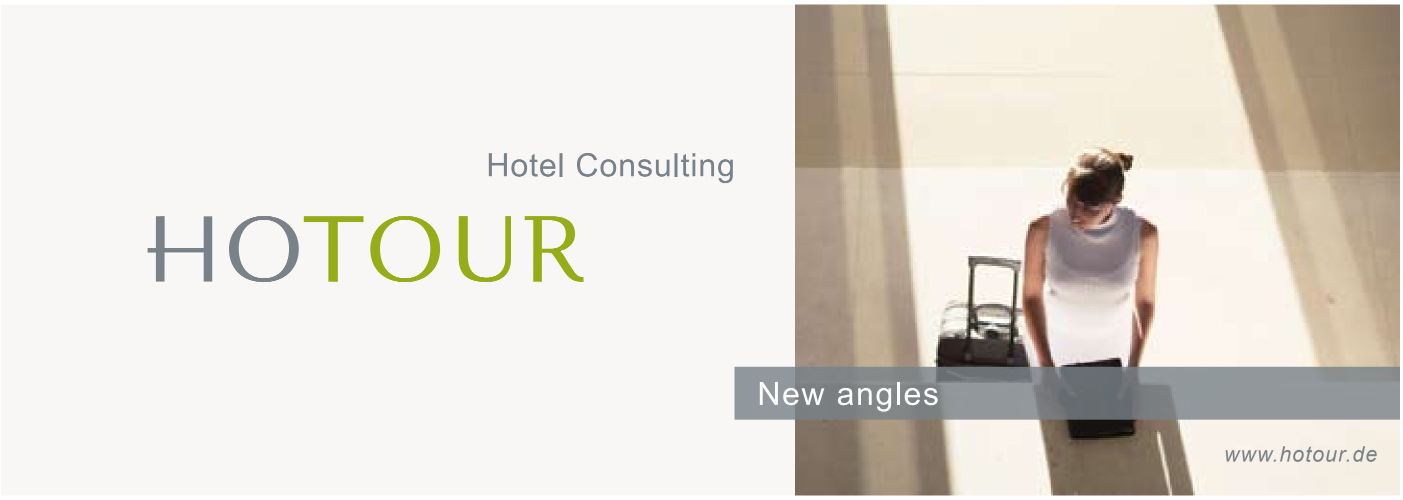

13 HOTEL CHAINS
ON LOCATION CRITERIA

A, B or C?

Augsburg. The German real estate market is becoming ever more interesting for investors, especially in non-prime locations. As well as the B locations – which have already attracted the attention of some professional real estate investors – C and D locations also have potential. This wasn't the finding of a hotel insider, but of an „asset profiler", an online platform for commercial real estate investment, based on a joint market assessment with BulwienGesa AG. The trend can also be seen in the hotel industry: In the following table,13 chains present the criteria they use for choosing B and C locations and indicate which investors are interested in hotels in secondary and tertiary locations.

Hotel Chain	Number hotels Germany	Hotels in B-/C-locations?	Criteria for B and C locations?	Proximity to A/B or B/C desired?
Accor	339	B: 122 C: 139	Inh*, ONS*, RevPar of existing hotels, customer structure, micro-site, visibility, transport connections	no
Best Western (BW)	192	B: 31 C: 2	B: at least 2 relevant target groups C: at least 3	not necessary
Carlson Rezidor	51	B: 31 C: 2	Demand / potential for respective category	in general yes, but depends on market potential + type of contract
Choice	40	B: 22 C: 9	Restaurants in surrounding area or own limited F&B offer	depends on catchment area of the respective hotel
Golden Tulip	9	B: 2 C: 1	interesting revenues generators	yes
Grand City	95	46 gesamt	Transport connections + USP location + potential customer segments	yes
InterContinental / IHG	71	14 gesamt	Good transport connections + visibility; at least 100,000 ONS + 100,000 Inh; proximity to centre	doesn't matter

In contrast to the trend in commercial real estate, D locations are not contemplated for hotel groups. The analysis revealed that in 2011, investments in B locations alone exploded, rising by 66%. Measured in terms of total investment volume on the commercial real estate market, investment in B locations was up 5%, but by only 0.6% in C locations.
For the hotel industry, no figures are available as yet so no direct comparison is possible. Yet one other finding from the commercial real estate market ought to be reflected in the hotel real estate market. "Private investors are increasingly moving into real estate," the asset profiler writes. This also includes family offices. This is also apparent from the responses of the hotel chains in the following table.

The second is often the first

Demand for secondary and tertiary locations, also in the hotel sector, results from the dearth of core real estate in prime A locations, but also from the much lower plot prices in B locations. Various investors and hotel operators have discovered that they have been able to generate higher room revenues and yields with midscale brands in B locations than in premium sites.
Of course, the discussion begins with the question of what's behind an A, B or C location. Hotour Hotel Consulting based in Frankfurt considers the following definition as standard:

Primary locations (A): more than 3 million overnight stays and at least 100,000 inhabitants.

Secondary locations (B): 750,000 to 3 million overnight stays and at least 100,000 inhabitants.

Tertiary locations (C): 100,000 to 750,000 overnight stays and at least 50,000 inhabitants.

The responses from hotel chains show, as is often the case in the hotel sector, just how different the approach to B and C locations is. Some groups do not apply different criteria to B and C locations, whereas others draw quite fine distinctions. Proximity to various group brands or cluster formation is not necessary for most chains, though most apply synergy criteria. Grand City's Marketing Director Axel Krumrey points out:

Brands for B and C locations?	Exceptions at location allowed?	Number of rooms B/C?	Investor-Types for B/C?	What type of contract for B/C?	Most difficult financing for B/C?
B: all brands except luxury / upscale + conversions C: eco brands ibis, Adagio and midscale / Mercure	depends	from 100	Family offices, regional, hotel operators	B: management, franchise for Midscale; lease, franchise for Eco C: franchise, management	na
BW, BW Plus, BW Premier	na	40-50 for both	na	na	na
B: Radisson Blu A, B and C: Park Inn	na	Park Inn 110-200; Radisson 150-350	very different Local + private	largely franchise, otherwise management	… for all locations
Comfort, Quality, Clarion	yes	at least 60-70, generally 80-120	B: Institutional, funds, owner operators C: funds, owner operators	franchise	… for A and C, depends on operator profile
Premiere Classe, Tulip Inn, Golden Tulip	no	75 at least	na	B: franchise, management, possibly hybrid C: franchise, management	… for C
Grand City, Best Western, Mercure, ibis	no	80-100 at least	Local + family offices	franchise, own brand	na
Holiday Inn Family of Brands	for resorts	80 for both	B: Regional, local, fewer international and/or Institutional + more private; Regional + local, interest waning	franchise	depends on local market

Abbreviations: Inh = inhabitants, ONS = overnight stays, EQ = equity, na = not available / All data: hotel chains as of Sept 10, 2012

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Hotel Chain	Number hotels Germany	Hotels in B-/C-locations?	Criteria for B and C locations?	Proximity to A/B or B/C desired?	Brands for B and C locations?	Exceptions at location allowed?	Number rooms B/C?
Hilton	12	B: 5 C: 0	B: Very good transport connections – very good infrastructure + acceptable return + demand generators; location also leisure destination. C: good transport connections + good infrastructure + demand generators; locations possibly also leisure destination	yes, but not necessary	B: DoubleTree, Garden Inn, Hampton C: Hampton	depends on project and profitability criteria	100 for both
Lindner	25	B: 1 C: 8	inter alia, demography, purchasing power, infrastructure, competition, transport connections	yes, cluster an advantage; not necessary.	A, B, C: Lindner (new brand me and all only A)	no	generally 120-180
Marriott	30	B: 8 C: 3	Plausible business mix + transport connections + visibility + portfolio considerations	If yes, then brands must have same quality level	B: Courtyard, Residence Inn C: Courtyard	yes	100-140
Ramada / Treff	54	B: 18 C: 22	B: central location + good public transport links + attractive environment	not necessary	B: Ramada, Treff, H2 C: Ramada, Treff	none	100-120
Starwood Hotels	25	B:4	RevPar, infrastructure, connections, demand generators, hotel density inter alia	not necessary, depends on location and brand	Aloft, Element, Four Points	depends	100-200
Steigenberger	67	B: 24 C: 3	InterCity: important stations, airports	yes, but not necessary	Steigenberger, InterCity	na	150

Abbreviations: Inh = inhabitants, ONS = overnight stays, EQ = equity, na = not available / All data: hotel chains as of Sept 10, 2012

Visibility is an important criterium for hotels at B and C locations.

"Proximity helps for offers for price-sensitive customers." According to Managing Director Marcus Smola, even Best Western agrees to contracts where two brands are close to one another, "if average room rate and category supplement each other."

Finance for B locations sometimes easier

In terms of finance, all are struggling. Choice Europe Managing Director Margit Hug describes the chances of non-prime locations succinctly as follows: "It has turned out that finance in good B locations is sometimes easier to come by than in absolute top destinations. This is certainly due to required lease guarantees, which in a B location are obviously lower, as well as due to the attractive returns on offer from good B destinations."

Ulrich Widmer, Vice President Development Central & Eastern Europe at Hilton, explains it as follows: All five large German cities (A locations) are on the same level, though the choice of B locations is much larger and offers much more room for manoeuvre. Though caution is advised: B locations differ greatly; the micro-differences can be enormous so that "meticulous analysis is necessary," Lindner Chairman Andreas Kroekel explains.

Operators know: In choosing between A and B locations, the return on investment (for the investor) is decisive. Whereas a

Investor types for B/C?	What type of contract for B and C?	Most difficult financing for ...?
Difficult to define	B: management, franchise C: franchise, management	... for B and C: depends on expected return of brand or EQ participation of investor
Often local + banks, but also large family offices and Institutional	hybrid, management	na
B: Private + institutional C: tends to be private	franchise, management	...for all
B/C: Regional + sometimes also global, if A	lease, management, franchise	... for C
doesn't work	franchise	... for B + C, but also dependent on partners' strength
Primarily local	lease, management	na

return of around 6% is necessary for A locations, it should be at least 7-7.5% for B locations. And the banks? They of course welcome every additional percentage point of return! Basic trend here: Their requirements are rising. For them, it's no longer a matter of location, but of result. // map

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MULTIPLE BRANDS MULTIPLY THEMSELVES: HIGHER SYNERGIES, BETTER RESULTS

Double effects

Augsburg. Brands in twin pack at one location? Does this make sense? Accor, one of the pioneers of this idea, has three "hotel parks" in operation with Ibis and Novotel in the German market; in Berlin, Hospitality Alliance with the twin pack Ramada/H2 has been happy about the good results right from the start; and at Frankfurt airport, Hilton is already registering strong investor interest for the Hilton and Hilton Garden Inn combination. In any case, the combination of high-rate and low-rate hotel, synergies in the back office, and complementary marketing is really touching a nerve in times of strict cost-effectiveness considerations. And it is also leading to imitations: on the trade fair premises in Munich, the second German twin pack, Ramada and H2, will open at the next Expo Real in 2013.

Since October 2004, Accor has been operating the multi-branded complex consisting of Ibis, Ibis Budget (formerly Etap) and Suite Novotel in Berlin; similar double-brand hotels can be found in Hanover and Hamburg (Ibis and Ibis Budget respectively), as well as in Munich (Ibis and Suite Novotel). "To have one, two and three stars under one roof is a fascinating combination and generates flexibility," sums up "triple-GM" Oliver Sparhuber in Berlin: "With three brands, the booking overflow can be regulated immediately." The group of buildings located at Anhalter Bahnhof/Potsdamer Platz in Berlin, strongly benefits from its location, which attracts tourists and business travellers likewise.

The Ibis Budget Hotel, formerly Etap, has the highest occupancy rate so far at 80 percent. The rates of the other two brands are only slightly lower. After Accor introduced the mega brand Ibis last fall and Etap received a new identity as Ibis Budget, there was some confusion at the beginning but no rebookings, according to Sparhuber. "We do our marketing for one large hotel with 592 rooms!" However, the three different products are helpful for our acquisitions in the business sector and for booking inquiries of individual travellers: this way, the needs and cost sensitivity of the interested parties can be sounded out more exactly.

Today, price and efficient-conscious guests are mainly concerned whether the hotel offers free WLAN (Ibis Budget already offers this) and breakfast or whether there is a restaurant or not. The hotel park in Berlin is able to meet this need: there is a restaurant, efficiently located in the Ibis Hotel, which is located in the middle of the two other hotels. The asparagus special in the restaurant has been marketed in all three hotels, for example.

This shows clearly: for the operator (and investor), the real synergies of double or multi-brand groups of buildings are developing in the background.

2x Hilton: differences disappear

The managers of the two intertwined Hilton brands at Frankfurt airport can only emphasise this: in the Airrail Center The Squaire, the Hilton Hotel and the Garden Inn by Hilton share 90 percent of the back-of-the-house area (common kitchen, administration, among others). Charles Muller, Cluster General Manager for the two Hilton hotels, and his colleague Marc Snijders, Cluster Director of Business Development, describe further things in common as well as differences: The two hotels have separate lobbies, and separate linen stocks on the individual floors; however, the Garden Inn guests are able to walk directly to the fitness centre via the „inhouse" floors as the fitness centre is located in the Hilton building. But at the entrance of the fitness centre, the guests have to show their colours again: for each brand, there is a separate box where you put your room card in. The internet access is regulated and separated as well thanks to exactly aligned routers. Therefore, Garden Inn guests surf for free while Hilton guests have to pay. This is a paradox, which Hilton did not want to change apparently due to its worldwide brand standards.

Which brand in this twin pack is the more successful one, half a year after the opening? As a general rule, Hilton managers are not allowed to reveal any figures by order of their parent company Blackstone; therefore, they paraphrase as follows: the occupancy rate in the Garden Inn is higher than in the Hilton, but the Hilton achieves a higher RevPAR. Would another twin-pack brand have any chance at this location, e.g. a Hilton or a Hampton Inn? Both Muller und Snijders say no to this in unison: a difference between the brands is reasonable, but not a large discrepancy with a product located much lower in terms of price. "The airport location has to be earned," says Muller.

Imitations on the way

The Hilton twin-pack brand at the Frankfurt airport has been customised just for the airport clientele concerning brand and cost effectiveness, especially for MICE customers. On average, overnight guests stay for one day or one-and-a-half days. The majority are conference customers in groups of 20 to 120 people. They usually arrive in the morning and leave in the evening or they just stay one night in order to get the maximum out of two conference days. It only takes three minutes to the airport terminal and the mainline station. "Concerning meetings, time saving is always important," says Snijders.

The marketing of the two Hilton hotels presents one hotel to the outside world – with 583 rooms. Together with the Hilton Frankfurt City, they could even merchandise a total of 925 rooms. The good start-up of the complex at the airport has resulted in the fact "that some investors are now looking for such brand packages," says Charles Muller. And within Hilton, such twin-pack brands already exist, among others in Tanger/ Marokko and in Great Britain soon as well.

Ramada/H2 also in Munich

The role models are functioning: at Alexanderplatz in Berlin, the Hospitality Alliance (HA) has been operating as a twin-pack brand consisting of a middle-class hotel and a budget hotel since March 2011: one Ramada (337 rooms/674 beds) and one H2 (288 rooms/696 beds). The first is a brand of the Wyndham partner, the second, an individual creation of the Hospitality Alliance. Alexander Fitz, CEO of HA, describes the same advantages and synergies like Accor and Hilton; and he also points out the better utilisation of the property and higher space efficiency: in this way, the total investment costs and the lease load for the operator can be reduced in some cases.

In the fiercely contested market in Berlin, the 4-star Ramada Hotel was able to generate an occupancy rate of 88 percent and a RevPAR of 60 Euro in its first (abbreviated) operational year in 2011. The 2-star product H2 was able to generate 89 percent and a RevPAR of 49 Euro. For the current year, HA expects a slight decrease in occupancy (nearly 87 percent) and a significant increase of the RevPAR to 65 Euro at Ramada; concerning H2, HA expects a constant occupancy and also a significantly higher RevPAR of 56 euros.
These figures are obviously motivating after the first months: the same twin-pack brands will open at Messe Muenchen (Munich fairground), across from the main entrance in 2013. The Fondara group of companies in Munich is developing the large real estate with 330 rooms in the Ramada Hotel & Conference Center Muenchen Messe and 205 rooms in the H2 Hotel Muenchen Messe. Right from the outset, the investors and project developers have included sustainability criteria in the hotel project "Riem-Hotels" (referring to the old Munich-Riem Airport at this location). Therefore, the project has already obtained a gold certificate of DGNB. Here, the area efficiency has been increased by an additional ecological balance sheet. In addition, the hotel building has already been planned in detail for possible use as an office building after a conversion at a later date.
Philipp Hlousek, Executive Assistant of the investor Fondara Immobilien AG, sees the additional costs of such a sustainable project justifiable measured against the great benefit such a project generates.
Combined with the promising operations figures, the twin pack in Munich could be an exceptional success in future.
There are many reasons to take multiple brands into consideration. // map

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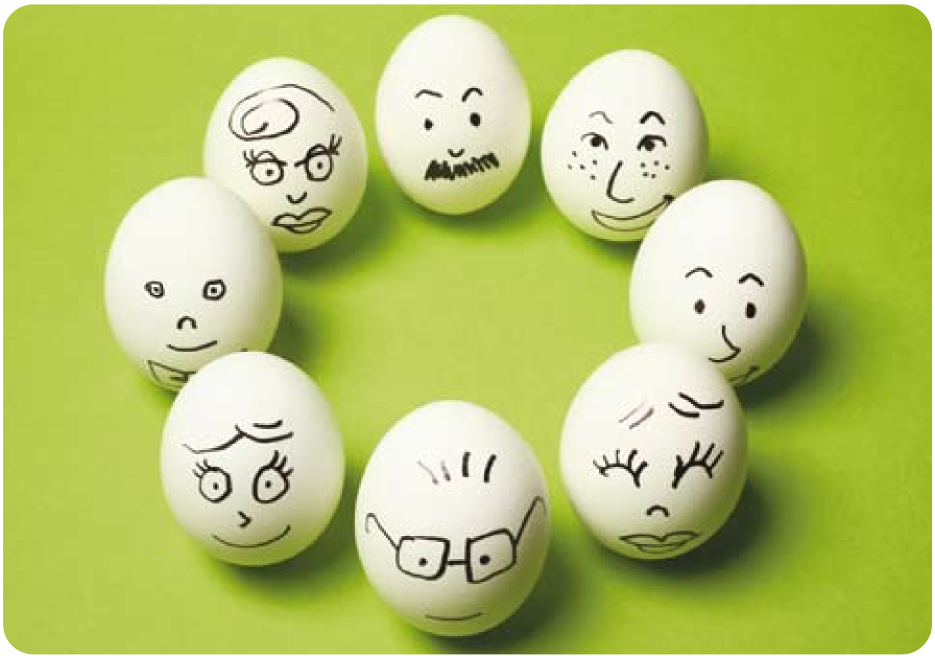

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NO COMMON STANCE ON OWNER AGREEMENTS AMONG CHAINS

Things are better without

Wiesbaden. Drive for expansion of international chains looking for franchise or management agreements is massively thwarted in the lease stronghold of Europe and Germany in particular. So-called owner agreements are meant to reduce risks resulting from the growing number of three-way relationships between owner/investor, lessee and franchisor. But is this „safety belt" worth all the time and money?

Lawyers are rubbing their hands with glee: as soon as three contractual partners need to be reconciled instead of two, business is on the horizon. In addition: hotel operating agreements are concluded not only between the owner and the operator as well as the operator and the franchisor, but also increasingly between the owner and the franchisor. Owner agreements (OA) are meant to prevent owners from suddenly being left high and dry without a brand if they have trouble with the lessee. The other way round, they connect the brand with the location in case the lessee goes into insolvency. But what are its benefits in practice? The developers of Starwood Hotels, Choice, Marriott, and InterContinental Hotels (IHG) give some answers.

Georg Schlegel

Starwood has another name for this instrument but it has the same function. "We call this a non-disturbance agreement (NDA)," says Georg Schlegel, Senior Development Director Starwood Hotels & Resorts. Basically, this means that whatever happens to the franchisee, the brand remained connected to the hotel. In general, says Schlegel, owners have no contractual relationship with their franchisor. In case of a franchise agreement, the relationship exists between the franchisee and the brand. The same is true with Starwood. However, this is not enough in the eyes of some owners and franchisors. Should an owner be let down by his lessee, the owner normally have the following options:

- Taking over operations by hiring a managing director, for example, and entering the franchise agreement.
- The franchisor enters the lease agreement.
- The franchisor concludes a management agreement.
- The owner finds another operator the franchisor stays with.

All representatives of international brands agree that lease agreements should be designed in a way that operators are able to meet all brand standards and are in a position to fulfil further contractual obligations. Normally, brands carefully check the lease agreements of their franchisees, before letting them use their brand. In doing so, they also make sure that the obligations of the owner are clearly defined in the agreement, particularly with respect to obligations in terms of renovation.

"In the US, owners usually sign a 25-page non-disturbance agreement without hesitation," says Schlegel. "German owners, however, mostly want maximum freedom and availability when it comes to their property, which is why they refuse to sign an NDA. We have therefore written off NDAs similar to the ones in the US regarding franchising in the German-speaking countries." Supposed owners agree to the NDA, banks might oppose... They will certainly not give up the option to sell hotels non-branded.

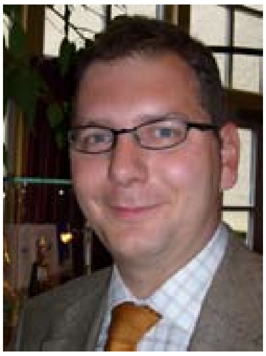
Choice is working on OAs, Marriott has them, and IHG does not want them

According to Margit Hug, Head of Europe of Choice Hotels, the hotel chain is experiencing a significantly increased interest of owners in brand bonding. But a management guarantee like the one Choice offers in case of problems with lessees was not sufficient for many owners in Europe. "We are working out solutions concerning owner agreements," says Hug. Choice Hotels concludes 95 percent of its franchise agreements with the lessee. In the US, however, agreements are solely concluded with owners, as they usually act as operators or have entrusted a management company. This is also the case with Marriott, confirms Development Manager Markus Lehnert:

Margit Hug

"In the USA, OAs are not that common as owners are usually franchisees, which makes OAs unnecessary. However, in the case of OAs concluded in the US, owners have many more obligations than here. "Similar to Choice, Marriott or IHG are solely interested in franchise agreements when it comes to particular brands, and usually conclude them with the lessee.

"We don't have an owner agreement," says Martin Bowen of IHG's development department. However, owners were able to obtain information on franchisees from IHG such as average rates or paying habits, if the latter agrees. "As far as we are concerned, we don't need any agreement with the owner in order to leave our brands in a hotel. We think that owners should be interested in keeping our brand," says Bowen.



Markus Lehnert

For example, an agreement between a Holiday Inn and the owner, called "letter of comfort" at IHG, was a type of early warning system for the latter. Furthermore, IHG offered owners the opportunity of naming three alternative lessees from IHG's pool in case of troubles with a lessee. However, the company did not conclude any management agreements. "We don't fall back on these agreements automatically. They mean additional work, after all. And they are solely offered in Germany, which is an outright lease market," says Bowen. As there were only a few operators with a reasonable balance in Germany, demand for OAs was increasing significantly.

Owner Agreement by Marriott

Markus Lehnert from Marriott is a strong advocate of owner agreements. "OAs can be compared with safety belts in a car," he explains. "You don't need them in everyday traffic, but you put them on nonetheless. They don't hinder you, but when there is a crisis, they are there and they work – regardless of where the crisis comes from." The basic goal of an OA was to secure Marriott's long-term engagement at specific locations, both from the owner's and Marriott's view. The OA ensured that a hotel can continue to operate under all circumstances. "The goal is to leave the actual agreement as unmodified as possible. Accordingly, the first step is trying to transfer the unmodified lease agreement to another lessee who will then become franchisee as well," says Lehnert. If that didn't work out, there was an arsenal of further steps Marriott internally calls "cascade". The last resort remained a temporary management agreement.

"Not all hotel owners immediately understand the benefits of an OA," says Lehnert knowingly. "But when they look into things, they usually realize quite soon that the result is a highly positive effect. If a lessee fails to pay the rent, owners have more options, and they cannot be as easily blackmailed. Basically, they can take Marriott up on its promise and say: help us solve this situation."

In the worst case, owners ended up without an operator, the hotel could become known as a difficult property on the market, or a potential new lessee seized the opportunity to negotiate a more favourable agreement. According to Lehnert, OAs can also be beneficial for hotel operators. "They should be able to do with less lease security, as a foreseeable alternative can be quickly realized if they fail. There are no disadvantages for operators resulting from OAs," says the Marriott manager convincingly. With OAs, franchisors secure themselves the location. But it could turn out to be a disadvantage for them, as they could not separate themselves from the respective hotel that easily.

OA specialities

Being employees of listed companies, both Schlegel from Starwood and Lehnert from Marriott need to overcome further obstacles when concluding an OA or NDA. Accordingly, they may not do business with those referred to as "prohibited persons". This means, neither owners or lessees may belong to this group, nor are they allowed to give the hotel to such persons. "In addition, we don't want to sell to competitors and secure agreements with a servitude," says Lehnert. Then there may be modifications demanded by the owner. Open funds are subject to legislation such as capital investment legislation. "Prohibited persons", such as from Cuba or North Korea, were particularly interested in so-called "trophy assets", and not in something like a Holiday Inn Express in Aachen, says Schlegel describing complications by means of example, and it seems that he even envies his colleague Bowen a bit. In contrast to Starwood, IHG was a European company and Accor and Radisson also didn't know many terms US companies are obliged to.

Martin Bowen

In order to accommodate the European market better, both Marriott as well as Starwood have developed models that take regional and individual specialties of owners into account. "This doesn't mean that you can have everything with owner agreements, but in all cases, we managed to meet both Marriott's and the owners' interests," says Lehnert. Schlegel explains: "For example, we try to integrate criteria that are important to us in our lease agreements. This would make Starwood a beneficiary of the respective lease agreement." He convinced owners by pointing out that they had no other contractual relationship to Starwood. But an NDA made it possible to receive information on the lessees from Starwood as well as to learn about models for the future.

The most common issues

"Many owners don't like to deal with the OA issue in general," says Lehnert. They fear that they need to write and edit too much text. "Some also dream of a triple net agreement, preferably with the parent company of a major brand, or the dream of a letter of comfort by this parent company." He says, the main reason for this caution was the German property model, which involves developers aiming at selling the property after a short period of time. Therefore, developers became sellers, depending on the outcome of the negotiations on the lease agreement, and were forced to sell all agreements to an investor. However, investors wanted as few obligations as possible. "The world is getting ever more complex, and luckily agreements need to be read and negotiated only once," says Lehnert.

There is no patent remedy for dealing with investors and lessees. But all brand providers interviewed agreed on one aspect: the earlier all parties are included in talks on financing and sales, the better. In the end, franchisors were able to explain the agreements in a most plausible way and set forth the advantages of this type of structure to end investors, or make compromises. "Problems can be solved best through communication instead of contracts and agreements," says Bowen hitting the nail on the head and ensuring that this has much improved over the past ten years. //

Susanne Stauss

HOW SOCIAL MEDIA INFLUENCE REAL ESTATE VALUES

The value of opinion

Munich. Can social media affect the value of hotels? „Yes, they can!" says Bruno Wolf in front of a surprised audience at Expo Real in early October. With several decades of experience in the world of hotels, the distribution and Internet expert explained to financiers and investors the importance of this young distribution channel. Similar to being present in classic reservation systems and online reservation portals, opinions of guests have a deciding effect on reservation behaviour. Factors deciding on reservations thus affect turnover and profit. Bruno Wolf in an interview with Maria Puetz-Willems on this new, young topic of „real estate and reputation management".

Since last January, Bruno Wolf has been working as a consultant in the field of distribution and Internet (www.hhc-brunowolf.com). Prior to this, he worked at the bed giant of Marriott International as Director International eCommerce Distribution being responsible for all distribution and technology issues. In the hospitality industry, he is regarded as a luminary and good observer.

Mr. Wolf, why do social media like Facebook, TripAdvisor, Google, and Twitter play such an important role in the search for more turnover?
Bruno Wolf: When it comes to purchasing, 48 percent of consumers combine social media and search engines. This leads to quicker and more information being processed online. Consumers gather results very quickly and distribute them via social media channels. These results also affect reservation activity of other consumers: 90 percent of online bookers say that they trust in recommendations by friends, but 70 percent also trust in unknown users.

So evaluation and reservation channels merge smoothly in the meantime?
Wolf: Yes! The hotel evaluation portals were pioneers in this respect. Facebook or Twitter – or simple photo portals – transport opinions extremely quickly and to more and more people. Facebook's growth figures clearly show this.

Who needs to be familiar with these opinion and reservation channels in the hotel?
Wolf: The revenue manager and the general manager, of course. They can use this influence to the benefit of the hotel and generate more reservations.

How can opinions be converted into turnover?
Wolf: The opinions found on a hotel evaluation portal are combined in rankings. These clearly request hotels to further boost evaluations and care for communication with guests. Some evaluation portals, however, take advantage of this situation: they sell hotels the possibility to provide a link right to their website, which saves hotels commission payments. And then they gradually raise prices …

Bruno Wolf

What do revenue managers need to do specifically?
Wolf: They need to interpret these rankings in a professional manner and take advantage of them. Should their hotel get better evaluations than their competitors, revenue managers should be able to raise rates. This starts a sort of automatism: higher turnover and higher room revenues lead to higher profits and higher yield for investors/owners.

Are there any hotels that are able to calculate the benefit of this interplay between social media and turnover in euros and cents?
Wolf: The Mercure Hotel Duesseldorf-Hafen is able to track this relation to some extent. The hotel is operated by Wolfgang vom Hagen, an experienced hotelier and consultant. The Mercure Hotel Duesseldorf-Hafen takes evaluation portals like TripAdvisor, Holidaycheck and many more very seriously and integrates their evaluations in all activities connected to the hotel. Each new evaluation is analysed in detail, improvements are realized as far as possible, and constantly discussed with the entire team.
As a consequence, the average rate has climbed to 85 euros, whereas it was at 64 euros in 2006. And since then, there has been a financial crisis which led to massive losses for many hotels. This result is all the more surprising. Within five years, vom Hagen has managed to increase his hotel's value by four million euros – according to his bank. The bank ascribes 15 percent of this to social media activities.

Do social media change the way in which hotels should compare each other?
Wolf: Today, revenue managers need to know and manage everything that is being said about their hotel and its competitors –

and that via various platforms like travel sites, videos, Facebook, Twitter, blogs, photo sharing and evaluation sites.

What share do evaluations have in real estate values?
Wolf: A big share! I don't think, there are any concrete figures reflecting this at the moment. It is definitely still a very new topic and mostly unknown to investors and owners.

What question posed by investors/owners would impress operators if you wanted to address the whole issue?
Wolf: I would ask: „How strongly do you push your rate and how do you convince potential guests to book your hotel?" This would automatically lead to added value. This is a simple sellers' logic: consumers are strongly attracted by discount concepts like Groupon, but also by auctions like eBay. Particularly Germans are well-known bargain hunters!
However: even bargain hunters are willing to pay more if they can expect more for their money! And then they communicate this good news via social media – and this is when the „opinion spiral" gets going again.

How can hoteliers and revenue managers foresee opinions and reactions, and decide when it is the right time to raise their rates?
Wolf: They need to deal better with their forecast, i.e. stick to the rules connected to their turnover and occupancy predictions. The right timing of rate decisions requires both a sensitive and precise hand. Often, guests gather more information than the hotels themselves. Here, hotels should trust in intelligent software.

All in all, this means that a hotel's value will depend more than ever on the opinion of its guests and skillful rate policies in the future. Will this trend continue?
Wolf: Absolutely. Today's consumers are better informed than ever, and at the same time, they tend to book on increasingly short notice. In order to grab this type of guest, you need full command of the entire distribution gamut – and revenue management.

Thank you very much for the interview!

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SWISS FRANC AND EURO ALSO CHALLENGE FOREIGN HOTEL COMPANIES

Switzerland facing test of endurance

Augsburg. The strong Swiss franc raises a dramatic question at the end of the year 2011: will Switzerland witness the death of several hotels next year? Not only hotels in Switzerland are affected by the test of endurance related to the Swiss franc and the euro, but also foreign companies headquartered in Switzerland and forced to make out their balance sheet there as well. In addition, all hotel companies are affected that are located outside Switzerland but have financed their loans in Swiss francs. On both sides of the border, the mood is rather depressing at the moment.
In Switzerland, tourist numbers are collapsing, more and more Swiss are spending their holidays in Austria or Switzerland. A December 2011 snapshot of Austria, Switzerland and Germany.

In spring 2011, the Swiss national currency had gained enormous power forcing the Swiss National Bank to set a minimum exchange rate target of 1.20 francs per euro in early September. Although this alleviates the problem, it does not solve it – not even for the hospitality sector. The number of room nights definitely dropped alarmingly. Even nameable Swiss hoteliers are not beating around the bush about their recent worries. "The currency losses on the euro market mean a considerable surplus burden to our guests from the euro zone," says Peter Tschirky, Chairman of the management of Grand Resort Bad Ragaz (3 hotels, 289 rooms).
"We've lost about five percent from the German market, which is even more distressing, as this market traditionally has a share of a good 30 percent." Corinne Denzler, CEO of Tschuggen Hotel Group headquartered in Arosa (4 hotels, 358 rooms), comments: "Since the exchange rate was fixed at 1.20 francs per euro, the euro issue has slightly cooled down. Nonetheless, market conditions have become harder for us, and we expect the number of reservations from the euro zone to decrease by five to seven percent."

Even the Swiss are running away

The German hotelier Otto Lindner, whose hotel group has three hotels in Switzerland, namely in Leukerbad, Interlaken and Crans-Montana, chimes in: "The franc's significant price increase has hit us hard. Only through price concessions have we managed to keep our occupancy level, however, the side income of our hotels is also declining. After all, it seems that the worst is behind us, as advance booking for the winter season has been running well so far."
But the currency aspect is only part of the story. Both Peter Tschirky and Otto Lindner almost use the same words when talking about an even "worse" effect: guests from Switzerland, who have always been very loyal, are "fleeing" abroad – mainly to the neighbouring countries of Austria and Germany – due to the strong franc. The price-service ratio feels almost like heaven on earth. Peter Tschirky says sarcastically: "Maybe it is a tiny highlight that we managed to put a halt to erosion of these two major markets for the first time in October and even in November."

The Grand Resort Bad Ragaz balanced this out by extended offers providing "added value", among other things. Accordingly, the usual room and breakfast rate also includes dinner." However, in economic terms, this means extra costs for the hotel. Occupancy of the Grand Resort Bad Ragaz currently amounts to 60 percent, and all indicators for future development are positive. Despite that, Tschirky knows that the fate of hoteliers strongly depends on politics once again: "Regarding currency, the Swiss franc must not grow stronger, and the euro zone needs to regain the trust of international financial markets."

The decline of the euro compared to the Swiss franc has broad repercussions across geographic borders. In Germany, Austria, and Hungary, many companies have financed themselves based on Swiss francs trusting in the long-term stability of the franc-euro ratio.

However, no one knew any exact figures, says even Dr. Franz Hartl, Managing Director of Oesterreichische Hotel- und Tourismusbank (OEHT, Austrian Hotel and Tourism Bank) in Vienna. "Among colleagues it is supposed that about 30 percent of the companies located in the West (Tyrol, Vorarlberg, Salzburger Land) include a foreign currency loan in their balance sheet. In the eastern federal states, this share will be significantly lower." This complies with observations of other insiders reporting to hospitalityInside.com that, in the past few years, Swiss bank officials have been roaming the border regions close to Switzerland, like Arlberg and Tyrol, trying to sell loans in francs.

At the moment, says Franz Hartl, the urge for this method of financing was declining, as the new guideline issued by the financial department, these loans are to be granted on a highly restrictive basis. "Furthermore, the development of the franc has dampened any motivation of taking loans in this currency," he says soberly.

In fact, the strong franc means considerable additional cost to borrowers – sometimes amounting to 25 or even 30 percent. Those sitting on debt of 10 million francs resulting from a loan in 2000, for example, had to pay back two million euros more than they actually received. Such additional costs resulting from the exchange rate difference cannot be balanced out by any interest benefits.

Consequently, any losses due to exchange rates negatively affect the balance sheets. "This lowers the equity capital ratio, which in turn makes new financing even more expensive and difficult," says Reisenzahn describing the consequences.

Jan Eckert, CEO Jones Lang LaSalle in Switzerland, considers the current situation a "structural problem" that logically affects all industries. In his point of view, it is not the entrepreneurs (hoteliers) that have the biggest problems, but the banks. Eckert refers to extensive country analyses conducted by the Swiss National Bank: according to these analyses, loans in Germany, France, and Italy were less important, whereas loans in Austria were significantly greater.

In Poland and Hungary, loans based on Swiss francs even surpassed the volume of loans based on euros, he says, still referring to analyses that, however, include all economic sectors (private households and companies). It is hard to tell whether and if these general country statements reflect the tourism and hotel industry.

Rigid structures and too high costs

Travellers do not see such backgrounds. They book according to the price or the price-performance ratio. For guests, who come from euro countries, vacations just have become more expensive right now. "Perhaps, some of our guests will prefer Austria or Northern Italy for their winter vacation instead of Switzerland," says Giuliano Guerra, delegate of the advisory board of Travel Charme Hotels & Resorts AG.

Guerra knows the challenges of balancing based exchange rates (the German leisure hotel group is headquartered in Zurich) as well as the rigid and expensive structures of Swiss hotels: "High staff costs, costs of sales and fixed costs cannot be reduced over night, in order to accommodate guests from euro countries," he says, pledging sympathy for the situation of his colleagues.

Swiss hoteliers have to keep the Swiss guests in their own country in order to compensate the decline from foreign markets. "Therefore, we gave the home market more importance in our advertisements for the winter season," explains CEO Corinne Denzler of Tschuggen Hotel Group. "For Carlton St. Moritz, the hotel with the highest number of international guests, we even doubled the budget for the Swiss market."

Despite the very strong Swiss franc, the group does not intend to reduce the price or even entice or try to keep guests by bargain sales. Denzler relies on attraction: guests of Carlton St. Moritz are rushing through the ice channel with hotel-owned bob taxis, and long-time guests of Eden Roc Ascona are able to book Italian lessons in the winter...

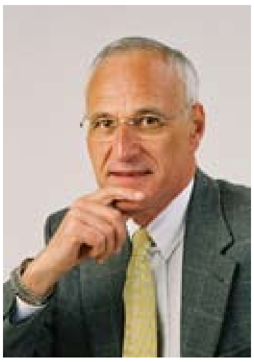
Pressure determines the speed of dying

But the product improvement alone will not solve the problem of Swiss hotels. The reasons are more severe. Therefore, Orlando Gehrig, manager of economic policy at the industry association hotelleriesuisse, says: "The change of structure has been in process for some time now in the Swiss hotel industry. The strong franc will only speed up the change. Unfortunately, the strong Swiss franc also affects economically healthy businesses."

Of course, the association does not want to predict an imminent "dying of hotels", but major hoteliers like Peter Tschirky are addressing the problem more clearly: "If this enormous pressure remains in the next few years, it will cause a major hotel dying in Switzerland."

// Maria Puetz-Willems





From left: Franz Hartl, Orlando Gehrig, Peter Tschirky

HOW KATARA HOSPITALITY ACQUIRES REAL ESTATE AND PLANS ITS EXPANSION

Hospitality made in Qatar

Doha. With the award for the FIFA World Cup in 2022, the small, oil-rich desert country of Qatar has placed itself on the world map. Just as Dubai had once created the marketing jump with the Burj Al Arab, now the government in Doha is gathering mega events. However, this decision has great consequences for the small country. Since then, the entire (tourist) infrastructure has been placed on the test bench and above all, must also be suitably developed for the masses. Hotels play a central role along with this. Today, Doha counts 15,000 rooms and it should be 65,000 in ten years. Up to now, the control of the hotel offers lay almost exclusively in the hands of the state hotel company, Qatar National Hotels (QNH). It changed its name to „Katara Hospitality" at the beginning of May. At the same time, the government owner, developer and operator is making a „place" for external hotel investors. Therefore, it is more strongly involved beyond the country and has rapidly developed into a hotel company of international repute operating overseas in France, Switzerland, Italy, Egypt, Morocco, Comoros and Singapore. In Doha, Maria Puetz-Willems spoke with Hamad A. Al Mulla, Chief Executive Officer of Katara Hospitality, regarding Katara Hospitality, the hotel industry in Qatar and about the large hotel engagement abroad by the Qatari.

At the beginning of May and in Dubai, Sheikh Nawaf bin Jassim bin Jabor Al Thani, Chairman of previous Qatar National Hotels (QNH), encapsulated the new strategy of Katara Hospitality at the "Arabian Travel Market" in these words: "We were in the forefront of Qatar's hotel development for over four decades. Now we are setting the course to establish Qatar with a reputation as a key player in the international tourism market." Hamad A. Al Mulla expands on this in a conversation with hospitalityInside.com. He, himself, studied Hospitality Management in Austria and has worked as a general manager at various hotels in Qatar (see curriculum vitae).

Mr. Al Mulla, QNH resp. Katara Hospitality had already opened the first international brand hotel in Doha in 1982 – the Sheraton. In 1993, QNH had sprung up which then took over all properties from the predecessor company, Qatar National Hotels Limited. How many hotels were there at that time?

The future symbol of Doha: Lusail City

Hamad A. Al Mulla: In 1993, the company had only five assets under its portfolio, which were Sheraton Doha, Marriott Doha (known then as Sheraton Gulf Hotel), Doha Club (currently the Doha Sailing Club), Doha Limousine (currently Karwa) and a QNH catering unit.

In 2006, QNH ventured the expansion abroad for the first time with the purchase of the Renaissance Sharm El Sheikh Golden View Beach Resort in Egypt. How does the company present itself today, in 2012, under the new name Katara Hospitality?

Al Mulla: We have already become a global player over the last six years and the new name should also help to document this to the outside. We currently own and operate 12 hotels and 11 others that are in development or construction so that we can count more than 4,000 four and five star hotel rooms in eight international destinations. In 2016, we would like to have 30 properties and then in 2030, 60 all over the world. We operate the hotels under the brands of international chains or under our own brand. Katara Hospitality also leads the 4-star brand in Qatar, Merweb (see box regarding Katara Hospitality details).

Hamad Abdulla Al Mulla

has been appointed Chief Executive Officer of Katara Hospitality in August 2011. He joined the team at the head office of Katara Hospitality in December 2009 as Chief Human Resources and Administration Officer. Hamad has been part of the company's journey for more than half of its 40-years history. Having completed Hospitality Management & Tourism studies at the University of Salzburg in Austria, Hamad started his hospitality career in 1991 at the Sheraton Gulf Hotel, currently known as the Doha Marriott Hotel. Prior to joining Katara Hospitality head office, Hamad's most recent positions were in the capacity of General Manager at Merwebhotel Al Sadd Doha, after having held similar positions as General Manager of Doha Club in 2006 and Deputy General Manager at the Doha Marriott Hotel until 2005.

Katara Hospitality is an owner, developer and operator. Which function has priority for your company?

Al Mulla: The property. However, we only buy „real estate with heart", e.g., landmarks like the Raffles in Singapore, the Royal Monceau or the new Peninsula in Paris. On the other hand, we assist through the construction of real estate – like on the Comoro Archipelago – a country in the development of its tourist profile. Many people have money, but we invest at the right time.

Who sits on your asset team and what return on investment (ROI) do you expect?

Al Mulla: We are all hotel specialists and only decide within the team. Specialists in financing, development and construction are within this. In no circumstance should the ROI lie at less than 12 percent.

Do all Katara Hospitality real estate or hotels fulfill such a high ROI requirement?

Al Mulla: No, some hotels from our portfolio may only reach 6 or 7 percent. But their location is excellent and so, we remain in the various destinations on the „map of the travellers' world". Of course, we do, however, conduct a SWOT analysis with these properties. For example, a general manager at a hotel is replaceable, a good host is not. And the bellboy must be able to smile just as friendly as the waiter and the receptionist. It also depends on the „software" in the company. Therefore, we also ask for exactly this at the less profitable hotels – and particularly when we see a gap with another property with a higher RevPar. As a rule, our hotels leverage after five or six years.

How do you select the hotel operators? Only those who are also involved in Katara Hospitality or other Qatari companies?

Al Mulla: Generally, we look at each property as an individual entity having its own particularities and we select the operator based on the hotel's needs and the operator's area of expertise. We invite various suitable global operators to the pitch and the decision is made by a team of experts at Katara Hospitality with the support of studies by third party consultants if required. We usually start with ten year management contracts.

How much revenue comes back from the value of a brand with your international operators?

Al Mulla: 60 percent of the revenue comes together on the basis of a good location – as for example, at the Champs Elysée Paris. The remainder can be traced back to the brand.

Qatar is the richest country in the world and the only one with a positive cash flow. Do you benefit from this through hotel financing or do you simply need no more financing?

Al Mulla: We primarily finance the projects, through banks. And every property goes through nine controlling committees before its approval.

Up to now, the Katara Hospitality portfolio does not yet appear to be very strategic, but rather driven by happenstance. How will you change this?

Al Mulla: Indeed up to now, we have been asset and opportunity driven and we stand only at the beginning of a more clear strategy. By rebranding as Katara Hospitality, we have created a new corporate identity which is relevant to the company's ambitious international expansion plans and heralds a new era of opportunity, in line with Qatar's own tourism development strategy. As we embark on a new wave of strategic expansion, we have seized the opportunity to redefine the brand and set the platform for future growth of not only our rapidly expanding portfolio, but of Qatar's reputation as a key player in the global tourism market. Included within this is the distribution – the reduction – of activities in Qatar and a stronger engagement beyond the country and beyond Arabia. As a national hotel group we must, above all, maintain our own hotels within the country in a good


Raffles Singapore: Landmarks are long term assets.

condition. Therefore, we will completely renovate the Marriott, Sheraton and Ritz-Carlton in Doha soon.

Where did the average room occupancy of the Katara Hospitality hotels lay in 2011, how high was the achieved RevPar in average? And how are these for the entire hotel industry in Qatar?

Al Mulla: Occupancy rates for the first half of 2012 reached 67%, having decreased with 5% as compared to the same period of 2011, while maintaining itself as one of the busiest markets in the region. The drop in occupancy slightly impacted the average room rate, which decreased with only 1.6%, placing Doha as the second highest market in the Middle East.

Another 77 new hotels and 42 apartment hotels should be built in Qatar by 2022, in total, a capacity of 65,000 rooms to be created. Currently there are about 112 hotels and apartment hotels with approximately 19,000 units. How many of them will Katara Hospitality additionally build and operate?

Al Mulla: Currently, Katara Hospitality is actively focusing on strategic international expansion. We feel we should allow local investors to benefit from the raising demand in the hospitality industry generated by the upcoming FIFA events in 2022. However, we are planning two new hotels in Qatar: True „iconic hotels" in the marina and fox hills areas of the newly developing district, Lusail City in Doha (opening in 2016) which will supply more than 1,000 units to the room inventory of the country and various innovative food and beverage concepts will contribute to enhancing the experience of any visitor to Qatar. Additionally the Merwebhotel City Centre Doha (opening in 2013) will be operated by our home grown Merweb brand.

How many hotels will Qatar and Doha still generally need after the FIFA World Cup?

Al Mulla: We perceive 2022 as a deadline for a stage in implementing the Qatar National Vision and not as finality. Qatar is set to diversify its economy beyond the oil and gas industries and hospitality is regarded as part of the infrastructure needed to support the overall development of the country. We believe that the number of hotels available by 2022 will be sufficient to host the influx of tourists coming in for the games, while these properties will continue to provide the hospitality infrastructure required in the future.

With the 12 new football stadiums, it is openly being discussed to develop a portion of them as "mobile stadiums" and "to move" them into other countries. Does Qatar perhaps also plan such "mobile hotels"? Or temporary hotels that are dismantled afterwards? Or properties that one can very quickly convert into offices or residential buildings?

Al Mulla: In 2006, when Qatar hosted the Asian Games, cruise liners were brought in to accommodate the fans during the month of games as building new hotels for just that one off event was not sensible. Currently, Qatar is looking to host many more events ahead of the 2022 World Cup and beyond which would contribute significant growth to the value of the region's tourism coffers.

The annual tourist arrivals into Qatar should increase to 3.7 million by 2022 and with the new Doha International Airport, the Doha port project and metro and railway system, we foresee an optimistic and sustainable outlook for the hospitality industry in Qatar.

As mentioned in the previous answer, we regard the hospitality industry as part of the infrastructure needed to support the country's development. 2022 is a major milestone of the journey. Therefore, we do not feel that „mobile hotels" will be a solution for avoiding oversupply after the 2022 events.

The tourism forecasts for the country are very positive for the coming years without the FIFA World Cup. One assumes a permanent growth. Euromonitor forecasts around 1.6 million visitors by 2014 – in 2009, this was still less than just one million. How will Qatar and those at the head of Katara Hospitality ensure that there will also be sufficient staff in the hotel industry?

Al Mulla: In view of the new development at the moment, many hotel staff members who have worked abroad up to now will come back to us, to Katara Hospitality. Currently, it is difficult to get technically experienced staff members to Qatar. Basically, we stick to the motto, „train & retain, transfer, promote". Of course, we engage personnel advisers and head hunters in the search for staff, but also cooperate with hotel universities like the Ecole Hôtelière Lausanne and others.

I think that Qatar will open their own hotel technical school or university here on a permanent basis – but maybe only after 2022. Until then, we will rather open a training centre. They know that „Education" is a focus of the Qatar Foundation and a personal concern of Her Highness Sheikha Mozah.

How high is the local percentage among the staff members in the hotel industry? And is this industry generally attractive enough to inspire Locals? Will there also be another "local rate" here like in Dubai, for example?

Al Mulla: Katara Hospitality is committed to investing in our indigenous population and

ABOUT KATARA HOSPITALITY

In Qatar, Katara Hospitality currently owns five internationally branded hotels in Qatar: Sharq Village & Spa, The Ritz-Carlton Doha, Sheraton Doha Resort & Convention Hotel, Doha Marriott Hotel and Moevenpick Hotel Doha. Two Merweb branded hotels – the Merwebhotel Central Doha and Merwebhotel Al Sadd Doha – and a third, the Merwebhotel City Centre Doha, which is scheduled to open in 2013, complete the domestic portfolio. In addition, it also owns and manages the Sealine Beach Resort, one of Qatar's favourite vacation spots.
Internationally, Katara Hospitality's portfolio currently includes the Raffles Hotel Singapore, Le Royal Monceau Raffles Paris, Schweizerhof Hotel Bern and Renaissance Sharm El Sheikh Golden View Beach Resort in Egypt.
International properties under development include Buergenstock Resort Lake Lucerne (opening 2014), Royal Savoy Lausanne (opening 2013), Gallia Hotel Milan (opening 2013), The Peninsula Hotel Paris (opening 2013), another five star luxury boutique hotel in Paris (opening 2013), Comoros Beach Resort (opening 2014), Tazi Palace Hotel Tangier (opening 2014).

supporting the aims of the 'Qatarisation' initiative that creates unique employment and career opportunities for Qatari nationals. We are firmly working on ensuring a substantial increase in the percentage of Qatari youth employed within Katara Hospitality and have developed a proactive approach to Qatarisation within our hotels, having signed agreements throughout the past year with The Ministry of Labor and Social Affairs and we also sponsor a minimum of two Qatari high school graduates for a three year university term every year (in Qatar or aboard) resulting in securing employment for the sponsored student.
Personally being at the helm of Katara Hospitality, as a Qatari National and having been with the company for almost 20 years, I believe this alone inspires the Qatari youth and encourages them to tap into the hospitality industry as it develops them by exposure to different cultures and equips them with a career for life that can open doors for them anywhere in the world.

Let's talk about the foreign engagements of Katara Hospitality. Your list of newly purchased real estate and the choice of the locations stretches itself throughout the entire globe. There are many premium names within it …
Al Mulla: Yes, there are several international projects which we have also purchased that will be in place in 2013 and 2014: The Royal Savoy Lausanne will reopen next year; the Gallia Hotel Milan and the Peninsula Paris are further away. Furthermore, there will be an additional 5-star hotel in another Paris location. Then in 2014, the Buergenstock Resort on Lake Lucerne will blossom anew after a 300 million Swiss franc investment (approx. 250 million Euro), followed by 55 million dollars of heavy renovation for the Tazi Palace in Tangier, Morocco.
Moreover, we plan the construction of a new beach resort on the Comoro Archipelago. We are already in due diligence for projects in Gambia and Cairo.

To this day, how much money has Katara Hospitality invested in real estate outside of Qatar?
Al Mulla: In total, this is more than 170 billion Qatar Riyal (approx. 37 billion Euro), as His Excellency Sheikh Nawaf bin Jassim bin Jabor Al Thani also officially confirmed at the „Arabian Travel Market". Qatar is a „cash rich company".

How is Katara Hospitality linked with the Qatari Diar Real Estate Investment Company? Up to now, these were companies that emerged as a buyer of various hotel real estate, e.g., in Switzerland with the purchase of the Buergenstock Resort in Lucerne.
Al Mulla: Both Qatari Diar Real Estate Company and Katara Hospitality are entrusted to support Qatar's growing economy.

» We are setting the course. « Sheikh Al Thani


Sheikh Nawaf Bin Jassem Al Jabor Al Thani

Since 2005, Qatari Diar is focused on the coordination of the country's real estate developments. For more than 40 years, Katara Hospitality has been at the forefront of the hospitality industry of Qatar. As we aspire to become one of the leading hospitality organisations in the world we have acquired hotels initiated by Qatari Diar. 43
The properties acquired by Katara Hospitality from Qatari Diar in 2011 fit our strategies of international expansion. In the future, Qatari Diar's main interest will lay in real estate investments and developments, while Katara Hospitality will focus on hospitality acquisitions and developments.

What do you say to people who have concerns in view of Qatar's expansion and company participation in many industries and companies that the country will gain too much influence through its money?
Al Mulla: In past decades, Arabs have also repeatedly invested abroad – for example, Kuwait. In an earlier time, it was Abu Dhabi instead. It will be Qatar in the future. However, we force no one to work together with us or come to us. We have a vision. And in spite of the latest financial crisis, we still have our head well above the water. That's the beauty.

Many thanks for this conversation!

A photographic art project together with art students gives each new InterCity lobby a local touch, e.g. in Vienna.

25 YEARS INTERCITY: MANAGING DIRECTOR MARUSCZYK ABOUT WAYS & VALUES

A rough diamond, not for sale

Frankfurt/M. Without InterCity Hotels, maybe there would be no Steigenberger Hotels either. The solid 3-star subsidiary is the rough diamond among the jewels of the luxury-oriented hotel company in Frankfurt. „Without the Steigenberger family, there would be no InterCity," says Joachim Marusczyk as he praises the reliable backbone of the past. The 63-year old is not only Managing Director but also the founding Managing Director of InterCity Hotels. It was his idea to establish sophisticated, strategically oriented „station hotels" – this idea was born in a bar in the middle of the eighties. Joachim Marusczyk on the development of the formerly dull „Bundesbahn-Hotels" (hotels of the German Federal Railway) to lifestyle-oriented midscale products, and on the status of InterCity Hotels today.

InterCity has been his life – literally. Nevertheless, Joachim Marusczyk remains modest, even when he takes a trip down memory line. In the Steigenberger Metropolitan Hotel, the neighbouring hotel of the first InterCity Hotel, which opened in 1991 at Frankfurt's central station, he recalls the unique history of the hotels. In the middle of the eighties, Deutsche Bundesbahn (German Federal Railway, today DB) owned about 20 hotels on the premises of railway stations. "They were mockingly called ‚BuBa Hots' and they really looked that way," he says with a chuckle. He presented his idea to the DB President Reiner Gohlke and Hemjoe Klein, Member of the Board responsible for Marketing (he invented the "Bahncard"), and they started working on a concept. In doing so, the InterCity Hotel GmbH was founded. "The name InterCity was already protected by the Railway at that time, as three restaurants with this name already existed," explains Marusczyk.

As at the end of the eighties, the high-speed trains and tracks developed, Railway started thinking globally – and conducted intensive negotiations with chains such as Hilton, Trusthouse Forte and Novotel/Accor. However, the plan for an "InterCity Hotel Hilton" or an "InterCity Hotel Ibis" became impossible "as all the hotel operators wanted to have exclusive contracts," reports Marusczyk retrospectively. Temporarily, there were three InterCity Hotel Ibis in Duisburg, Duesseldorf and Bochum, "but this double branding was unfortunate." However, the decision remained to set the course for InterCity Hotels by themselves.

The takeover by the Steigenberger family

At that time, Hemjoe Klein was friends with Wolfgang Momberger, the son-in-law of Egon and Annemarie Steigenberger, who later fell into disgrace (Momberger developed the budged brands Esprix and Maxx, which only existed for a short time). Momberger convinced the Steigenberger family of the idea of InterCity; the family quarrelled about the sense and purpose, "but Annemarie Steigenberger was in favour of the idea," says Joachim Marusczyk. In this way, the economist and Senior Administrative Officer of the German Federal Railway Joachim Marusczyk became Managing Director of the brand under the management of Steigenberger.

In 1989, Steigenberger participated in the InterCity Hotel GmbH with 49 percent at first and increased its shares to 96 percent in 1994, when the state-owned enterprise was privatized under the name of DB. The last four percent were only taken over in 2001. InterCity was given the green light from the beginning; however, the brand never became as fast as the ICE trains. Why not? "The Steigenberger family has always seen the brand's development on the long term," explains Marusczyk. "From the beginning, we paid attention to profitability; we always financed ourselves with our own funds – without foreign capital." Of course, the expansion could have been faster if the shareholder would have provided start-up financing.

Today, after many years of economic experience and economically turbulent times, he is very sure about one thing: Without such as enduring owner as the Steigenburger family, InterCity Hotels would have been long sold and the rough diamond worn out.

Stability factor and profit earners

Today, the brand has an enormous value and continues to boast an enormous potential. "For 2012, we are expecting a turnover of 90 million Euro," he revealed. Other current figures will be presented at the Steigenberger press conference, which will take place soon. If the shining eyes of Marusczyks are anything to go by, the return on investment (ROI) will probably be in a considerable double-digit range.

"At Steigenberger, InterCity is a stability factor and profits earner today! We profit from the name Steigenberger, and Steigenberger profits from our earning power." And then he uttered the most important sentence: "At the moment, InterCity Hotels is unsalable!" Hamed El Chiaty also acknowledged this; he has been the owner of Steigenberger Hotels AG since 2009.

There have always been purchase requests, among them also many renowned investors and operators. "But I also advocate a long-term strategy," emphasises Marusczyk again. "We obtain a good return on equity and this is worth a mint." 75 percent of the turnover of InterCity Hotels is generated by lodging; breakfast generates 70 to 80 percent of the remaining turnover.

The mission to develop the 3-star brand further still remains. Today, the 100-percent subsidiary of Steigenberger has 33 hotels in Germany and Austria. The next opening wave is planned for 2013: a 168-room hotel in Leipzig, close to the Steigenberger Grand Hotel, located directly at the Troendlinring next to Westin Leipzig; a 412-room flagship at the central station in Berlin (end of 2013); in 2014, the third InterCity in Hamburg is to follow suit– at the Trade Fair at Dammtor station. Just at the end of May, the InterCity Bonn opened with 161 rooms; for the

KEY DATA FOR AN INTERCITY HOTEL

Location: station, airport, traffic hubs

Number of rooms: in average 120-250

Room size: average size of 21 sq.m. +
Restaurants: 1

Bars: 1, part of the restaurant

Conference area: 300 sq.m. +

Business Corner

Contract types: lease, franchise

Contract durations: For lease 20 years plus an option for another two periods of five years each. For franchising 20 years.

Costs per room: 70,000 Euro, including furniture and equipment

The founding managing director: Joachim Marusczyk.

Art in the restaurant of InterCity Hanover.

Rooms of the elder generation,
at the InterCity Frankfurt central station.

The first InterCity hotel opened
1991 at Frankfurt central station.

official anniversary, a new hotel will open in Darmstadt in September.

Location as factor of success

Among others, they are looking into locations in Great Britain, and, together with the Austrian partner Porr Solutions, they are looking for locations in Eastern Europe with a focus on Poland; this cooperation was started in September last year. A dream for the expert of railway hotels Marusczyk would be InterCity Hotels in France and Italy, where many attractive properties are still available at the stations.
Before Marusczyk announces a project officially, it has to be "70 percent sure" for him. The core criteria remained the same, even if an InterCity does not only have to be located at a station today, but can also operate at airports and other traffic hubs. Is he not afraid of fast-expanding chains like IHG, Hilton or Starwood, which are now occupying traffic hubs and penetrating the market with chic midscale-products like Holiday Inn Express, Hampton, Garden Inn or aloft? Joachim Marusczyk remains calm: "We are certainly recognising these new competitors." Depending on the location, Park Inn, Ibis, Motel One or Meininger are even taking away guests. But he still has a trump up his sleeve: "In the end, all that counts is location!" This in mind, Marusczyk, with his past at the railway and his numerous priceless contacts to the world of railway properties, has a clear advantage.

Millions for the first generation

Even without the expansion speed of ICE trains, InterCity enjoys a good image in the industry and among travellers. A plus among guests is the free ticket for the local public transport into the city, already introduced in 1991; this free ticket was part of the concept from the very beginning. "All in all, these free tickets cost us less than one million Euro and it is fantastic marketing," says the Managing Director, still happy about this decision.
However, the looming international competitors have led to a boost at renovations. In the last two years, three and a half million Euro were spent in the face-lifting of individual hotels. By 2015, all hotels of the first generation will be renovated, which means an additional investment of nearly ten million Euro.
The Managing Director of InterCity thinks that the good reputation in the industry is also attributed to the fact that InterCity has been working together with only few partners for years now, and that InterCity has never backed out during a contract. So far, they have only parted from hotels when contracts were expiring. In the middle of May 2012, a contract with InterCity Speyer expired, a former Steigenberger Esprix Hotel. As it is located too far away from the station according to today's strategy, InterCity did not want to operate this hotel any further.
The InterCity Hotel GmbH does not own hotels; only at three objects financed by funds is there a convoluted share. The operating company usually signs lease agreements for the duration of 20 years plus an option for another two periods of five years each.
Little franchising and few partners
InterCity would like to push franchising further, but it sees the adherence to quality standards as a real challenge. The group has participated in franchising only six times so far: Four hotels are operated by the Blodinger family (who successfully established the brand Fleming's Hotels) in Wuppertal, Bremen, Frankfurt and Munich with contract durations of 20 years as a rule. Franchising partner in the fifth franchise hotel in Schwerin is Hotel-Betriebsgesellschaft Grunthalplatz GmbH, in the sixth hotel in Goettingen it is a private owner and franchisee.
The number of development partners also remains within reasonable limits: Among the reliable partners are the Feuring Group (for the hotels in Mainz, Berlin central station, and soon in Duisburg) and the B+L Gruppe (for the hotels Hamburg Central Station, Dresden, Leipzig, Hamburg Dammtor-Messe).
At talks with the banks, Joachim Marusczyk experienced, just like many of his colleagues, that the banks are only interested in security. The hybrid agreements, favoured by InterCity, containing a percentage lease in combination with a lower but guaranteed fix lease, are not always being appreciated.
But in the end, Joachim Marusczyk still contently stirs the spoon in the InterCity coffee cup: "The InterCity Hotels are still located at the best side of the station …" // Maria Puetz-Willems

HYATT PLACE COMES TO EUROPE – WITH REGIONAL ADAPTATIONS

Competition for Garden Inn and Courtyard

Chicago. Following Hilton Garden Inn and Courtyard by Marriott, the Hyatt Hotels Corporation will also come to continental Europe next year with its American mid-scale brand, Hyatt Place. There are already more than 163 properties of this brand in the USA with more than 20,000 rooms – thanks to the takeover of the former AmeriSuites. Meanwhile, the jump over the pond will consider regional peculiarities, announced Gary Dollens, global head of franchise and select brands, in a conversation with hospitalityInside.com.

The first "Select Service Property" Hyatt Place will emerge in Amsterdam. At the end of 2012, at the latest in the middle of 2013, the Hyatt Place will open in Amsterdam and with this, establish the gate to continental Europe. At the same time, the Hyatt Corporation also wishes to speed up the expansion in Asia. But for North America, Europe and Asia, the concepts should be adapted in the details.

The development of the today's Hyatt Place brand began in January, 2005 with the takeover of 146 AmeriSuites that Hyatt renamed half a year later as Hyatt Place. At the same time, they began to newly design the hotel type and positioning so that it fit under the quality roof of the parent company. Today, the American Hyatt Place Hotels are the absolute top and would have to avoid no comparison with newly emerging sister hotels in Europe or Asia, says Gary Dollens.

"The look & feel will be same everywhere." There will not be a quality jump between the existing and new properties – the guest will not be disappointed by the brand. In comparison: As reported, Marriott is currently directing a new European Courtyard prototype, but is not, however, pushing for the upgrading or adaptation of its older properties.

Hyatt Place Hotels can be new buildings or conversions, but the external appearance will not be subjected to standardisation: Virtually everything is permitted from a Mediterranean style up to brick buildings. A new building should originate on a property on 7,000 square metres of gross floor space and in the best case, with the help of local developers. As a rule, the hotel size will range between 125 and 200 rooms. However, in Amsterdam, the opening will be with 330 rooms; they have gotten together there with the Dutch real estate developer, Hillgate Properties (www.hillgate.nl).

They want to set up in Europe in the big cities with high travel volumes in or near large traffic interchanges (airports, railway stations). The room size is adapted on the regional level: In the USA, the rooms measure 30 to 34 square metres and in Europe, these will be 25 to 30 square metres and the largest rooms will be in Asia.

Another differentiation arises in the F&B concept: The self-service restaurant in the USA gives way in Europe to a more generous,

In the U.S., 163 Hyatt Place are already in operation.

"but still compact" restaurant area with Starbucks Café and wine specialities under the name "The Gallery". There will even be a "private dining room" in the European Hyatt Place. In comparison, a substantially greater F&B zone will turn out in India.

Worldwide, the similar "Guest Kitchen" will remain in the lobby – a sort of drop-in centre for all culinary cravings. There, the guest can shop for or order small, freshly prepared snacks, salads or soups. They receive the daily continental breakfast there free of charge. If they wish for more, they can select from a choice of egg dishes from a touch screen in the morning – and pay each time with their room key. They can buy coffee or tea in the integrated "Bakery Café" that will also be in every Hyatt Place lobby.

Essentially, the guest can receive round-the-clock smaller dishes and drinks – machine ordered and freshly prepared and delivered to the table from the "Galery Host." Basically, room service is not offered; there is an empty mini-fridge in the room for this.

Personnel costs saved with "Galery Host" 47

In spite of different sizes, the guests in every Hyatt Place room will find a bath with shower and WC. In the room itself, there is a 42-inch flat screen (HDTV) standard – with connections for laptops and MP3 players as well as beds in king size or as a double-double and of course, a work area.

As with most Select or Limited Service concepts, there will also be only one small cardio-fitness centre at Hyatt Place ("Stay Fit"), but no spa – and analogously in addition, no conference areas, but only one smaller meeting space (if necessary, also several). A business centre is hidden behind the "eRoom" that conforms to the respective size of the hotel. As with the public areas, the (protected) high speed Internet access in the room is included in the price.

These compact concepts primarily help Hyatt save on personnel costs: 30 staff members can look after a 125 to 145 room-large Place, reckons Gary Dollens. In Europe, the staff member to room ratio may lie a little higher due to the more vast F&B offers. However, the "Galery Host" mentioned above will serve not only the breakfast, coffee or wine and bring it to the table, but also check-in guests. // map

DERAG AND LIVING HOTELS ON SERVICED APARTMENTS, HOTELS AND MARKETING

It's all in the mix

Munich. For some time now, serviced apartments have been identified as promising niche products by numerous investors and project developers. International chains like Ascott/Citadines, Accor/Adagio, Frasers or Adina/Medina are pushing their global expansions. However, the largest German provider, Derag Livinghotels from Munich, is growing only slowly. Since its start in 1982, Derag's portfolio today only comprises 14 aparthotels with about 2,600 rooms at locations like Berlin, Duesseldorf, Frankfurt, Munich and Vienna; three more hotels in Munich, Duesseldorf and Frankfurt are currently planned. Managing partner Professor Dr. Max M. Schlereth continues to place his bets on a manageable expansion on the well-established 70:30 mixture of serviced apartments and hotel rooms in a building. Two years ago, he founded The Living Hotels as well, the first booking platform focussed on serviced apartments. A background interview on the special segment, marketing and economic expectations.

Derag City Apartment Vienna – the only hotel which is currently not owned by Derag.

In an aparthotel, the number of hotel rooms should not exceed 40 percent, otherwise the cost structures will change," states Max Schlereth as he introduced his economic reflections. Today, the 40-year old, who has a professorship in business management from the University of Applied Sciences in St. Poelten, Austria, manages the business his father Max, an engineer, established. From the start, the apartment business has been the focus, and only two of today's 14 properties have more rooms than apartments – in the Derag Hotel Grosser Kurfuerst in Berlin, and in the Hotel Koenigin Luise in Munich (www.deraghotels.de).

Apparently, the Derag business is a healthy business. According to Schlereth, the average stay in the serviced apartments is 20 nights, but in the hotel rooms only two nights. This reduces the overall average of total overnight stays for both occupancy types to four nights. "Through more hotel rooms, we could certainly obtain a higher average rate, but then we will be changing the model," says Schlereth, "however, a stable turnover is more important for me." Derag Group is investor and operator at the same time. All hotels are actually owned by them except for the Derag Livinghotel City Apartments in Vienna. Generally, the parent company has lease agreements with the individual operating companies. "We do not have any financing problems with the banks," emphasises the managing director, who normally is very reluctant about figures and reveals that Derag's return on investment (ROI) is "respectably high" – definitely above seven percent.

Cost reduction is „natural"

At the moment, classical hotels have difficulties obtaining classical bank financing; however, it seems to be less problematic with serviced apartments. According to Schlereth, one reason is the easy usability by third parties, which is possible with this type of accommodation (e.g. re-structuring to an office); but the main reason is the operative cost reduction. Compared to a hotel, the largest saving effect compared to hotels is achieved through reduced process

costs: Check-in and administration are less expensive; housekeeping/cleaning can be outsourced. All this contributes to the reduction of staff costs and therefore enables a lesser break even concerning occupancy. In addition, the manager is concerned about the financing of hotels: In his opinion, today's more frequent financing by institutional providers leads to a clash of interests with the hotel industry. "Funds, for example, aim at profit maximisation; operators work in a turnover-oriented manner. The funds investors have no idea about the hotel business, but they have to supply fresh money, if necessary. This means that capital is misdirected because of misinformation."
However, he basically regards the new interests of institutional as well as private investors of all kinds in the segment of serviced apartments as something positive: "Everyone is in a kind of discovery state."

High occupancy rates

Derag Living Hotels increased the average occupancy of its hotels from 67.5% in 2009 to 70.2% in 2010 and 71.8% in 2011. Schlereth does not reveal any RevPar. The "Treugast Investment Ranking" 2011 ranks Derag Hotel and Living (including all subsidiaries) with "A", indicating a potential upgrade in the 2012 ranking. According to Treugast, the group generated a revenue of 37.87 million Euro with 10 properties in 2010, average occupancy was 70.2%, ADR at 64.45 Euro, RevPar at 45.24 Euro.
In the majority of the aparthotels, age-related renovations have to be carried out. In some hotels, the entire value-added-tax reduction has been completely re-invested. Every hotel will be renovated floor by floor, and in the newer hotels will obtain a more modern design, without the look of a "design hotel". Max Schlereth regards the construction of the first "zero-energy hotel" as economically conceivable success; the hotel opened in Munich in September 2011. At the end of this year, he will be able to present the first concrete comparative figures between classical and alternative constructions. Because of the combination of hotel rooms and serviced apartments, Derag started to think about a special booking engine for the special product of apartments. At the end of 2010, "The Living Hotels" was launched in cooperation with Trust International (www.living-hotels.com). This is not only a booking platform but also an active sales and marketing support for member hotels – from corporate agreements for global business customers over cross-selling between partner hotels to trade show appearances. Today, the online distribution channels include all the important online travel agencies (Expedia, hotel.de, etc.) and the GDS linked to 650,000 travel agencies.
In contrast to other hotel booking systems that also market serviced apartments, the CRS of Living Hotels states both room types – scaled from cheaper rates (= serviced apartments) to more expensive rates (= hotel rooms). In addition, both segments can be opened and closed separately. "In this way, apartments can continue to be sold even if a hotel night is booked out in the requested time period," says Nicole Scholz, Director of Operations and Business Development The Living Hotels, describing the advantage.

Professor Dr. Max M. Schlereth and Nicole Scholz.

Subtleties of online displays

Unlike hotel rooms, the rates of serviced apartments are not only displayed according to the seasons but also in dependency to the duration of the stay (the longer the stay, the cheaper the apartment rate per night). However, this is also visible in the hotel booking systems of chains like Accor or Marriott, for example.
With most providers, the rate split is nearly the same: from the third or fourth night on, the guest is most often categorised as a long-term guest and obtains the cheaper rate. After that, there are various rate graduations, depending on the duration of the stay – up to the 29th or 30th day. Here, the online bookability in a hotel reservation system normally ends. At The Living Hotels this is different: The system enables "endless" bookings but Nicole Scholz admits that there are special rates being negotiated for months-long stays. Accor has also realised this gap. Vangelis Porikis, Director Marketing and Sales for Accor in Paris, announced: "At the end of May/the beginning of June, we will introduce a new booking engine for one to three months – with a new technology where availability and rates can be recalled for up to three months."
The Living Hotels as specialist wants even more: "Currently, we are working on apartment rates especially for companies without them having to obtain a new rate code," announces Nicole Scholz. In two weeks, however, the new and refined booking engine of Trust will go online first.

Increase in sales by The Living Hotels

The Living Hotels is an independent subsidiary of Derag. Derag is "only" a customer of Living Hotels, as Nicole Scholz emphasises. Derag manager Max Schlereth is convinced of the independent booking system. Via Living's distribution channels, his hotels were able to double their turnovers from 2010 to 2011. Living Hotels reports that it was able to increase all bookings by 85 percent and all generated turnovers by 84 percent in the first four months of 2012 (compared to the first four months in 2011). The number of overnight-stays even increased by 96 percent, according to Living.
Agreements concerning sales, marketing and distribution cooperation are normally valid for two years. The one-off admission fee amounts to 1,500 euros, the monthly membership fee 500 euros. In addition, there are the reservation fees and requested services – such as the connection of the aparthotels to Google. "This is a unique service we are able to provide, thanks to Trust," says Nicole Scholz.
Apart from the 14 Derag hotels, seven additional hotels are participating in the sales and booking platform, among them now the Amadeo Hotel Schaffenrath in Salzburg with 76 rooms and apartments, the Dolder Waldhaus with 100 rooms and apartments, and the Derag Livinghotel Duesseldorf. // Maria Puetz-Willems

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