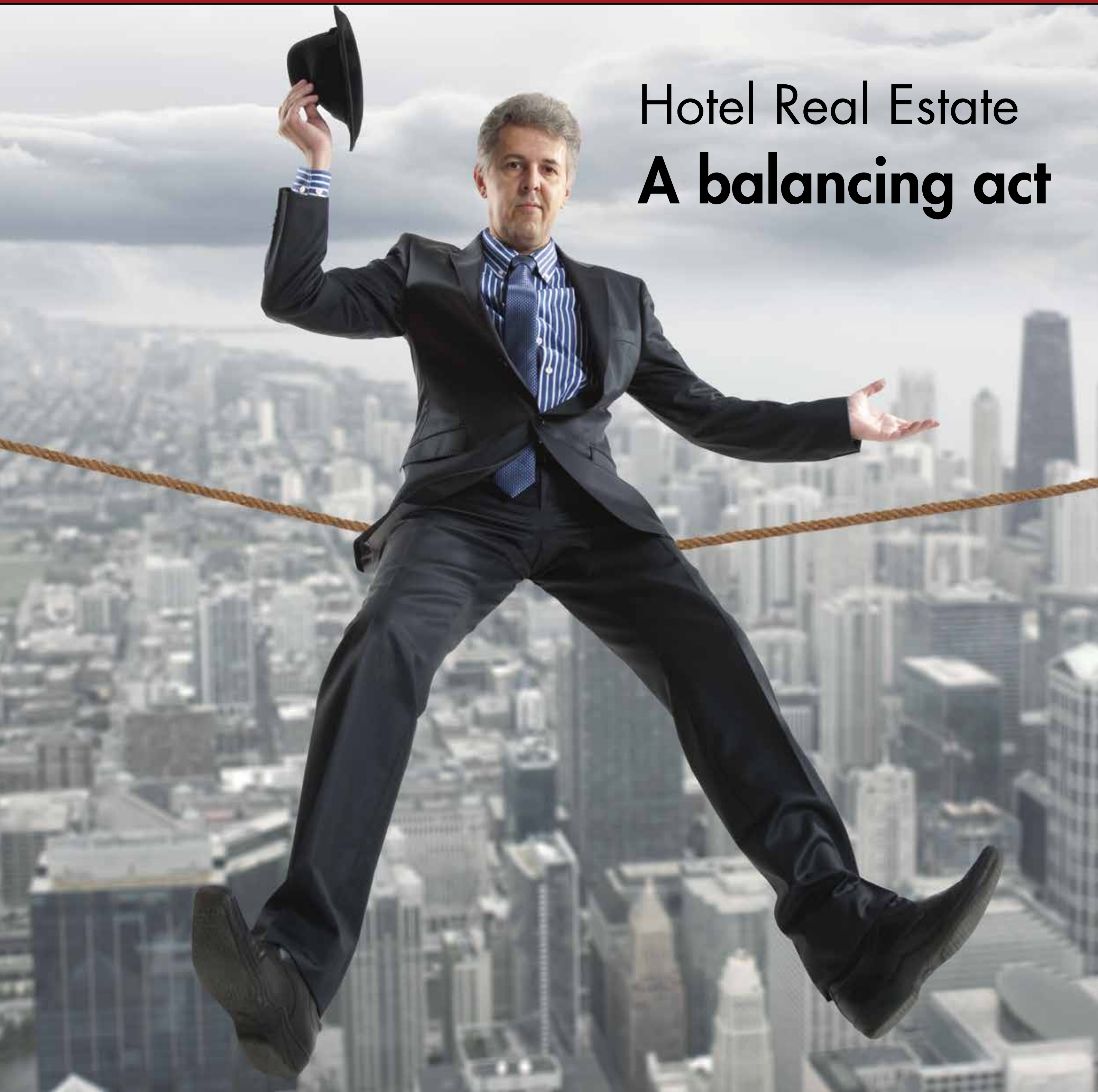
hospitality INSIDE SPECIAL

OCTOBER 2014 // EXPO REAL EDITION FOR HOSPITALITY & REAL ESTATE EXPERTS



Hotel Real Estate

A balancing act

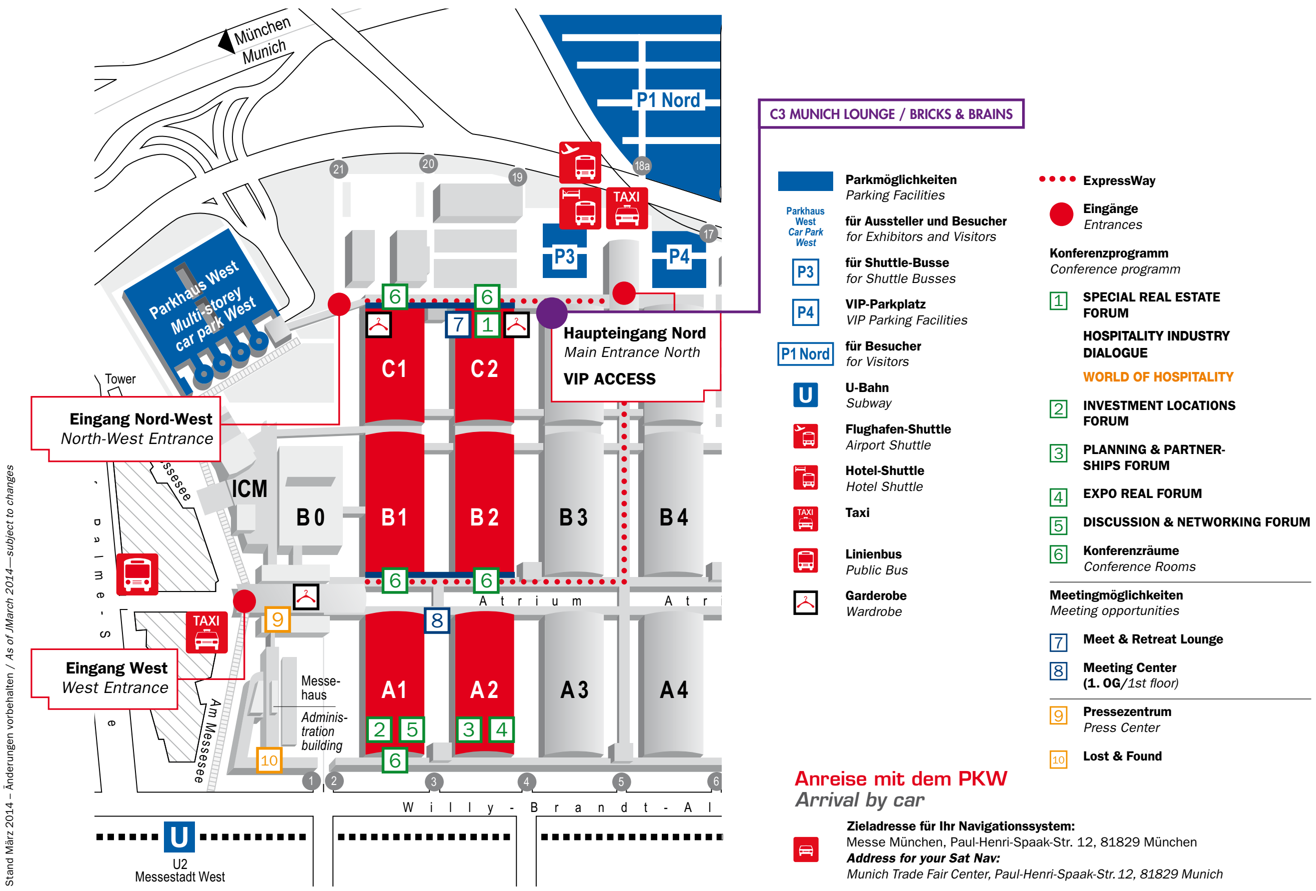
Messe München International

EXPO REAL 2014

www.exporeal.net

17. Internationale Fachmesse für Immobilien und Investitionen
6.–8. Oktober 2014, Montag–Mittwoch • Messe München

17th International Trade Fair for Property and Investment
October 6–8, 2014, Monday–Wednesday • Messe München



Hospitality related exhibitors of the HospitalityInside network:

CBRE	A1.210	Union Investment	B2.142
Deutsche Hypothekenbank	B1.344	Motel One Group	C2.010

"World of Hospitality" – HospitalityInside joint stand C2.230

Accor Hospitality Germany
Azimut Hotels Company
bbg-Consulting
Carlson Rezidor Hotel Group
Choice Hotels Europe
Christie + Co
Derag Livinghotels
Drees & Sommer
Falkensteiner Hotels & Residences
Hotour Hotel Consulting
Horwath HTL
Hyatt Hotels Corporation
InterContinental Hotels Group
Jung & Schleicher Rechtsanwaelte
Kempinski Hotels
Letomotel
LFPI Hotels
prizeotel
Treugast Solutions Group
Wyndham Hotels Worldwide

Dear hospitalityInsiders and guests of EXPO REAL 2014!

The hospitality industry likewise has an even stronger air of speed and power than in the previous year – and at the same time, this gives rise to the uncomfortably close and tricky question regarding the next recession. No one is wishing for it, but some are looking sceptically at the super-mood within the market. Investors as well as banks are becoming bolder, the hotel transactions are advancing strongly and additional mega top deals are supposedly still hovering in the air … Will the real estate and investment industry and thus also the hotel industry need to perform their next tightrope act?

Hotel special real estate has stood firmly throughout the previous crisis years in comparison to other asset classes – and has even rendered improved yields! As a result, it is now equally resonating in the cyclic thinking of the real estate and investment professionals.

The hotel industry possesses transparency, but this is long yet to be discovered by every investor and financier. For this reason and among other items, today's fifth hospitalityInside SPECIAL EXPO REAL will present selected articles from the online professional magazine www.hospitalityInside.com describing the concepts, trends and markets – and hopefully also stir the curiosity of those new to the industry. The subjects are as colourful as the industry itself and the players are as multi-faceted as the 4th "World of Hospitality" joint stand in Hall C2 / 230.

This initiative by our publishing company has developed into a magnet for hotel professionals from both operations and real estate. With 20 co-exhibitors, the stand has clearly grown once again and will present itself as a block stand for the first time. Within the stand, the names of the global chains, international hotel consulting companies and brokers, hotel newcomers and established project developers read like an extract from the industry's "Who is Who". You can see the profiles of each of co-exhibitors within these pages!

The hotel segment at the leading real estate and investment trade in Europe continues to grow and with this, so does the attraction to the "Hospitality Industry Dialogue" hotel conference at which we will once again welcome 28 international experts this year!

The exchange will continue further within a small circle: 140 personally invited top executives from hotel, real estate and investment & financial industries will meet on Monday evening at the 6th "BRICKS & BRAINS" networking event.

This bilingual hospitalityInside SPECIAL EXPO REAL can be found everywhere, at the joint stand, within the conference and at the Get-Together. It is the only pure hotel medium that is solely provided for these three days. More than 3,000 copies will be distributed this year and among other locations, will include approximately 50 Munich hotels from partner companies.

Thanks for these informative pages are to be given to the advertisers of this SPECIAL! We have pooled all names in the Imprint. And also at this point, we would like to warmly thank each of our business partners! Their combined appearance at the trade show will once again move the entire hospitality industry into a positive spotlight!

The hospitalityInside team wishes each of you a successful EXPO REAL 2014!

Yours,
Maria Puetz-Willems
Editor in Chief
hospitalityInside.com

CONTENT

IMPRINT

Publisher: HospitalityInside GmbH, Paul-Lincke-Strasse 20, 86199 Augsburg, Germany, www.hospitalityInside.com // **Editorial office:** Maria Puetz-Willems, Editor in Chief, hospitalityInside.com // **Articles:** The articles published in this Special are written on the occasion of EXPO REAL 2014 or are extracts of articles published in the online magazine www.hospitalityInside.com // **Authors:** Beatrix Boutonnet, Sarah Douag, Macy Marvel, Maria Puetz-Willems, Susanne Stauss, Birgitt Wuest // **Cover:** Andrey Burmakin-Fotolia.com // Photos were kindly provided by the companies and persons mentioned // Other photos by Maria Puetz-Willems, H. Weber (Adagio Berlin); Leipzig Tourismus (Leipzig Konferenzzentrum); Seele (InterContinental Davos); VisitBrussels E Danhier (Grand Place), MRBC MBHG Marcel Vanhulst (Brussels Cafe); Filip Dujardin und Bram Goots (Square Meeting Centre) // **Advertisements:** This Special is kindly supported by arcona Living, Christie + Co, Deutsche Hypothekenbank, hcb hospitality competence, Hotour Hotel Consulting, Messe Muenchen, Motel One, Union Investment // **Layout:** Cornelia Anders, www.blueorangeblue.de // **Print:** Silber Druck, www.silberdruck.de // **Printed:** 3,100 //

PARTNERS AND SPONSORS 2014

Partners of the joint stand „World of Hospitality" (in alphabetical order): Accor Hospitality, Azimut Hotels Company, bbg-Consulting, Carlson Rezidor Hotel Group, Christie + Co, Choice Hotels Europe, Derag Livinghotels, Drees & Sommer, Falkensteiner Hotels & Residences, Hotour Hotel Consulting, Horwath HTL, Hyatt Hotels Corporation, InterContinental Hotels Group, Letomotel, Jung & Schleicher Rechtsanwaelte, Kempinski Hotels, LFPI Hotels, prizeotel, Treugast Solutions Group, Wyndham Hotels Worldwide.

Partners of the networking event „BRICKS & BRAINS": Arabella Hospitality, bbg-Consulting, CBRE Hotels, Choice Hotels Europe, Kempinski Hotels.

EXPO REAL EXHIBITION DIRECTOR CLAUDIA BOYMANNS ON THE 2014 TRADE SHOW NEWS

Match up!

Munich (October 6, 2014). The real estate and investment community should grow even closer together. This is why the new "MatchUp!" system, a participant data bank for easily arranging appointments, belongs among what's new at this year's Expo Real. Conference topics extending outside the realm of the hospitality industry will presumably take hold of the many discussions that will develop at the stands and in the halls. The joint stands are growing and now even past geographic borders. "World of Hospitality", the joint stand of the hotel industry, will present itself this year as a free-standing trade show stand for the first time and will stir up even more attention. Claudia Boymanns, Exhibition Director of the Expo Real, on what's new in 2014.

Europe's leading real estate and investment trade show will occupy the same amount of hall floor space as in previous years for its 17th appearance, Claudia Boymanns underlines. This is six trade show halls with approximately 64,000 square metres. At nearly 1,700, the number of exhibitors is in line with the previous year.
"In terms of visitors and participants, it has been demonstrated that the trade show is relatively stable. In this, we welcome around 36,000 participants every year and I believe that it will also be at this level once again this year …"
There will once again be excellent conditions for interesting meetings, talks and new business. Off-set from the activity at the stands, an extensive conference programme will once again accompany the trade show. Around 400 expert speakers will appear between Monday and Wednesday. Each will heighten the communication.
"However, the greatest milestone of this year is our new MatchUp! participant data base. It was a big challenge to take it live and bring it online in the middle of July," the Exhibition Director additionally says. MatchUp! concerns an improved data base for exhibitors, visitors and media. The goal is to ensure that the right partners meet within a closed community. Thus, the trade show also wants to avoid executives being overrun by sales persons.
"We have requested targeted profiles of our participants in order that we know why they are attending Expo Real, what they are looking for and what they themselves can offer. The system then makes proposals as to who they can meet or help in identifying the right contacts in advance."
A short film, tutorials and Frequent Asked Questions (FAQs) offer support – and in emergencies, there is a personal hotline. With this and for the first time, the participants are able to make contact with each other before Expo Real. Allowing this system to run year-round is also planned.
As mentioned, the conferences during the trade show will lead to a heightened com-

munication. Likewise for the first time, Expo Real has developed a special focus here: It is seeking to further expand the role of the trade show as a trendsetter and source of inspiration. On Wednesday, the emphasis on questions directly regarding commercial real estate will not be so strong, but will rather turn toward the topics surrounding the periphery of the branch that also come to mind, but nevertheless have an impact on commercial real estate.
Therefore, the conference at Wednesday's "Expo Real Forum" stands under the title "Masterminds". A core topic will be Social Networks. Collin Croome, owner of the Munich agency, coma2 e-branding, will provide interesting insights here. Moreover, Futurologist Klaus Burmeister, Founder and Managing Director of Z_punkt The Foresight Company from Cologne, will describe how our world of tomorrow will influence our actions and work as well as our standard of living and lifestyle. The Professor of Sociology at the Ludwig Maximilian University Munich, Prof. Dr. Armin Nassehi, will provide information regarding how we handle ourselves influences our own actions and lives.
Moreover, for the first time, the trade show has developed discussions for the target group "Regions and Cities" at Monday's "Planning & Partnerships Forum". Considering that the competition amongst the cities is becoming increasingly more intense in Europe and within Germany, the experts will have an opportunity to speak here on their "Best Practises". From the commercial real estate point of view, there will be a discussion at the immediate outset of the trade show at the "Expo Real Forum" on Monday regarding a turnaround in interest rates – and when this is expected. This topic hangs in close connection with the question as to whether the industry has created a turnaround since 2008.

Hospitality topics as a mirror

The "Hospitality Industry Dialogue" (HID) will also pick up the last topic: During the hotel conference on Monday and in the "Special Real Estate Forum", an international expert – Russell Kett, Chairman of the HVS London consulting company – will take up the question of whether one must expect another crash following the developments from 2007 to 2014. Afterward, 28 experts from Hotel Operations, Development and Financing will discuss, among other topics, Europe, Assets, Brands and Apartments during the first trade show day (You can find the detailed programme on Page 10 of this SPECIAL).
"When I look at where our exhibitors are coming from this year and which target regions they represent, I would say that things are going really well in Europe, particularly northern, western and central Europe," Claudia Boymanns picks up on the keyword, Europe. "We can see a slight trend of recovery in southern Europe. More exhibitors from Italy are coming to Expo Real, e.g., these are also the companies


Claudia Boymanns, Exhibition Director EXPO REAL

that have adapted themselves to the changed structures and are also bringing products that are interesting to international investors. There is a great deal going on. And so, the city of Lisbon will be presenting itself at Expo Real for the first time. This is also a signal."
There is a session during the Hotel Conference called "Europe fresh in focus" that is also about the various markets in established Europe and in the emerging markets. As a mirror of the overall economic and social development, the hotel industry can demonstrate the parallels and industry-specific features through the many topics that will arise during the trade show.
"The hotel as a special real estate has happily distinguished itself at the Expo Real as an Asset Class and is gaining in visibility," the Expo Real Chief is pleased with the new exhibitors from the industry as well as the international range of this industry that is quite visible alone at the "World of Hospitality" joint stand. 20 Co-exhibitors, including many global chains, will make themselves available here to answer visitors' questions (the individual exhibitors are introduced on Page 12 of this SPECIAL).
Expo Real will once again welcome and support the "BRICKS & BRAINS" networking event that the Augsburg publishing company, HospitalityInside, is initiating this year and for the 6th time that has developed into a top-notch platform for decision-makers from Hotel Operations and Real Estate as well as from Investment and Finance. Its discreet "by invitation only" design contributes to the successful concepts of this event (Additional details on this are on Page 20 of this SPECIAL).

Cities and topics overcome borders

Alongside the hospitality industry, the Logistics and Retail sectors are increasingly gaining in presence. The partners in logistics will also come together in a joint stand in addition to 30 companies that will also present themselves as individual exhibitors. And on Tuesday, there will be several discussions under the motto "Let's talk logistics" within the Expo Real conference programme.
The growth within the Retail sector hangs in close connection with the fact that the area of Online Commerce is continually growing stronger. This has, among other things, influence on developments in the city centres and on the commercial structures within those cities. "What we will also take up and promote even more strongly is the topic of health-related real estate," Claudia Boymanns explains further. "It is growing in significance". It is not only hospitals and seniors' apartments that lie behind this form of real estate, but also nursing care facilities.
Cities from Great Britain will present themselves at Expo Real for the first time. Another additionally interesting initiative is that the city of Lyon will unite with its Birmingham and Gothenburg partners for the first time. With this, the three cities of similar size that are also international competitors will stand together and present themselves in a joint stand for the first time under the title, "European Leading Cities".
"This already shows that real estate trade shows also lend toward growing together," the Expo Real Exhibition Director sums up before the trade show. // map

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 (47 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

EXPO REAL, the 17th International Trade Fair for Commercial Property and Investment, is being held at the Messe Muenchen exhibition center from October 6 to 8, 2014. It is a key networking event for interdisciplinary and international projects, investment and finance. EXPO REAL caters to the full spectrum of the property sector, offering an international networking platform for the important markets of Europe, through to Russia, the Middle East and the US. The show's extensive conference program, featuring some 400 speakers, gives participants valuable insight into the latest trends and innovations in the property, investment and finance market. Out of the total of 36,000 participants in 2013, 18,600 were trade visitors (2012: 18,911) and 17,400 were representatives from the exhibiting companies (2012: 17,238). The top ten among the 68 countries of origin among the visitors were, after Germany, and in this order: Great Britain, the Netherlands, Austria, Switzerland, France, Russia, Poland, the Czech Republic, the US and Luxembourg.

Messe München International

Messe Muenchen International is one of the world's leading trade show companies. At the Munich location alone, it organizes around 40 trade shows for capital and consumer goods, and key high-tech industries. Each year over 30,000 exhibitors and around two million visitors take part in the events at the Messe Muenchen exhibition center, the ICM – International Congress Center Munich and the MOC Veranstaltungscenter Muenchen (event center Munich). The leading international trade fairs of Messe Muenchen International are all FKM-certified, i.e. exhibitor and visitor numbers and the figures for exhibition space are collected in line with agreed standards and independently audited on behalf of the FKM (Gesellschaft zur Freiwilligen Kontrolle von Messe- und Ausstellungszahlen), a society for the voluntary monitoring of fair and exhibition statistics. In addition, Messe Muenchen International organizes trade shows in Asia, Russia, the Middle East and South Africa.


HOETL
★★★

THE CONFERENCE PROGRAMME

EUROPE, ASSETS, BRANDS, APARTMENTS: THE HOSPITALITY INDUSTRY DIALOGUE

Hot Deals, Hot Topics

Munich (October 6, 2014). The hospitality industry is pulsating and is likewise so from the current real estate and investment points of view. The asset class hotel is gaining renewed momentum in Europe, particularly with projects in the so-called "safe heaven" and with powerful foreign investors. In turn, this is once again placing pressure on, e.g., location scouts and prices and the overall development is reminiscent of the mood before the Lehman crash. The topics of this year's "Hospitality Industry Dialogue", when 28 experts from hotel operations, development and finance will once again take the stage at the "Special Real Estate" Forum on the first Expo Real 2014 conference day, are accordingly "hot". From 10:30 to 18:00 o'clock on Monday, October 6, 2014.

10.30-10.50 h

Keynote: Hot deals in 2014 = 2007 reloaded? Is the sector heading toward a new crash soon?
Russell Kett, Chairman, HVS London

11.00-11.50 h

Europe fresh in focus: Finance and market peculiarities. How the old continent is standing up to emerging markets and established markets alike.
Moderation: Olivia Kaussen, Head of CBRE Hotels Germany and CEE
Participants:
Guy Pasley-Tyler, Senior Director Feasbility und Portfolio Strategy, Host Hotels
Dr Franz Jurkowitsch, Chairman of the Management Board, Warimpex Finanz- und Beteiligungs AG
Michał Popiołek, Head of Structured and Mezzanine Finance, mBank
Walter C. Neumann, Chief Executive Officer, Azimut Hotels
Frederique Raveau, Vice President Business Development, Ascott Int. Management Europe

12.00-12.50 h

CEO-Panel: IPOs, Deals, Assets – What road makes sense? CEOs from Accor and Carlson Rezidor on changing strategies and the market.
Moderation: Maria Puetz-Willems, Editor in Chief, hospitalityInside.com
Participants:
Sébastien Bazin, Chairman & Chief Executive Officer, Accor S.A.
Wolfgang M. Neumann, President & Chief Executive Officer, Carlson Rezidor Hotel Group

13.00-14.00 h BREAK

14.00-14.50 h

Development under pressure: The hunt for the right location and the right concept hots up. What location, sites and concepts will still pay off in future?
Moderation: Markus Beike, Managing Director, Christie + Co Germany
Participants:
Christian Giraud, Vice President Development Central Europe, Accor Hotellerie Deutschland
Martin Bowen, Asc Vice President Development, InterContinental Hotels Group
Manfred Friedrich, Managing Director, Success Hotel Management
Karl Badstuber, Senior Hotel Specialist, AXA Real Estate Investment Managers UK
Dr Rudolf Grossmayer, Managing Director of Subsidiary Companies, UBM Realitaetenentwicklung

15.00-15.20 h

FLASH: What indicators can warn investors away from the wrong operator?
Moderation: Prof. Dr. Christian Buer, Expert for Hotel und Tourism, University of Applied Sciences, Heilbronn
Participants:
Prof. Stephan Gerhard, Chief Executive Officer, Treugast Solutions
Dirk Schuldes, Head of CRM Managementimmobilien, Hypothekenbank Frankfurt

15.30-15.50 h

FLASH: Small price, good value – How much more quality can budget provide?
Moderation:
Prof. Dr. Christian Buer, Expert for Hotel and Tourism, University of Applied Sciences, Heilbronn
Participants:
Mark Thompson, Managing Director, B&B Hotels Germany
Marco Nussbaum, Co-Founder and Managing Director, prizeotel

16.00-16.50 h

Trapped in the brand supermarket. What, if anything, sets the chains apart? What do consortia or white labels offer?
Moderation: Tina Froboese, Managing Partner, bbg Consulting
Participants:
Markus Semer, Member of the Management Board & Chief Group Development & Corporate Affairs Officer, Kempinski Hotels
Georg Schlegel, External Management Consultant to Choice Hotels International
Geoff Andrew, Chief Operating Officer, Worldhotels
Simon Allison, Chairman, Hoftel
Ernst J. Hackmann, Associate Director, Deutsche Pfandbriefbank AG

17.00-17.50 h

Apartment Hotels – the new stars in the hospitality sky? First definitions, standards and statements from the big providers on the German market.
Presentation: Anett Gregorius, Managing Director, Boardinghouse Consulting & Prof. Dr. Max Schlereth, Chairman, Derag Deutsche Realbesitz AG+Co. KG
Supported by Accor/Adagio, Adina, Ascott, Derag Livinghotels, Marriott Hotels.

PORTRAITS PANELISTS


Simon Allison


Karl J. Badstuber


Sébastien Bazin


Dr. Franz Jurkowitsch


Walter C. Neumann


Wolfgang M. Neumann

Simon Allison is the founding chairman of HOFTEL, which has grown into the leading global association for hotel real estate investors spanning different operators. He has widespread hotel industry experience, having been Chief Development Officer at Onyx Hospitality in Thailand and, prior to that, Chief Financial Officer of both luxury operator Six Senses and of hotel ownership company Hospitality Europe.

Karl J. Badstuber joined AXA Real Estate in June 2013 as Senior Hotel Specialist focusing on Asset Management and Transactions. Before, Karl was Vice President Hotels at Morgan Stanley Real Estate overseeing the European hotel portfolio. Previously, he was Managing Director of Hotel Operations at Grand City Hotels & Resorts, which at the time managed and operated over 40 hotels.

Sébastien Bazin joined Colony Capital 1997 to install and develop the European branch of the private investment firm. Within 15 years, he managed and participated in a number of investments in the hotel sector, including the buyout of the luxury hotel chains Fairmont and Raffles. He is member of Accor's board since 2005, he was appointed as Chairman and Chief Executive Officer of the group in August 2013.

Dr. Franz Jurkowitsch is chairman, co-founder and co-owner of Warimpex Finanz- und Beteiligungs AG Vienna. He has worked in real estate development and investment business in Hungary, the Czech Republic, Poland, Germany, France, Romania and Russia since 1985. He is chairman of the Supervisory Board of Vienna International Hotelmanagement AG and chairman of the Supervisory Board of Sigmund-Freud-Privatstiftung.

Walter C. Neumann has almost 30 years of experience in the hospitality industry in Russia and Europe. He joined Azimut Hotels from Rocco Forte Hotels where he was General Director for the Rocco Forte Hotel Astoria and Angleterre Hotel in St. Petersburg. Prior to that, he worked with the Grand Hotel Europe; for 13 years he had several senior management positions in Germany, with Lindner Hotels, the ArabellaSheraton Group, and as Managing Director of Travel Charme Hotels & Resorts.

Wolfgang M. Neumann is President & Chief Executive Officer of The Rezidor Hotel Group featuring a portfolio of 480+ hotels in operation and under development in 70 countries across EMEA. He spent more than 20 years with Hilton International – building his career from General Manager positions at Hilton hotels in Brussels, London, Paris and Frankfurt to Vice President Western & Northern Europe, Senior Vice President Scandic/Nordic Region, President UK & Ireland, and President, Hilton Europe & Africa. Prior to Rezidor, he was Chief Executive Officer of Arabella Hospitality member oft he adivsory board of Schoerghuber Group Munich.

THE 21 PARTNERS OF THE „WORLD OF HOSPITALITY“ 2014

Who is Who?

THE 21 PARTNERS OF THE JOINT STAND „WORLD OF HOSPITALITY" 2014 INTRODUCE THEMSELVES:

ACCOR
Open New Frontiers in Hospitality

ACCOR, the world's leading hotel operator, offers its guests and partners the dual expertise of a hotel operator and brand franchisor (HotelServices) and a hotel owner and investor (HotelInvest) with the objective of ensuring lasting growth and harmonious development for the benefit of the greater number.
With around 3,600 hotels and 460,000 rooms, Accor welcomes business and leisure travelers in 92 countries across all hotel segments: luxury-upscale with Sofitel, Pullman, MGallery, and Grand Mercure, midscale with Novotel, Suite Novotel, Mercure and Adagio and economy with ibis, ibis Styles, ibis budget and hotelF1. The Group boasts a powerful digital ecosystem, notably its booking portal accorhotels.com, its brand websites and its loyalty program Le Club Accorhotels.
As the world's top hospitality school, Accor is committed to developing the talents of its 170,000 employees in Accor brand hotels. They are the daily ambassadors of the culture of service and innovation that has driven the Group for over 45 years.
www.accor.com

azimut HOTELS

AZIMUT HOTELS is one of the fastest growing privately-held hotel management companies in the mid-market hospitality segment and the leading Russian hotel operator by number of rooms outpacing all other competitors, including international hotel chains represented in Russia.
Azimut Hotels as an international hotel chain manages, leases, franchises and owns 22 hotels and over 9,000 guest rooms in 19 cities across Germany, Austria and Russia. Azimut Hotels has over a dozen hotel projects under development and is positioned to grow in Europe, Eastern Europe and Russia markets.
Positioned in the most dynamic segment of the hospitality industry for business, leisure and group travel Azimut Hotels provides a wide range of services which can be customized to the location, from rooms and restaurants to meeting and banquet facilities. Azimut Hotels was awarded the "Best Hotel Chain for business events" at "Russian Business Travel and MICE Award 2013".
In 2013 Azimut Hotels started the large-scale project of renovation implemented gradually in all the hotels. The new SMART concept of the hotels is based on functional approaches to the guest rooms and facilities. Every detail of the room serves on creating cozy atmosphere and comfort – simple harmonic forms, neutral colors and precise geometry of space.
Azimut Hotels is the answer to a growing demand by hotel owners for an uncomplicated, affordable and reliable – yet highly enjoyable modern and smart – hotel experience.
http://de.azimuthotels.com

bbg CONSULTING

BBG-Consulting GmbH founded in 1962, is Europe's pioneer in consulting services for the hospitality industry. The full-service concept covers strategic and management advisory, as well as architectural consulting and functional design together with its implementation and market launch.
With more than 9,000 consulting and design projects, and €350 million of specification of FF&E, BBG-Consulting has become one of the leading players within this field. Multiple international awards document excellence in innovation and design for hotel and foodservice operations of any kind. This performance is particularly based on more than ten years of fundamental and technological research within the hotel and foodservice industry, also on behalf of the German Federal Ministry for Education and Research.
Since 1968, BBG-Consulting publishes Germany's leading industry benchmarks, known as "Betriebsvergleich Hotellerie & Gastronomie Deutschland". This work offers among comprehensive expertise the latest operating statistics and benchmarks for all business types and sizes in 46 categories. As a standard reference it does not only serve the management but also financial institutions, project developers, and architects.
This interdisciplinary range of services avoids the usual challenges among multiple disciplines. Project developers, owners, operators, financial institutions as well as architects, and investors trust the team of BBG-Consulting as an ideal partner for successful solutions.
www.bbg-consulting.com

CARLSON REZIDOR HOTEL GROUP

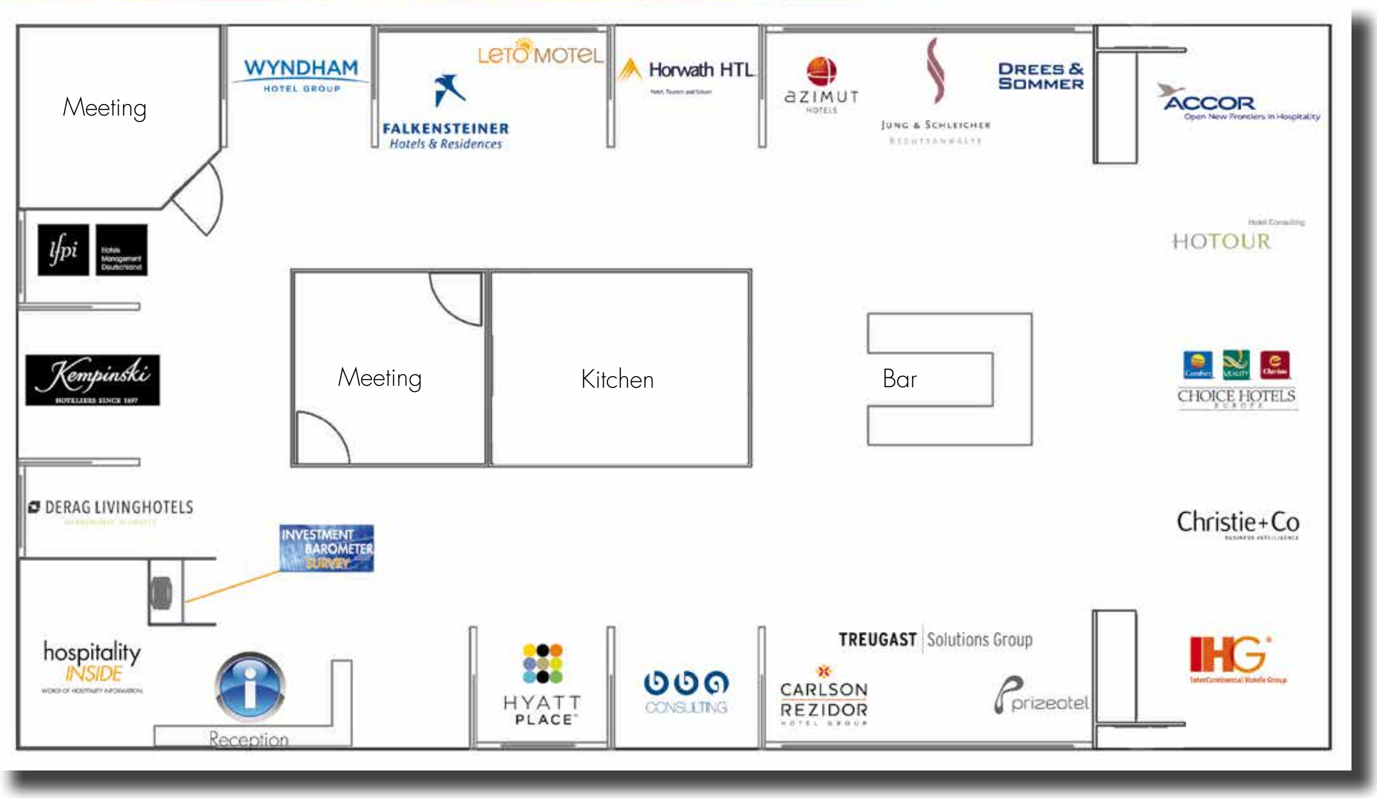
Carlson Rezidor Hotel Group is one of the world's largest and most dynamic hotel groups. The Carlson Rezidor portfolio includes more than 1,340 hotels in operation and under development with a footprint spanning over 105 countries and territories and a powerful set of global brands including Quorvus Collection, Radisson Blu (Europe's largest upper upscale brand), Radisson, Radisson Red, Park Plaza, Park Inn by Radisson and Country Inns & Suites By Carlson. Carlson Rezidor plans to grow its portfolio to nearly 1,500 hotels in operation and under development by 2015. In most hotels, guests can benefit from Club Carlson, one of the most rewarding loyalty programs in the world. Carlson Rezidor and its brands employ 88,000 people.

Carlson Rezidor Hotel Group is headquartered in Minneapolis, USA, and Brussels, Belgium.
www.rezidor.com, www.carlsonrezidor.com

Choice Hotels Europe is part of Choice Hotels International and offers four distinct brands to fit every market and property: Clarion, Clarion Collection, Quality and Comfort.
Hotel owners with multiple properties can diversify their portfolios – capitalizing on our different brands to balance and optimize their offering.
With over 6,300 hotels in more than 30 countries and territories, we help our franchisees develop their businesses by attracting guests who have confidence in the Choice Hotels brands. We offer greater flexibility, giving guests a consistent experience while still retaining the individuality of each hotel. We offer some of the most competitive fees in the market. And we deliver great cost-saving solutions like a web-based property management system, and connections to the most significant travel agents and third party websites.
In a dynamic and fast-paced industry, we are global leaders, constantly introducing innovations that are welcomed by travelers. As one of Europe's largest franchisors, Choice Hotels Europe® enjoys an excellent reputation with travelers worldwide. Combining a proud heritage with effective distribution systems and hands-on support, as well as sophisticated marketing, revenue management and sales, we can help enhance the performance of your hotel.
Choice Hotels has identified Europe as a key component to our overall growth. Our development team is actively seeking hoteliers and investors interested in the benefits of affiliating with one of the Choice Hotels brands. To support this expansion, we are making significant investments in our international infrastructure and support teams.
www.choicehotelsfranchise.de

CHRISTIE + CO is Europe's leading hotel property broker, valuer and adviser with over 75 years of experience and around 350 transactions and 450 valuations per year. Our team of specialist hotel advisers and agents is part of a network with headquarters in London and international offices in Germany, Austria, Poland, France, Spain, Finland and Ireland. This network of 28 offices allows us to leverage intimate local knowledge with pan-European insight.
Christie + Co is regulated by RICS and employs registered valuers, specialist chartered surveyors and a sector leading consulting team. Our consultants have had operational experience, having graduated from major international Hotel and/or Real Estate Business Schools – placing them in the best position to provide the advice and support clients need. We have built a strong team of industry professionals, from both the hotel and property worlds to provide market-leading commercial advice and support to clients. We are recognised as the most active hospitality sector adviser and agent in Europe.
Activities and services of Christie +Co include: individual property reviews and valuations; market assessments; operator search & selection; investment deal structuring; feasibility studies; rent reviews; contract negotiations; development advice and recovery projects; vendor or buyer due diligence; NPL and WEG exit solutions.
Christie + Co Germany's offices are in Berlin, Frankfurt and Munich.
www.christie.com

DERAG LIVINGHOTELS: Feeling just like at home with serviced apartments. Whether a classic business trip, some project work in a distant city, long commute between job and home, spontaneous relocation or an extended trip to a city – many situations require a flexible living concept. In this growing market, with currently 14 properties and approximately 2,600 rooms Derag Livinghotels has established itself as one of the leading providers of serviced apartments in the German speaking area. Whether for short-, medium- or long-term stays, the concept offers the ideal space for different occasions at a very good price-performance ratio.
The longer the stay, the cheaper the room rate per night. All apartments are spacious and feature a fully equipped kitchen or kitchenette with refrigerator, stove, microwave, coffee maker and tableware, a living, working and sleeping area, bathroom and a mailbox for good news. Especially business travelers who do not only want to sleep in their hotel but also work there value the Wi-Fi, a PrintMe function as well as a laptop and fax hire. Furthermore a variety of services are available for guests: From cleaning or laundry service over breakfast roll delivery to shopping service – additional demands can be easily booked on top. Guests also appreciate the on-site fitness center. After a nice run, they can unwind in the relaxation area with sauna, steam bath and solarium.
Whether Berlin, Bonn, Duesseldorf, Frankfurt, Munich, Nuremberg, Weimar or Vienna – Derag Livinghotels can be found in eight cities. All the properties are centrally located and well connected to the motorway network as well as public transport. The growing interest in serviced apartments confirms the striking concept of Derag Livinghotels. Therefore a consistent expansion into other European countries is on the agenda.
www.deraghotels.de



DREES & SOMMER

DREES & SOMMER For more than 40 years, Drees & Sommer has supported public- and private-sector owners and investors in all aspects of real estate. Managed by partners and headquartered in Stuttgart, the company has 37 offices worldwide and sets the standard in the areas of development consulting, infrastructure consulting, project management, real estate consulting and engineering. The focus is always on profitability, whereby we promote sustainable building to the greatest possible degree. We call this approach 'the blue way'.

The construction and real estate experts always have the goal of producing measurable added value for the client. This could mean, for example, streamlining the implementation of a construction project, making the operation of a property more economical, or cutting energy costs through innovative concepts. Currently, the company with its 1,770 employees is acting as an independent project manager for some 760 construction and real estate projects.

www.dreso.com

FALKENSTEINER
Hotels & Residences

FALKENSTEINER MICHAELER TOURISM GROUP (FMTG): Welcome Home! Leisure time has become a precious commodity for many people, including us.

Falkensteiner Michaeler Tourism Group (FMTG) is one of the leading regional providers and developers of tourism products and services in Central Europe. FMTG is active in all areas of tourism development – from the planning and construction of hotels, residences, serviced apartments and mixed-use properties to the operational management and marketing of these.

By integrating the entire value-creation chain, FMTG uses its experience in the operation, development and realization of tourism facilities to achieve an intense internal transfer of know-how. This results in numerous synergistic benefits as well as forward-looking, optimised product ideas. At the moment the Group has over 1,700 employees from 29 different countries.

The company is made up of 3 business divisions: FMTG Services (Falkensteiner Hotel Management), FMTG Development GmbH and the tourism consulting company Michaeler & Partner.

The most prominent of these is the hotel management division, with 28 hotels and three residences currently being operated under the Falkensteiner Hotels & Residences brand in six European countries (Austria, South Tyrol/Italy, Slovakia, the Czech Republic, Croatia and Serbia).

Since the founding of Falkensteiner Hotels (now Falkensteiner Hotels & Residences, the most important part of FMTG) as a family-run company with a small hotel in Ehrenburg, South Tyrol, in 1957, the company has seen rapid development.

The company generates a managed turnover of EUR 131 million (end of 2013), and with more than 4,305 rooms (2013) and 1.5 million bed nights a year, it provides several hundreds of thousands of people from around the world with the opportunity to spend their holidays, relax and recuperate in premium four-star, four-star superior and five-star hotels.

www.fmtg.com

HORWATH HTL focuses one hundred percent on hotels, tourism and leisure. With over 52 offices worldwide our network can draw on a tremendous amount of international experience and local knowledge that gives us, and our clients, a unique advantage.
We offer a broad range of advisory solutions that covers the whole cycle of the hotel product, starting with planning and development, on to asset management and operational advice, to transactional and financial restructuring.
We remain the number one choice for hotel and real estate companies, as well as financial institutions looking to invest in the industry. Whatever and wherever your project, we offer the reassurance of an internationally consistent quality of service combined with local solutions.
Hospitality properties need to be valued on a going-concern basis, which makes their appraisal a complex task requiring particular expertise. Our team of credentialed specialists are not simply experts in valuation methodology but understand everything about hospitality operations and market trends. Their in-depth knowledge has earned them the respect of all those involved in the industry, from property owners and commercial lenders to insurance providers and government bodies.
www.horwathhtl.de

HOSPITALITYINSIDE is the initiator of the joint stand "World of Hospitality" at EXPO REAL. 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. The purely editorial online magazine accepting no advertising has readers in over 20 countries today and is said to be an opinion leader among the hotel trade media in Continental Europe. Furthermore, the company connects executives of the industries during fairs, workshops, hotel conferences and own events by its grown information network.
www.hospitalityInside.com

HOTOUR HOTEL CONSULTING: Our goal is to support our 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 long-term added value is a creative solution approach and individually tailored consultation services.
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
Hotel Appraisals for Banks, Investors, Project Developers and Operators.
www.hotour.de

Hyatt Hotels Corporation, headquartered in Chicago, is a leading global hospitality company with a proud heritage of making guests feel more than welcome. Thousands of members of the Hyatt family strive to make a difference in the lives of the guests they encounter every day by providing authentic hospitality. The Company's subsidiaries manage, franchise, own and develop hotels and resorts under the Hyatt, Park Hyatt, Andaz, Grand Hyatt, Hyatt Regency, Hyatt Place, Hyatt House, Hyatt Zilara, and Hyatt Ziva brand names and have locations on six continents. Hyatt Residential Group, Inc., a Hyatt Hotels Corporation subsidiary, develops, operates, markets or licenses Hyatt Residences and Hyatt Residence Club . As of June 30, 2014, the Company's worldwide portfolio consisted of 563 properties in 48 countries.
www.hyatt.com

INTERCONTINENTAL HOTEL GROUP (IHG) is a global hotel company whose goal is to create "Great Hotels Guests Love".
We have more guest rooms than any other hotel company in the world – over 4,700 hotels in nearly 100 countries and territories around the world. We operate nine hotel brands via management and franchise contracts – InterContinental, Crowne Plaza, Hotel Indigo, Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites, EVEN Hotels and HUALUXE Hotels and Resorts.
"IHG Rewards Club", the world's first hotel loyalty programme, has over 79 million members.
www.ihg.com/development

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. We offer 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 complex real estate transactions and developments of more than € 5 billion (more than € 2 billion in hotel and management properties), funds and financing of more than € 3 billion and M & A/ corporate-structuring of more than € 2 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.
www.js-law.de

Kempinski
HOTELIERS SINCE 1897

KEMPINSKI HOTELS: Created in 1897, Kempinski Hotels is Europe's oldest luxury hotel group. Since its foundation, the group has developed as a renowned and innovative provider of luxury hotels, dedicated to exceeding the expectations of even the most demanding guests. Kempinski's rich heritage of impeccable personal service and superb hospitality is complemented by the exclusivity and individuality of its properties around the world.
Kempinski now manages a portfolio of more than 70 five-star hotels in 30 countries, grown from a portfolio of 21 properties in 1995. The group continues to add new properties in Europe, the Middle East, Africa and Asia, and aims to expand its presence to new gateway cities and major capitals, from Lisbon to Tokyo.
As an operator, Kempinski lends properties decades of international luxury hospitality know-how, led by some of the industry's top experts, to ensure each property can thrive in its environment and achieve its full potential.
Kempinski's portfolio of hotels comprises historic landmark properties, award-winning urban lifestyle hotels, outstanding resorts, and prestigious residences. Each one is imbued with the quality guests have come to expect from Kempinski while embracing the culture and traditions of its location, blending international luxury hotel standards with unique signature concepts.
Looking forward, to 2015 and beyond, Kempinski's strategy will be to focus on enhanced financial performance and selective growth, and on improving the company's brand value in the market.
www.kempinski.com

LETOMOTEL

LETOMOTEL: The first Letomotel opened its doors to guests in Munich/Moosach in November 2010. Over the past four years, the product, boasting 99 rooms, has proved to be a market leader in the Munich hotel market. The reasonable room rates, starting at 49.00 euros a night, attract business travellers, weekend visitors and families alike.
The clean, functional, and friendly hotel rooms, measuring 16 sq.m. including bath, are a hit with the guests. These rooms have been designed in line with the hotel's concept of providing 100% sleeping comfort in high-quality box-spring beds. All guests may take advantage of Wi-Fi or ethernet cable connections which are available free of charge throughout the property. Snack and beverage machines can be found in the hotel lobby, which is manned round the clock. In addition, at the bakery located directly on the hotel premises, the guests are spoilt for choice with a sumptuous breakfast starting at 6:00 am.
The Letomotel brand will continue to grow in Munich. The planned locations for additional Letomotel are always conveniently situated close to public transportation, be it a train station or a tube station (S-Bahn, U-Bahn). The development of a new property with 140 rooms is currently underway at Kreillerstrasse/corner of Trudering train station in Munich with the grand opening scheduled in June 2015. Two to three additional properties have been earmarked in Munich, after which the Group will be considering national expansion.
www.letomotel.de

lfpi
Hotels Management Deutschland

LFPI Group (La Financière Patrimoniale d'Investissement) is based in Paris and is a French private equity group with a sense of tradition, which currently manages assets of about three billion euros. LFPI primarily invests on behalf of institutional investors in the private equity, property, fund of funds and mezzanine sectors.
The hotel portfolio in France currently consists of approximately 60 budget and economy hotels under the Timhotel brand as well as the franchise brand of the Louvre Hotels Group, which are mostly located in Paris. In 2011, the French LFPI Hotels fund founded a German subsidiary based in Cologne in order to expand its hotel portfolio to Germany.
The Managing Director of LFPI Hotels Management Deutschland GmbH is Bernd Maeser. The expansion provides for additional purchases of up to 30 hotels in Germany over the next three to five years. This will focus exclusively on business hotels already in operation, with central locations in primary and secondary destination city centre areas, with a size of 50 to 150 rooms and positioned in the budget to midscale sector. Generally, they will be operated by LFPI Hotel Management and marketed via franchise partnerships. In individual cases the takeover of leased properties with short residual terms will be possible. Efficient structures and a high level of service quality in the hotel operations are created through a professional management and operations team.
In the meantime, the German portfolio includes nine hotels: the Ibis Aachen Am Marschiertor, two Ibis Styles hotels in Speyer

and Hamburg, the Schlosshotel Karlsruhe, a Best Western and a Mercure hotel in Berlin, two hotels in Duesseldorf and an Ibis hotel in Erfurt. Depending on the condition of its new hotels LFPI invests extensively in them in order to position them on the market successfully. For example, the former Lindner Hotel am Victoriaplatz in Duesseldorf has been completely redesigned and opened later in 2013 under the new Lifestyle brand, Hotel Indigo. In 2014 the Ibis Hotel located in Erfurt's old town has been renovated for nearly € 1.0 million. In the future, more hotels in locations such as Munich, Frankfurt, Stuttgart and Cologne should ensure a continuous growth in the portfolio.
www.lfpihotels.de, www.lfpi.fr

prizeotel

PRIZEOTEL was founded in 2006. In 2009, the first prizeotel opened its doors in Bremen – and has been successful in hotel business for 5 years now. In June, prizeotel Hamburg-City started operations and, in 2015, prizeotel Hannover-City is to follow.
The neologism "prizeotel" is based on the combination of creating clear added value for guests with a well thought-out hotel concept. Along with the name, a customer-oriented approach, credibility and the aim of creating a brand that is clear for everybody have been in the focus. Nonetheless, prizeotel is an exclusive designer product with the charm of a private hotel. The prizeotel founders are Marco Nussbaum, who is an experienced hotelier and specialist in the implementation of new hotel concepts in innovative ways via online distribution, social media and team development, and Dr. Matthias Zimmermann, real estate economist and developer as well as managing partner of Weser-Wohnbau GmbH & Co. KG.
At prizeotel, it's not just about placing attractive design furniture throughout the hotel, but creating a real and logical design inside and out. All prizeotels are exclusively designed by New York's star designer Karim Rashid. Every hotel is designed differently, in terms of color and furnishings. Rashid's style can be found throughout the hotel. Prizeotel's main target groups are individual travellers searching for a hotel that offers good value for money – business travellers and tourists. prizeotel is an innovative pioneer in the hotel industry, and one of the fastest hotel operators in developing and implementing technical innovations such as booking from mobile devices or check-in via mobile phone that underline the prizeotel experience as being unconventional and unique.
For its further expansion, prizeotel has gained a strategic investor: The May & Co. business group acquired 1/3 of the prizeotel Management Group shares via a capital increase. The May Group will provide further equity to fund additional hotel projects. As such, prizeotel is one step closer to its vision statement: becoming the most unconventional budget-design hotel chain and qualitative leader in Europe. Regarding further expansion, prizeotel is concentrating on locations like Berlin, Frankfurt, Stuttgart, Cologne, Duesseldorf, Munich, Leipzig and Dresden as well as possible international capitals.
www.prizeotel.com

TREUGAST | Solutions Group

TREUGAST SOLUTIONS GROUP: 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 500 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 American Academy of Hospitality Sciences bestowed Treugast Solutions Group as the first consulting company worldwide with the "Five Star Diamond Award". Furthermore, Treugast was distinguished by the German specialist publisher "AHGZ" with Special Award "Hotelier des Jahres 2011".
www.treugast.com

WYNDHAM
HOTEL GROUP

WYNDHAM HOTEL GROUP is the world's largest and most diverse hotel company, encompassing approximately 7,500 hotels and over 646,800 rooms in 69 countries.
From the award-winning upscale offerings of its namesake Wyndham Hotels and Resorts brand, to the distinctly comfortable and familiar properties of its iconic Days Inn and Super 8 brands, Wyndham Hotel Group prides itself on providing guests and franchisees with exceptional customer service, great value and the most accommodation choices around the world.
The company's loyalty programme, "Wyndham Rewards", is the largest in the hotel industry based on number of participating hotels, with over eight million active members worldwide. The free-to-join programme offers its members the opportunity to earn valuable points for their stays which may be redeemed for hundreds of reward options including free hotel stays, airline travel, gift cards for leading retailers and more.
Within Germany, Wyndham Hotel Group encompasses more than 100 hotels and over 14,000 rooms under four of the company's global hotel brands: Wyndham Hotels and Resorts, TRYP by Wyndham, Ramada and Days Inn. The footprint of Wyndham Hotel Group in Germany grew significantly during 2013 when the company formed a strategic partnership with Grand City Hotels to brand 60 hotels and over 7,500 rooms across Germany, the Netherlands, Belgium and Austria.
The new hotels in Europe, which include seven Wyndham Grand, six Wyndham Hotels and Resorts, 17 Wyndham Garden, 21 TRYP by Wyndham and nine Days Inn properties marked not only the introduction of the Wyndham brand in Germany and Austria, but also the launch of TRYP by Wyndham in Belgium and the Netherlands and the first Wyndham Garden hotels anywhere in Europe, the Middle East and Africa.
In the first quarter of 2014, Wyndham Hotel Group also broke ground for its first Super 8 hotel in Germany, the 160-room Super 8 Munich.
www.wyndhamworldwide.com

BRICKS & BRAINS

A hospitalityInside Network Event hosted by Expo Real Munich

Mingling in the "Munich Lounge"

Munich (October 6, 2014). After five years, the networking Event "BRICKS & BRAINS" for hotel and real estate experts has firmly established itself in the minds of the visitors of Expo Real. On Monday evening, right after the hotel conference, about 140 carefully selected guests will meet; they are from hotel groups as well as funds, banks, private equity, project developers and others.

Away from the turmoil of the trade fair, top executives will be able to enjoy relaxed conversations with colleagues and establish new contacts. For the 6th time, Kempinski Hotels is the main sponsor of the event; the flying buffet in gourmet style will be provided by Hotel Vier Jahreszeiten in Munich. Moreover, bbg-Consulting, CBRE Hotels and Choice Hotels Europe continue to remain loyal to this top-class event. For the first time, Arabella Hospitality, the hotel division of the Schoerghuber Corporate Group from Munich, presents itself as sponsor within this context (see information on the right).

Impressions of
BRICKS & BRAINS 2013.

Traditionally, sponsors, trade show partners and participants of the "Hospitality Industry Dialogue" will make up half of all participants. The remaining seats will be reserved for hospitalityInside subscribers and new guests. All guests will receive a personal invitation; only invited guests with confirmed registrations will be admitted. Accompanying persons will not be allowed to join the event.

BRICKS & BRAINS

For the sixth time, the top-level hotel networking event is taking place at EXPO REAL. Again, and for the sixth time, Kempinski Hotels will act as the main sponsor. Also, bbg-Consulting with its two Managing Directors, Tina Froboese and Karlheinz Kreuzig, Choice Hotels Europe with Managing Director a.i. Georg Schlegel and Developer Bruno Leroy, as well CBRE Hotels with Olivia Kaussen, Head of Hotels Germany & CEE, will repeatedly support the event as "Gold Sponsor". As a new sponsor Arabella Hospitality felt inspired by the event and is represented by CEO Reinhold Weise.
Without these strategic partnerships the development of the hospitality network at the fair would not become reality …

BRICKS & BRAINS will take place at a new location again this year. Unchanged will be the creative flying buffet and the professional service of the catering team of Kempinski Hotel Vier Jahreszeiten Munich. The team under General Manager Axel Ludwig has already become a reliable feature at this event.

Again, the event is organized by MMG Event, the event agency of Messe Munich spearheaded by Gregor Kuhl, Chief of Protocol.

THANK YOU VERY MUCH
to all our partners for their valuable BRICKS & BRAINS support in 2014!

SAVE THE DATE 2015

Would you like to become a partner for BRICKS & BRANS 2015 and benefit from the top contacts at this event? Please, send an eMail to ffice@hospitalityInside.com. EXPO REAL 2015 will take place from Monday to Wednesday, 5-7 October 2015.

Consequently, BRICKS & BRAINS 2015 will take place on Monday, 5 October 2015.

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 more than 70 historical grand Hotels, business hotels and resorts in 30 countries.

ARABELLA Hospitality: The hotels corporate division began in 1969 with the opening of Arabella Hotel Bogenhausen in Munich's Arabellapark. Today the Schoerghuber Corporate Group operates hotels in Germany, Switzerland, and Mallorca. The owner or leaseholder of the buildings is the Arabella Hospitality, the management company for the hotels division of the Schoerghuber Corporate Group. Since 1998, the Schoerghuber Corporate Group has been accompanied by Starwood Hotels & Resorts, one of the leading American hotel chains, as a strategic partner in the hotels corporate division. Starwood performs the operative management work for the bulk of the establishments belonging to the Arabella Hospitality. The corporate group's hotels bear the world-famous brand names of Starwood Hotels.

bbg-CONSULTING, founded in 1962 has been Europe's first specialized consulting firm for hotels, restaurants and catering services. Based on over 50 years of experience, one of their "brands" is the benchmark "Betriebsvergleich Hotellerie & Gastronomie Deutschland", a comparison between hotels and restaurants in germany, published 46 years ago for the first time.

CBRE Hotels is a division of CBRE Group, Inc., a Fortune 500 and S&P 500 company headquartered in Los Angeles, and the world's largest commercial real estate services and investment firm (in terms of 2013 revenue). The Company has approximately 44,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 350 offices worldwide. CBRE Hotels employs more than 150 hotel real estate specialists worldwide and offers hotel transaction services, operator search and contract negotiation, valuation, hotel asset management and consulting.

CHOICE HOTELS EUROPE represents about 500 hotels of the group in Europe under the Comfort, Quality and Clarion brands of which almost 70 hotels are located in Germany, Italy, Switzerland, Turkey and the Czech Republic. With more than 6,300 hotels and more than 500,000 rooms, Choice Hotels International is the world's second biggest hotel franchisor.

HVS CHAIRMAN RUSSELL KETT ON THE CURRENT STATE OF THE HOTEL INDUSTRY

Preparing for the downswing

London/Munich. Since the Lehman crash, a certain sense of caution has dominated the industry; however, some players in the hotel industry will make the same mistakes again, says Russell Kett, Chairman of the consulting firm HVS London. This year, he will hold the keynote at the hotel conference "Hospitality Industry Dialogue" at Expo Real with the title "Hot Deals in 2014 = 2007 reloaded?" hospitalityInside.com asked him a few questions in advance regarding the current state of the hotel industry.

The current mood among hotel investors and operators is excellent, sometimes even enthusiastic. Would you compare this mood to the one in 2007/2008, prior to the Lehman crash?

Russell Kett: I think there is a general sense of reflection back over the past few years and their enthusiasm is somewhat tempered. However, in my experience the hotel industry typically experiences a ten-year cycle, but those within it suffer from five-year memories. So I suspect many people will be back making some familiar mistakes again very soon.

The real estate industry should be aware of cycles, so the next downturn will come. When, where? And which indicators already indicate a change today?

All I can do is to reiterate that there will be a downturn – when I don't know – but we should all try to 'make hay while the sun shines'. That doesn't mean doing unrealistic deals. It's important not to try to push the financing boundaries – even if you are being offered loan-to-value ratios of 75% and beyond, doesn't necessarily mean that your business can afford this, especially when earnings become more depressed and your bottom line is under more pressure as will happen when a downturn arises. Lenders typically now are more focused on cash flow and ensuring that earnings give an adequate coverage to your debt service.

Are hoteliers prepared for the next downturn?

Now is a great time to ensure that your product is in a great physical condition, so schedule that capex programme while you have the spare cash to be able to do it. Soon enough, once you hit a downturn, you will quickly cut back on capex and other non-essential expenditure (and probably defer some maintenance items as well). Check out what your customers are saying about you on TripAdvisor and other social media in case you feel the need to prioritise. (It's also useful to check out what they're saying about your main competitors too.)


Russell Kett.

Business continues to polarise between luxury and budget. Why is the mid-market still struggling and not well-received by investors?

In some countries, like the UK, there is considerable investor interest in the mid-market. I suspect this interest was slower to recover because the performance of the hotels themselves lagged behind the budget and luxury sectors.

Some developers and consultants talk about mega transactions still to come in the second half 2014 or next year. What is your impression of these transactions?

I wish! There isn't a lot available at the moment – perhaps owners are biding their time before deciding to put their hotels on the market? There's certainly a lot of buyer interest and, as deals get done, there are a lot of unsuccessful, frustrated, under-bidding buyers around, keen to invest their funds. So this is a great climate in which to be selling and we would like more hotels to sell. I also feel that we are about to see a mega-deal being done, bringing together two or more of the major global hotel companies. IHG are already being encouraged by one of their shareholders to be doing more and it is not difficult to envisage some of the major names being targets or targeted – there usually isn't a merger as such: someone is always dining while someone else is dinner.

How are banks and other financial providers (institutional investors, hedge funds, private equity) conducting themselves in the current situation?

More banks are declaring their interest in funding hotels but typically they are not seeking new developments, just acquisition or refinancing opportunities. The recent dearth of loan finance has brought less conventional lenders to the market – insurance companies and hedge funds for instance.

Thank you for your time!

This interview was conducted by Maria Puetz-Willems. //

Dear Readers,

In this SPECIAL, we focus on the hotel industry at EXPO REAL 2014 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.

PARTICIPATE IN THE 3RD INVESTMENT BAROMETER AT THE HOSPITALITY BOOTH

Your opinion, please – "LIVE"

Augsburg/Hamburg. Participate in the next hospitalityInside Investment BAROMETER, which will start at the beginning of October. During the Expo Real, a polling terminal will be installed at the joint booth „World of Hospitality" in Hall C2/230, where you will be able to participate in the survey „LIVE". The team from hospitalityInside will be there to assist you at the terminal.

For the third time, hospitalityInside and Union Investment are inviting the decision makers from hotel industry and real estate/investment to give short and precise answers to very interesting questions. The answers, however, will remain anonymous. This time, it is about the "rollouts" by the hotel chains.
Why do they fail? Everyone who participates will receive all the survey results after the evaluation as PDF exclusively. We are looking forward to your opinion! What would be your answers to these two trend-related questions?

Ambitious roll-out plans of hotel companies are often realised more slowly than originally intended. What do you think are the biggest challenges?

- Lack of land
- Lack of investment capital
- Lack of financing
- False expectations on the part of investors
- False expectations on the part of operators
- False assessment of concepts and standards of hotel operators

Which hotel segments will be the most successful when it comes to rolling out brand hotels in the next 12 to 24 months?

- Hostels
- Budget
- Serviced Apartments
- Resorts
- Midscale hotels
- Upscale hotels
- Luxury hotels

The 2nd hospitalityInside "Investment BAROMETER" supported by Union Investment confirmed the hotel real estate market's overall good sentiment in the first quarter of 2014. The respondents expressed the following: Currently, yield reflections are driving the investments in hotels, followed by diversification and security aspects.
In the first survey, which was related to the fourth quarter of 2013, the survey's participants professed that core properties are in very high demand. And, in specific terms, Aparthotels and Serviced Apartments were attested to have the largest potential to become an investment product.

You will find the details and evaluations at www.hospitalityInside.com under the button "Market Check". //

More and more, serviced apartments focus on living. Global chains – such as Hyatt House in this photo – and specialized providers create wellbeing spaces in the hotel for the long-stay guests.

SERVICED APARTMENT PROVIDERS WORK ON COMMON DEFINITIONS

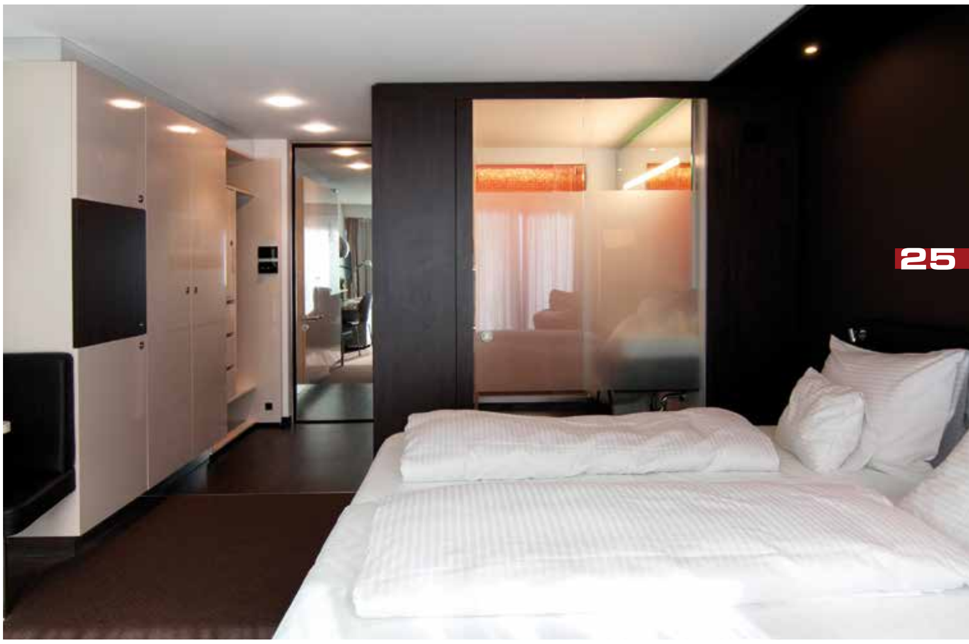
Clarity for investors

Munich. „Everything is moving – and underway!" That is the message to be sent out by the key players of the apartment sector at this year's Expo Real. For the first time, the biggest competitors on the German market in this segment present themselves together at the hotel conference on Monday: Accor/Adagio, Adina, Ascott/Citadines, Derag Livinghotels, Marriott, and Boardinghouse Consulting will be introducing their jointly worked out definitions and standards. One of the initial results: They want to act under the common designation of „apartment hotel" or „aparthotel", thus coining and defining this term for the industry.

Are apartment hotels the new stars of hospitality? Providers are sure of it. However, compared to hotels, apartment hotels are still relatively small – In the global hospitality sector, accommodation businesses focusing on extended-stay guests make up not even four percent of the market, according to experts. In turn, this means: this segment continues to hold huge potential for growth. But, at the same time, apartment hotels face major challenges: There is no common designation and no common standards – and travellers look up long-term accommodation using a thousand different terms, but not the one hoped for. Nonetheless, investors should prick their ears. For apartment hotels belong to the „quiet climbers" as shown by the first two Investment BAROMETERS jointly initiated by the hospitalityInside.com hotel magazine and Union Investment. Right in the first survey in late 2013, apartment hotels were attested the biggest potential to become an investment product. And one quarter later, the result re-confirmed this assessment: When asked which hotel segments were expected to generate the highest yield, about 44 percent of the respondents voted for budget hotels followed by apartment hotels with 21 percent.

Left: Pilot project in Germany: Residence Inn by Marriott Hotels in Munich. Expansion in Europe started in 2011.

Below: Derag Livinghotels, market leader in Germany defines Living new in its Serviced Apartment Hotel Campo dei Fiori in Munich, a certified „Green Building".



The major global providers include the apartment hotel specialists:

- Ascott Group (Asia, Australia, Europe)
- Bridgestreet (USA, Europe)
- Extended Stay Hotels (USA, Canada)
- Fraser Serviced Residences (Asia, Europe)
- Oakwood Worldwide (USA, GB, Asia)
- Toga Hospitality (Australia, Asia, Europe).

In addition, global hotel chains recognized the trend and either created their own new brands aimed at extended-stay guests, or modified existing brands in terms of concept, thereby allowing them to accept extended stay guests as well:

- Accor with Aparthotels Adagio (in addition to SuiteNovotel)
- Choice Hotels with Suburban (in addition to Comfort Suites and Quality Suites)
- Hilton with Homewood Suites and Home2Suites
- Wyndham with Hawthorn Suites
- Hyatt with Hyatt Place (former Ameri Suites) and Hyatt House (formerly Summerfield Suites)
- InterContinental (IHG) with Staybridge Suites and Candlewood Suites
- Marriott Hotels with Residence Inn, SpringHill Suites and TownPlace Suites.

In Europe, Adagio (Accor), Citadines (Ascott), as well as Adina Apartment Hotels belonging to Toga Hospitality from Australia, specialised in this segment, currently play a major role. Morever, there is Derag Livinghotels from Munich, Germany's largest national special provider. Aside from that, there are many small providers with only a few or individual houses. Boardinghouse Consulting in Berlin records 430 apartment houses with 22,364 apartments in total all across Germany, whereby only apartment houses with more than 15 units were considered. The online platform www.apartmentservice.de (in German) for example shows how colourful this young segment is.

According to an estimate by the Australian provider Adina, apartment hotels currently account for less than one percent of the hospitality market in Germany. Thus, there is still a lot of room for many houses and providers. Markus Lehnert, Vice President Hotel Development, said that a survey conducted by Marriott revealed that 36 percent of all room nights hold „long-stay potential" (Marriott defines „long stay" as staying five nights and more).

Definition: agreement on apartment hotels or aparthotels

During their meetings in the past few months, the above-mentioned German market leaders agreed on „serviced apartments", an internationally common umbrella term referring to all kinds of concepts on temporary living.

„ Apartment hotelsconstitute the most relevant segment for investors," explains Anett Gregorius, Managing Director of Boardinghouse Consulting in Berlin. „The term ‚hotel' sets it apart from alternative living concepts such as micro apartments or classic apart-

PROVIDERS – PORTRAITS & CONTACTS

Aparthotels Adagio was founded as a joint venture between Accor and Pierre & Vacances Center Parcs in 2007. Europe's leading provider of apartment hotels operates 100 buildings and is active in 9 countries (Germany, France, Belgium, Brazil, Italy, Austria, Russia, Switzerland, UAE), offering two product categories: Adagio, an upscale middle-class brand of apartment hotels in the heart of major European cities, and Adagio access, a functional budget-rate apartment hotel brand focusing on locations at the doorsteps of major cities. The concept addresses long-term guests mainly from the business and holiday segment. The spacious and flexibly equipped apartments (approx. 120 units per facility) boast multifunctional furniture and complete kitchens. Hotel services such as 24-hour reception and free-of-charge wireless LAN are complemented by optional services like breakfast or daily room cleaning. Adagio plans to expand its network to 150 facilities with around 16,000 apartments by 2016. In 2014, the company launched new units in Munich (the first Adagio access in Germany), Paris La Defense, Abu Dhabi, and in Dubai.

Contact: Vangelis Porikis, Director of Central & Northern Europe, eMail: vangelis.porikis@adagio-city.com

Adina Apartment Hotels form part of the Australian hotel group TFE (Toga Far East) Hotels,, which operates seven units in Europe, one each in Budapest and Copenhagen. In Germany, Adina has been present with five facilities in Berlin, Frankfurt, and Hamburg since December 2007. In Australia, the brand currently operates 20 units: In the next three to four years, further openings are planned throughout Germany, e.g. in Frankfurt, Nuremberg, or Leipzig aiming to grow to 15 to 20 hotels here. The modern, fully furnished studios and apartments measuring between 30 and 45 sq.m. all come with a fully equipped kitchen as well as a living area with a desk, and are ideally suited for business travellers, vacationers, families, and can also be used for short-term stays.
www.adina.de.com,
www.tfehotels.com

Contact: Matthias Niemeyer, Head of Development, eMail: mn@adina.eu.com

Boardinghouse Consulting operates apartmentservice.de, one of the most extensive independent platforms offering serviced apartments in Germany, covering more than 12,000 apartments in about 120 destinations. In addition to marketing services, the company offers strategic consulting for investors and (potential) operators. The focus in this regard is on developing new projects as well as checking and supporting existing apartment hotels. Thanks to its combination of consultancy and procurement, the company has extensive comprehensive overview of the market, which is summarised in its annual market report. In 2005, Anett Gregorius develop the first serviced-apartment certification system in collaboration with TUeV Rheinland. The system was handed over to VDR in 2014.
www.boardinghouse-consulting.de,
www.apartmentservice.de

Contact: Anett Gregorius, Managing Director, eMail: ag@boardinghouse-consulting.de

Citadines Apart'hotels managed by The Ascott Limited. The Ascott Limited (member of CapitaLand) is one of the biggest operators of „serviced residences" worldwide with more than 200 aparthotels in over 82 cities in 22 countries in Asia, Europe and the Emirates. The group serves the quality and premium segment of the 3 to 5-star category with its three brands Somerset, Citadines Apart'hotel and Ascott the Residence. By 2015, Ascott aims at expanding its global portfolio to 40,000 apartments. In Europe, the group operates 45 Citadines Apart'hotels in six countries.
www.the-ascott.com,
www.citadines.com,
www.somerset.com

Contact: Petra Rottenaicher, Director of Sales Germany & Georgia, eMail: Petra.rottenaicher@the-ascott.com

Derag Livinghotels is currently present in Germany and Austria with 14 owned units and about 2,600 rooms, having established itself as one of the leading apartment providers in the German-speaking countries with over 30 years of expertise. Moreover, the Munich-based company also offers classic hotels. All apartments are equipped with their own kitchen or kitchenette, a working area, combined living room and bedroom, and offer additional individual services that range from laundry to shopping.
In the future, Derag Livinghotels will be increasingly setting its sights on developing new locations which will be selected based on good connections to the city centres as well as convenient public-transport connection. For 2014 and 2015, the company has planned three new facilities in Frankfurt, Duesseldorf and Garching near Munich, as well as an extension in Munich.
www.dearghotels.de

Contact: Tim Dueysen, Director Marketing & Distribution Derag Livinghotels, eMail: tim.dueysen@deraghotels.de

Marriott International is a globally active hotel group with more than 4,000 hotels, among them over 1,000 in the extended-stay segment. Aside from Marriott Executive Apartments and Town Place Suites, Residence Inn by Marriott has about 680 hotels in the US. In 2007, after an opening in South America, the company decided to develop Residence Inn by Marriott on an international level, particularly in Europe. In 2011, Residence Inn by Marriott was launched in Munich and shortly after in Edinburgh. Marriott sees potential for 25 Residence Inn by Marriott Hotels with approximately 100 to 160 apartments in Germany. At the moment, there are concrete negotiations with regard top 6 further hotels. Residence Inn by Marriott is an urban product that can be developed in city centres that offer the corresponding infrastructure. www.residenceinn.marriott.com, www.marriott.com

Contact: Markus Lehnert, Vice President, International Hotel Development, eMail: Markus.lehnert@marriott.com

Aparthotels Adagio: The joint venture of Accor and Pierre & Vacances now adds the budget version Adagio access to its long-stay brand Adagio positioned in the upper midscale segment.

ment houses or boardinghouses." There were similar discussions on the definition and terminology concerning the apartment sector in Great Britain, says Anett Gregorius. As a result, a unified concept definition with respect to aparthotel and corporate housing was laid down in a document at the latest „Serviced Apartment Summit" in London in July, whereas these two concepts are only the respective ends of the entire range of products. The participating parties decided to use the term „aparthotels" for the entire segment, which means that Great Britain and Continental Europe will probably need to clarify as to whether "apartment hotels" or „aparthotels" should be consistently used now on the international scene.

Service is the key

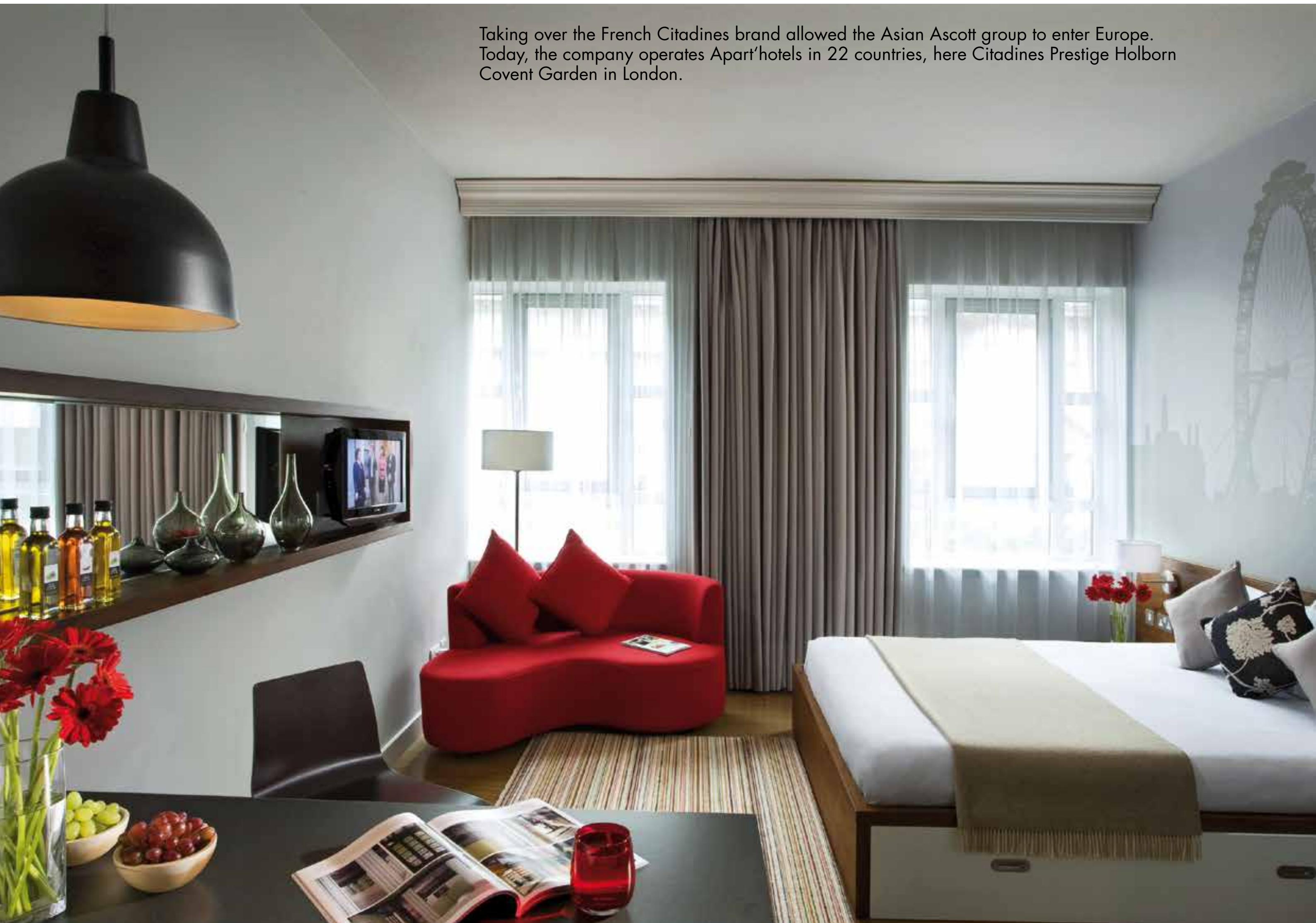
Apartment hotels should always offer services. It is also possible to use different levels here as with classic hotels:

- ➤ **Limited Service:** restricted opening hours of the reception desk usually complemented by a key safe; limited breakfast offer usually via external providers and co-operations, but no restaurant and bar; limited services particularly customised to long-term guests, e.g. shopping service. Limited services are typical for classic apartment houses/boardinghouses.
- ➤ **Selected Service:** normally 24-hour reception; dedicated in-house breakfast; small fitness and spa areas; small conference room; sometimes a bar and restaurant. Selected service refers to hotel-like services and is offered by aparthotels such as Adagio and Citadines.
- ➤ **Full Service:** complete service with 24-hour reception; breakfast buffet; fitness and spa areas; conference facilities; separate restaurant and bar. Full service is offered by apartment hotels like Adina and Derag Livinghotels.


Adina Apartment Hotels, here an apartment in Hamburg Michel, offers its guests an inhouse-restaurant and a pool. Adina is a subsidiary of Australian Toga Far East Hotels.

Thus, a young and versatile segment is developing, just as colourful as its target group. Business travellers were the first to discover these hotel alternatives – in the cities. Demand was and still is driven by various aspects: increasing mobility and project work throughout society, the new desire to live more privately instead of anonymous stays, but also decisions like that of the pharmaceutical sector. Years ago, the latter imposed a „codex" on itself within its travel guidelines „prohibiting" top managers to stay in 5-star hotels – resulting in the fact that today's top executives no longer put up at top hotels, but at discrete top apartments. An elegant way of avoiding any „star" debates …
Customers have many faces, as both normal and long-term guests are enthused by apartment hotels. Many people like greater comfort, a kitchenette or proper kitchen, as well as individual service – even in the more rural areas. The providers' location strategy sounds correspondingly colourful.

In a three-hour experts' panel last autumn, Derag Livinghotels said an apartment hotel did not belong next to a central station, but rather in a more residential area. Adina contradicted. Accor generally sees its Adagio Aparthotels only in densely populated areas. Citadines also sees itself in holiday regions. Marriott is following the trend and no longer locates its Residence Inns in US suburbs as it did at the beginning, but rather in city centres today. Tim Dueysen, Marketing & Sales Director


Taking over the French Citadines brand allowed the Asian Ascott group to enter Europe. Today, the company operates Apart'hotels in 22 countries, here Citadines Prestige Holborn Covent Garden in London.

of Derag Livinghotels, summarised: „ that, in our chain of reasoning, we have to address the demands of our customers with utmost flexibility!" Doing this means generating loyal customers.
However, often the actual guest and the personbooking the apartment hotel are not the same. And here is one of the main weaknesses of this young segment: sales. Companies and people not acquainted with hotels but looking for an „apartment" enter all kinds of terms in online search engines – from holiday accommodation to real estate, temporary living and many more similar terms. Very few are familiar with the correct technical term. A survey by Derag Livinghotels among 400 business travellers at Munich Airport resulted in frustration: None of them would have entered the term „apartment hotel".

Duration of stay and location criteria

In fact, a rigorously differentiation between hotel guests and long-term guests is hardly possible, as apartment hotel providers usually also allow single-night stays. „Apartment hotel guests can be easily spotted by looking at number and the size of their suitcases," says Petra Rottenaicher, Director Sales & Marketing Germany & Georgia of Ascott, describing the core guest group of her hotels. „This image changes based on the duration of stay." Accor/Adagio, Adina, Ascott/Citadines, Derag Livinghotels, Marriott, and Boardinghouse Consulting agreed on the following definitions with respect to length of stay:

- ➤ Short stays: 1 to 3 nights
- ➤ Mid stays: 4 to 14 nights
- ➤ Long stays: 15+ nights

Which mixture holds the key to success for an apartment hotel? The companies are able to agree on several core statements, as Matthias Niemeyer, Head of Development Germany of Adina, summarises: „The share of short stays should ideally amount to 20 percent of the total number of room nights, but it should never exceed 40 percent." The result is, of course, a lower room rate compared to a full hotel. But: An apartment hotel should be capable of achieving 80 percent occupancy as well as at least the same RevPAR as a comparable full hotel. „The result of lower operational costs: An apartment hotel's GOP should at least be 40 percent – while 60 percent may be achieved depending on the concept." And: „Basic occupancy of serviced apartments should always be 15 percent higher than with classic hotels."
What is important for investors: Location criteria are not identical to those of classic hotels. „An ideal location or destination for a hotel might be a second-choice location or destination for an apartment hotel," summarises Niemeyer further. „In addition, a feasibility study should take (public transport) connections into account as well as local supply, area relation, apartment market, regional-economic dynamics and leisure possibilities in the vicinity." Rarely implemented, apartment hotels have been mixed-use projects so far. However, the number of consulting requests is increasing when it comes to these projects, ascertains Anett Gregorius in her own business practice. The reason for this often is partial commercial use stipulated by construction regulations.
Understanding the young and heterogeneous world of serviced apartments might still remain the biggest challenge at the moment – for customers and investors alike. The advantages of an apartment hotel compared to classic hotels are convincing: Apartment buildings require less space, no premium location and can be operated with significantly less employees than a regular hotel, thus saving lots of (process-related) costs, as the guests do not arrive and leave on a daily basis.
Insiders know: Even if an apartment hotel's average rate is below that of a classic hotel, apartment hotels usually reach higher occupancy rates.
In short, revenue profitability results from the balance between variable and fixed costs. However, there is still room for optimisation – „e.g. via the ideal mixture of studio and 2-room apartments," says Vangelis Porikis, Director Central & Northern Europe of Adagio City Aparthotels, suggesting a new variation.
However, such thoughts on operations and distribution were soon forgotten when it came to expansion. Each provider presents itself as being flexible, growing by constructing new buildings and/or conversions, as well as via ownership and lease and franchise agreements. Interested investors have but one choice: They need to deal with each provider individually and intensely.
// map

ACCOR'S NEW CEO SÉBASTIEN BAZIN WANTS TO LEARN FROM SHAREHOLDERS' MISTAKES

The constant is Me

Paris/Berlin. Already at the press conference, Sébastien Bazin willingly and with a wink, stretched out his legs with the red socks for the photographers, featuring the ibis corporate design. At the ibis party in the evening on the occasion of the 1,000th ibis hotel in the world, he even lolled in the "sweet bed" by ibis... In Berlin, Accor's new CEO displayed considerable humour at his first public appearance outside France – and gave highly analytical and precise answers in his exclusive interview with hospitalityInside.com.

He forthrightly admitted several mistakes he had made as a shareholder, and explained Accor's current change in strategy in more detail, as many experts and employees of Accor (still) do not quite understand that it was just this person – the new CEO – who contributed to the listed company's troubles in the past years as representative of Colony, a major shareholder of Accor's. This is why the interview started with a simple question: Why did you, Mr. Bazin, (help) hire the company's most recent CEOs and fire them again?

The eyes of the smart business man vis-à-vis flare up. He leans back, takes a deep breath and straightforwardly says: "Yes, having a CEO for only two years is very bad. As a member of the supervisory board, I was part of the decision and not a spectator. That is correct ... Gilles Pélisson likely lacked the energy to stay and take the next step after the successful split of Accor and Edenred. We are still good friends. Denis Hennequin was a franchise expert, developer and a good marketer. He understands leisure and loves everything international. But he was not able to restructure the company financially and cut costs." That was when Bazin, now 52 years of age, lost his patience. "I'm impatient by nature," he admits.

In retrospect, Bazin considers hiring Hennequin a mistake: "That was my mistake as a shareholder. We should have spent more time looking for a CEO." Hennequin's second man, Yann Caillère, also failed to cut costs at extreme speed. He had taken over as interim CEO for two months. When Bazin was surprisingly appointed CEO on August 27, 2013, Caillère left the very same day. Bazin makes no mention of him at all in Berlin.

Bazin is a hobby hotelier. His family owns a 37-room hotel in Méribel, a French winter resort, which he advanced from 2 to 4 stars and is presently managed by his son (www.hotel-savoy-meribel.com). Now, the investment expert with rudimentary experience in hotel operations is sitting on a considerably bigger chair – watching over 160,000 employees who are carefully scrutinizing their new boss in turn. How credible is this man who is obviously turning from a corporate raider to a hotelier performing a volte-face?

The new CEO is trying to build up trust. During the first four months, on his trips through Accor's world, he met 1,000 "skilled and ambitious" hotel employees, says Bazin. This had drawn him into a "new dimension". Perhaps also due to thoughts like these: "They asked me to stop the numerous changes in strategy and stay longer than two years." He had already announced the latter in his first speech on "Investors Day" in September.

Sébastien Bazin.

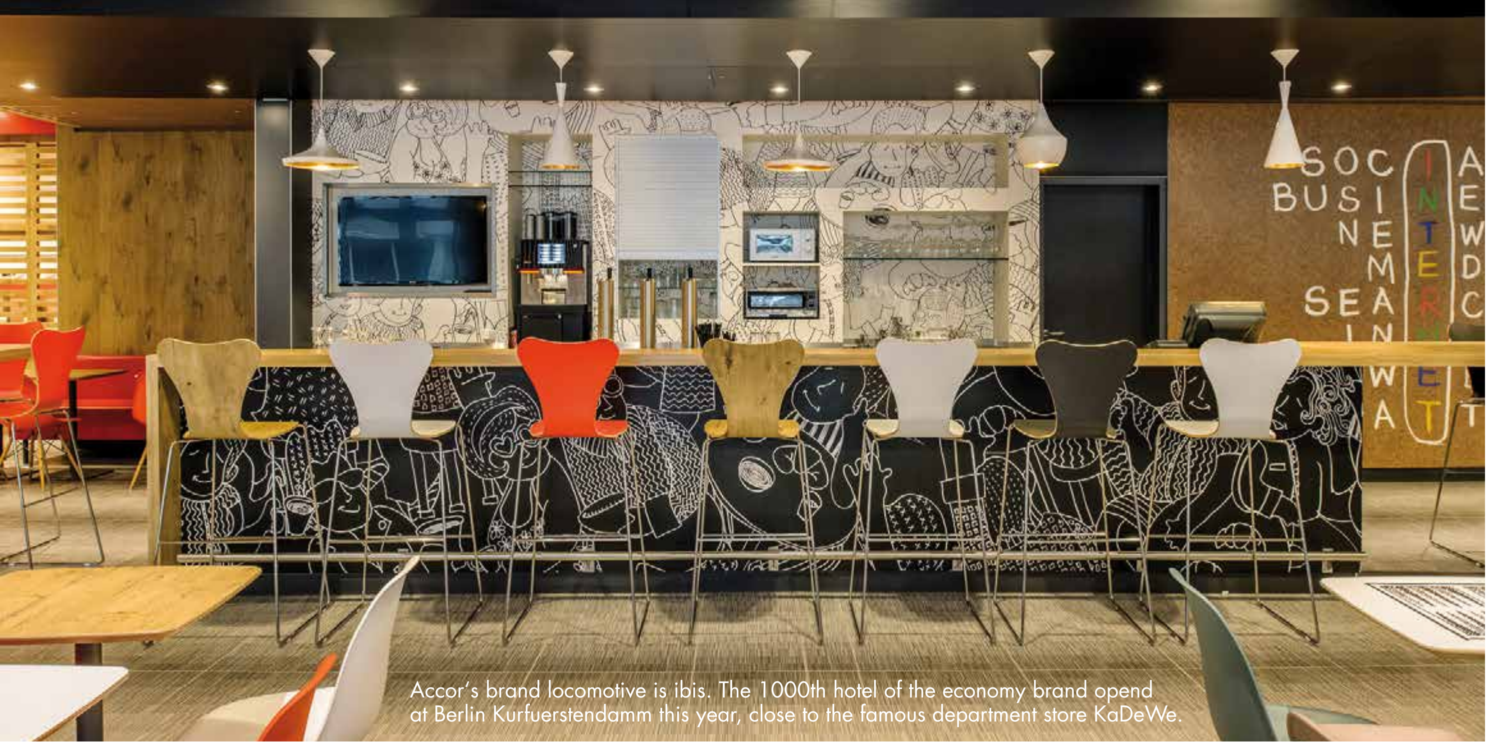
He switched to hotel operations with "open eyes". Since then, he has had a different view. "As an investor I was mainly interested in the shares. That was my job. The market dictates what it wants. The managers don't make the decisions. Otherwise you should not be listed."

This is why the investment expert has started to deal with a topic he is relatively acquainted with: the asset-light strategy that has been highly praised for years. "That was a mistake from a financing and operations perspective," says Sébastien Bazin now and explains: "The market demanded asset light. Investors rated lease agreements negatively. The game played between fixed and variable lease, guarantees etc. is hard for everybody to understand."

Accor's asset-light model so far had been running under the order of "selling off real estate" on a general basis – as is still the case among many other hotel chains. Bazin put an end to this in order to look at property in a more differentiated way aiming at selling at the perfect time at a higher price. He no longer wants to grant investment companies such as Blackstone and Colony this opportunity. Accor should benefit from this itself. "I believe that properties belong to Accor's DNA ... We should be able to control both the development and its speed by ourselves. That is what credibility is about."

Worth nothing and a lot

The investment expert is truly reluctant to sell hotels at cheap prices. With discipline and the right approach, properties can be managed better. "As a shareholder, I pushed Accor, as the company lacked the ability to



Accor's brand locomotive is ibis. The 1000th hotel of the economy brand opend at Berlin Kurfuerstendamm this year, close to the famous department store KaDeWe.

increase property value. With my new plan, the group now has this ability!"
He likes plain-talk: "There are three possible ways to expand: you find a franchisee for your projects, or you find an owner to conclude a management agreement with, or you invest on your own."
Accor is able to do all that (again). But he does not like to be misinterpreted. He does not want to make Accor the biggest international hotel chain, but the "best performer with the highest value".
Bazin's reasoning goes back and forth between two extremes: "worth nothing" and "worth a lot". At the moment, he is not sure where to draw the dividing line depending on the particular case. In future, Accor will be investing in new buildings and existing ones, particularly converting private hotels are a declared goal, however everything will be driven by opportunism in the end. But one thing, he knows for sure today: "90 percent of our hotel investments will go into economy hotels in Western Europe."

Removing worthless leases

The second big change in strategy refers to agreements. Lease is out – Accor will be signing exclusively management and franchise agreements in future. Or investing itself. Particularly variable lease agreements had been "a mistake", as they never do anything good for the leaseholder. After the financial crisis, Accor had its lease agreements re-evaluated. "If you cannot prove the value of leases, you should delete them," he clearly states.
Through the Motel One budget chain, Accor has had to cope with significant losses among its economy brands (particularly ibis) in its second most important market Germany in the past few years. Without hesitation, Motel One signs any lease agreement that is currently in high demand in Germany. The brand rejects franchising and has enough financial power to acquire properties on its own.
How can Accor win any pitches facing such competitors? But that does not interest Bazin at all: "We should not fear competition. There will always be competitors everywhere," he answers gentlemanly at first only then to refer pointedly to Accor's economies of scale. As long as Accor is significantly larger than others in Germany, he is hardly interested whether a group has 40 or 46 hotels.

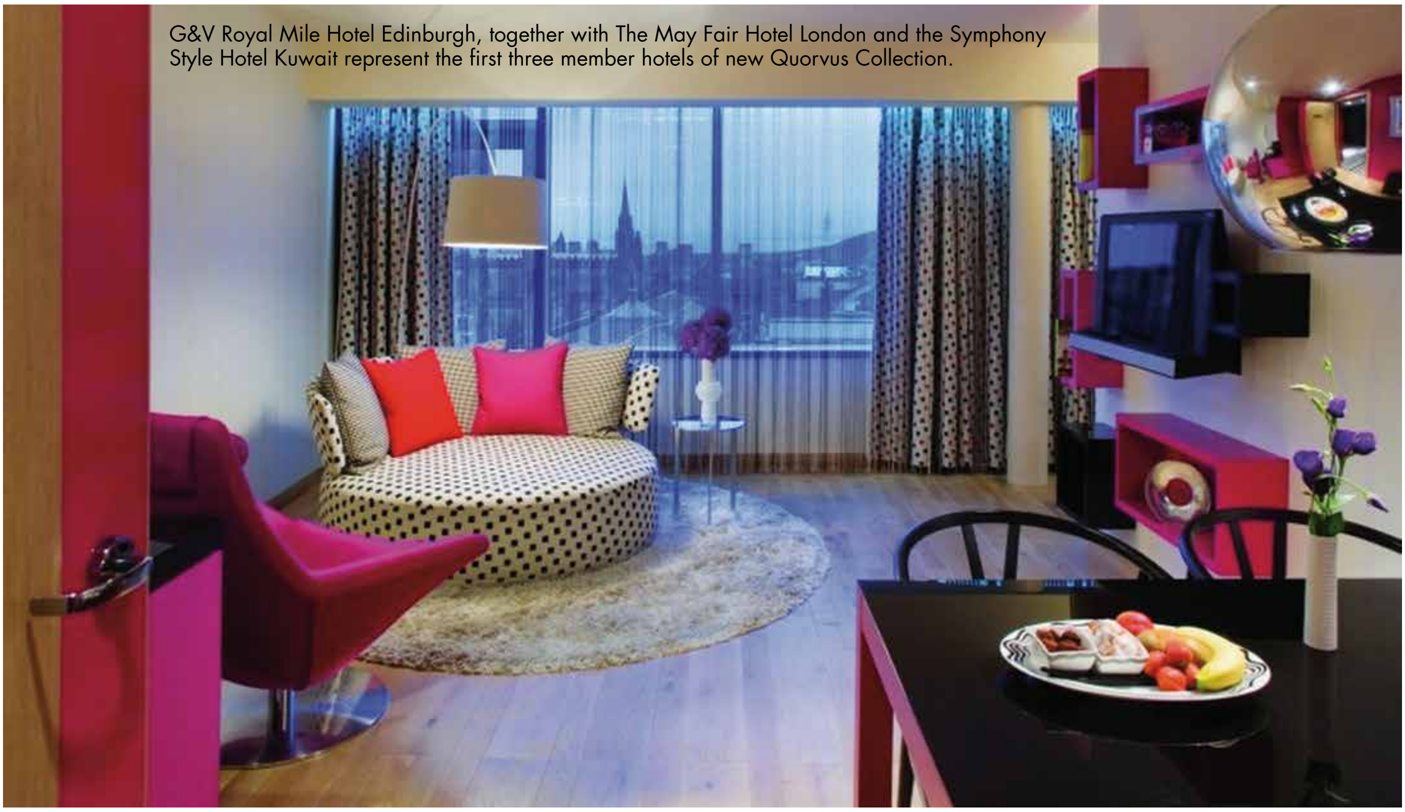
Upscale brand analysis yet to come

Bazin is conducting the third major change in strategy by doing away with "Cappuccino". This was the internal cute name of the brand structure initiated one year ago. It will now make way for the former regional structure again. "In order not to alter the strategy again, I initially planned to maintain the brand organization," explains Bazin, but then, he added the additional costs and weighed up inefficiency and ambiguity ... He does not want to disclose the additional cost of the interim strategy. But it seems to have been an unsustainable state in the eyes of the financial expert. The current organization chart of the new old regional structure as well as responsibilities has not been determined yet. Everybody is tensely waiting.
When it comes to brands, Bazin is also tight-lipped. On Monday, he declared ibis to be Accor's worldwide locomotive. He will let Sofitel prosper further in the booming region of Asia, but establish a closer connection to the other brands again. However, he definitely still wants to push Sofitel in Europe. And what about Mercure, Novotel, MGallery and Pullman? Bazin asks for patience here as well. The brand analysis is last on his five-step priority list. Fourth comes IT, and here, he only knows that the scheduled financial aid of 120 million euros will not be enough to develop this revenue pillar. He aims at fully realizing all steps within three to four years.

"I'm not the franchisees' enemy"

So far, Bazin has stepped on it where he knows the ropes (vision, organisation, finance). Understandably, he still hesitates when it comes to difficult operations issues. His openness and clear language, free from any empty notions, make him sympathetic. It is hard to say at the moment whether he will meet the expectations.
At the end of our interview, I confront him with a core statement from Accor's "Investors Day" in September: "I am a manager, but this group belongs to the shareholders, not to the franchisees, not the unions, not to the staff. Shareholders are the one who take risks and they need to be compensated for that." Is that fair? Do his franchisees really bear no risk? At the end of the interview, Sébastien Bazin finally gets a bit nervous and parries: "Franchisees are not naïve. They want traffic, good brands, and return. If they don't get this with Accor, they go to other chains. We make the rules, they accept them. The franchisees help Accor, we have a trustful partnership and I help them grow!"
I thank him for the interview and close my notebook. This is when Bazin's eyes flare up once more. He points his finger at the notes and states more precisely: "I'm not the franchisees' enemy. I will be loyal to them." He has learned his first lesson in operations. // Maria Puetz-Willems

Extract of an article published by hospitalityInside.com on Jan 24, 2014.



CARLSON REZIDOR PRESENTS TWO NEW BRANDS AND SPEEDS THINGS UP

Reset with luxury and design

Minneapolis/Brussels. After five years of losses and a correction in its strategy, Carlson Rezidor now continues with its expansion: Two new brands will expand its portfolio and target group, and these will be in the luxury and the newly created "Lifestyle Select" segment. The licence contracts with Regent Hotels and Missoni were/will be capped. The same applies for hotel lease contracts. "The turnaround and the good balance sheet figures from last year confirm our path on Route 2015," President and CEO Wolfgang M. Neumann said in an interview with hospitality Inside.com. The details.

Wolfgang M. Neumann.

It's on the up again: At the beginning of february 2014, majority shareholder Carlson (51%) promised Rezidor EUR 30 million of EUR 60 million in fresh capital, just as soon as the listed hotel group is able to put forward an offer for a rights issue on April 24, 2014. According to the financial statement, the anticipated EUR 60 million is to be quickly invested in order to increase the pace of expansion – primarily in emerging markets. To achieve this, Rezidor shareholders will have to go without a dividend for 2013 – Rezidor Management intends to propose that no dividend is paid. The two new brands alone are expected to bring a total of 80 new hotels to the portfolio by 2020. 20 of these are to be operated under the new brand "Quorvus" and as the new "Radisson Red" hotels.

Quorvus Collection: The name is derived from "Corvus", a small, bright constellation visible in the Southern Hemisphere – and will (hopefully) lead Rezidor into luxury heaven. The hotel operator will therefore again take the top segment and hopes for "perfectly implemented, luxurious 5-star hotels… individual in style, design, tradition, history, architecture… location and culture." Hotels with character in prime locations which have been neglected, run-down or whose brand is somewhat tired may in future call themselves Quorvus.

"This collection isn't about volume," Wolfgang Neumann says. Nevertheless, he would also accept hotels whose owners

are perhaps dissatisfied with other brands. The management contract is to be the driving force. Franchise agreements could be entered into in exceptional circumstances. We are already prepared to make an equity contribution to luxury hotels in selected locations, "though essentially, we will remain with our asset light strategy," the CEO makes clear. By the end of 2014, the first Quorvus Hotels are to be fixed, under certain circumstances perhaps a few hotels from the existing portfolio will be rebranded here too.
Quorvus will focus on service and six lifestyle elements: wellness, regeneration, style, inspiration, entertainment and networking. It is certainly easier to enthuse investors and owners with this chain of buzzwords than with the traditional Regent Hotels and funky Missoni Hotels.

Old licence agreements terminated

With this move, Carlson Rezidor is again focusing on luxury. Its earlier luxury brand Regent was sold in 2010 for USD 56 million to the Taiwanese firm Formosa International Hotels Corporation as Carlson lost interest. However, the then CEO Kurt Ritter didn't quite give up and in 2012 decided to redevelop the brand in the EMEA region – based on a master franchise deal with Formosa. CEO Wolfgang Neumann terminated this agreement in the third quarter of 2013.
With retrospective effect to 31 December 2013, the master licence agreement with the Italian fashion house Missoni has now also been terminated by mutual consent. "Two hotels in six years aren't a satisfying development," Neumann explained of the decision, "the Missoni niche was too small, despite excellent PR, but economically that wasn't viable." From June 30, 2014, hotels in Edinburgh and Kuwait will no longer operate under the Missoni flag.

Only brands with "mass potential" can be multiplied. For this reason, Wolfgang Neumann – who succeeded Kurt Ritter in January 2013 – is now focusing exclusively on his self-defined and completely new brands. Whereas the leap from "Radisson Blu" to "Radisson Red" is hardly proof of a creative leap, the distinction in their philosophy is.

In focus: Lifestyle Select

Radisson Red: This is the name of Carlson Rezidor's new "lifestyle select" brand. The term reflects the limited service approach taken by the mid and upscale hotel industry. The less in service, or in hotel facilities, is to be made up by a more in contemporary design and absolute interactive communication with the guest.
High touch and high tech also have a symbiotic relationship: Guests can, for instance, check in using an app and no longer need a room key; they can open their room door with their smartphone. The app can also be used to order snacks at the bar and at the deli. They can also order extra services at the online concierge, e.g. airport taxi, restaurant reservations etc… Parallel to this, use of space in these hotels will be dealt with in a flexible way and will flow better.
"The size of the customer group which we appeal to with this concept is fundamental," Neumann says of the design and technology focus. Radisson Red will be introduced in 2015 in conurbations in America, Europe, the Middle East, Africa and Asia/Pacific region. Here, Rezidor will focus on management contracts, though is open to franchise agreements in areas, but will not have a franchise focus, as Neumann stresses. Both new build hotels as well as conversions come into question for Radisson Red.
"Important for us is that we immediately appear with both brands globally," the manager says of the Rezidor strategy.
The new brand hierarchy of Carlson Rezidor now looks like this:

- Quorvus (Luxury)
- Radisson Blu (Upper Upscale)
- Radisson (Upscale, brand remains limited to America)
- Radisson Red (Upscale, Select Services)
- Park Plaza (Upscale)
- Park Inn by Radisson (Midscale)
- Country Inns & Suites (Midscale, brand remains limited to America)

Carlson Rezidor will in future cover a broad range of target groups. The chain therefore follows the model used by other global chains. For Park Inn, the ambitious is to increase the number of hotels sharply in order to achieve critical mass in key markets. For Park Plaza, nothing will change; the core brand Radisson and the original Carlson brand Country Inns & Suites will remain limited to the American market.
The new dynamic following the successful economic turnaround will demand more streamlined management. Neumann: "We will more aggressively manage our assets in future – and will renegotiate existing contracts or terminate them." After 12 contract terminations/adjustments last year, there are still eight to ten contracts which weigh on the strategy, primarily in Northern European countries and Great Britain. "Often, we have found good solution with owners," he reports of his negotiating experience. If no solution is found, Rezidor is also prepared to walk away as operator. And for this, the company is also prepared to pay. // Maria Puetz-Willems

Extract of an article published by hospitalityInside.com on Feb 21, 2014.

Pipeline – a professional term in the hotel industry indicating long ways to overcome.

PROJECT DEVELOPMENT: WHY ANNOUNCEMENTS VANISH INTO THIN AIR

Barrel bursts in the pipeline

Wiesbaden. Managers of international hotel chains will quite happily boast of dizzying figures regarding planned hotel developments. Nevertheless, a long path lies between the pipeline and the hotel opening and the differences in definition of the terms in a Letter of Intent (LOI) are gigantic. It is all the more exasperating when industry professionals regularly spew transcending announcements out of sheer greed for publicity. If one inquires again later, many explanations and excuses can be heard … hospitalityInside.com has dug deeper into the subject with hotel groups of varying profiles and market priorities: With Accor, B&B, Choice, IHG, Kempinski, Marriott, Mélia, Rezidor and Starwood as well as with the consultants and real estate brokers at Christie+Co and JJL.

"Our hotel pipeline is an important instrument to measure the growth of the company," explains René Schappner, Development Director Germany with the InterContinental Hotel Group (IHG). "IHG has one of the strongest pipelines in the industry. This is particularly due to the fact that we will accept no hotel in the pipeline if the financing of the project is not yet in place or all conditions are not fulfilled. We will list the hotels in our pipeline as soon as the licence agreements have been signed for a management or franchise contract."
Another bed giant behaves differently: With Marriott and according to its Hotel Development Vice President, Markus Lehnert, projects are taken up in the internal pipeline as soon as there is a LOI. "Sometimes earlier, if it is certain that truly nothing more can interfere."
Kempinski Board Member, Markus Semer, refers to the fact that listed companies primarily publish their huge pipelines in the spring as the "ITB Syndrome": "They need their growth stories because they must regularly demonstrate success," he says. "A selective, quality-oriented expansion is extremely laborious, particularly because we are not ready to buy into contracts." But with expansion, Kempinski can react more flexibly and quicker than most of listed giants whose decisions must be sanctioned by their Development Committee.
Semer sees another problem with hotel development in the fact that some groups have paid their developer per deal regardless of how operationally promising the project ultimately is. "To accelerate the growth, often no conversations with managers from the operational area are carried out in advance – particularly when it concerns the definition of guarantees or lease amounts," he says.

Internal or external tracking list?

"Every hotel company defines admission into their pipeline according to their own criteria," explains Choice Europa Developer Georg Schlegel. The manager, who has been active for Starwood, Accor and IHG, among others, formulates some questions that hotel projects raise:

- Are the hotels that are coming into the pipeline truly new to the company or do they merely concern the conversion from one brand to another?
- Do the hotel company developers carry the projects that they have been working on themselves and if so, to which level of development?

- How has the hotel reached the tracking list? Has the investor perhaps only expressed one letter of intent or have contracts already been signed?
- Does it concern the direct tracking list of a hotel company or is it that of an external consultant?

"Many 'dead dogs' are always lying about in the consulting firms' lists in particular," Schlegel knows. "Then for me, it is only certain that a hotel will truly be built when the excavator starts to roll and sometimes, this is still precarious."
Christian Giraud, VP Development & Franchise Accor Central Europe, says: „It is part of the hotel business to communicate its own pipeline offensively and positively. At Accor, however, we do not make great announcements, but rather concentrate on facts and projects, which will be realised in the end. Sustainable development and reliable partnerships with investors and franchise partners are of priority to us. This also includes reliable dealings with the pipeline. One year ago at Expo Real for example, we made public that we are on target with our 100 new hotels by 2016. Between 2010 and 2014, we opened 63 hotels, 40 projects were signed in 2014, of which 16 will open this year."
Serious consulting firms try to avoid the "dead dogs" in their lists. Ursula Kriegl, Executive Vice President Hotels & Hospitality with JLL in Munich: "Within the scope of our search for the production of a 'Future Supply List', we make a distinction between the planned properties and those that are already under construction, which is essentially similar to the approach of the hotel chains. We name the projects whose realisation is likely. If, for example, projects lie in the distant future, we will only publish them when, based on our market knowledge, we can solidly evaluate that they will also be realised."
According to Kriegl, most exceptions of the projects published by them do not make it to the launch. Indeed, it can be that the scheduling is delayed. Markus Beike, Managing Director with Christie + Co. in Berlin, makes a distinction between two pipelines: "On the one hand, there are the rather grandiose 'Budget-Pipelines' oriented toward marketing with the contents: 'Hotel chain X plans the opening of 60 hotels of the Y brand in Germany over the next 5 years.' And on the other hand, there is the 'reality pipeline' which is: 'Currently, we have signed a franchise contract and are still negotiating a further lease,' " he says. At the same time, both pipeline variations pursue different goals or are determined by different factors. "First, owners and project developers should be vigilant and offer interesting properties or projects to the chains´ development departments. This message is also directed toward the competitors: Attention, here we come," says Beike. For the most part, it is the reality pipeline that is straightforward because every city does not absolutely need even more hotels. "However, it can also be that the contract structures offered by the chain cannot find sufficient buyers. Or it is the fact that the economic framework data does not fit. This can also affect – with a postponement – the hotel market.

The marketing pipeline and the reality pipeline

Or the owner changes and they then have quite different plans," Beike enumerates a few reasons for impediment. "The wholehearted announcements of an international hotel chain still sound to my ears like the rollout of the openings offensive for the German business hotel market a few years ago from which only a little more than a handful of openings had stemmed."

In no case should projects from a pipeline be communicated for which only a letter of intent, LOI, has been drawn up since every group defines this differently (see box). "The meaning and obligation of a Letter of Intent can be very different and one must be aware of this. It depends on the content, not on the title. On the one hand, a LOI can represent an uncountersigned, short document with headwords regarding the important conceptual and economic cornerstones. Such a LOI has only a limited worth. And on the other hand, it can also concern a 20 to 30-page LOI that has been long-negotiated and formulated by lawyers that is also approved and is a document signed by both potential contracting partners. Such a LOI is to be evaluated as a real 'commitment' that demonstrates a solid foundation for the actual contract," explains Ursula Kriegl, JLL.
The chances of a project realisation depend very strongly on its location. "Everything takes longer in Switzerland; five years is normal there because there are many municipal referendums. In Turkey, one often comes across operations that are already under construction. An example with us was the Clarion Sisli. The timespan there between the first negotiations up to the opening only amounted to 3.5 months,"

The new Moxy in Milan opened in September. The budget brand started with ambitious announcements.

New Clarion Sisli Istanbul. In some markets, development is faster.

Mercure Heilbronn: Accor signed 40 projects this year; its pipeline is on track.

reports Georg Schlegel from Choice. Naturally, such short-term decisions are not desirable. "They take their time in Switzerland," Lehnert with Marriott also knows this and adds that hotel projects sometimes, regrettably, also fail due to a change of heart by the investors who have nevertheless decided to build housing instead.
Choice is developing relatively quickly in Turkey at the moment. According to Schlegel, the local circumstances can be roughly transferred to that of many emerging markets: Successful enterprisers who are new to the trade invest in a hotel and are certain that they will also quickly succeed. When the anticipated success does not appear in the timely manner expected, partners are sought out.

Market or location influence the definition

"In Turkey, one has the advantage that as a franchisor, the people are absolutely acting with solid management knowledge," says Schlegel. Some 1,000 franchisors are already active in Turkey today. However, he has also spotted a few handicaps there: "There are more frequent legal-administrative problems or the availability of land under good terms and conditions is lacking, as for example in Istanbul. Hotels can only be built there when an investor has long since owned a piece of land and has no need to newly acquire."
Markus Semer of Kempinski likewise places great value on the statement that the pipeline failure rate depends very strongly on the location. "There are problems in East Europe with the sanctions at the moment, while in Africa, the problems lie in the area of the financing and in China, impediments in the different approvals, licences or the financing are the most frequent. We also have projects in Syria and in Iraq where we are hopeful for realisation, but cannot guarantee this at the moment. The contracts continue to remain valid," he says. "Those who publish a project in Germany and subsequently do not bring it to launch have not done their homework."
However, the managers understand when third parties that are distanced from the German industry cause massive delays – prominent examples of this are the hotels on the chaotic construction site at the Berlin-Brandenburg Airport or specifically, the Westin being constructed within the body of the Elbe Philharmonic Hall in Hamburg.

The biggest time eaters

Time delays, say the developers, also stem from the granting of the building licence. They unanimously name financing as a further "external" handicap. Operator's contracts and also franchise contracts are ordinarily signed under the reservation that the investor also has their financing regulated. "As a rule, the concluding of franchise contracts runs the quickest. It takes longer with management contracts and operating companies today generally run the risk there that the lease agreements will take the longest," says Schlegel.
At the same time, he regrets that the institutional investors, particularly in Germany, are sitting on their money because their demands toward the operators are too high. The stricter the brand standards of a chain are, the earlier the group must be integrated into the development of the real estate. "Unfortunately, we have too few franchisees in Germany with a backbone ," regrets Schlegel.
René Schappner, IHG, views this similarly: "The development of new hotels is complicated and always requires a high capital engagement, particularly in a complicated and demanding market such as Germany that is dominated by leases. This can slow down the growth of hotel operators. To support our franchisees, we have developed a programme for Germany that is known as 'Franchise Plus'." With this programme, IHG supports its franchisees in the accessing of credit or through the provision of guarantees for the lessor. The Franchise Plus programme is directed toward franchisees who already have a business relationship with IHG and are able to implement several hotel projects within the framework of multiple contracts.

Partners new to the trade additionally delay

Alongside the external conditions such as financing or building licences, Kempinski Manager Semer also lists negotiations with the lawyers of the investor and/or their consultants as an obstacle. They frequently have no expertise in the areas of the hotel industry. "Final negotiations are also sometimes conducted with from two to three operators, which is efficient for no one," he regrets.
"In our opinion, projects most frequently fail due to the facts regarding the localisation and the Letter of Intent, so that the parties either cannot come together or have divergent economic interests," adds Ian Biglands, B&B Developer. // Susanne Stauss

Extract of an article published by hospitalityInside.com on Sept 5, 2014.

HOTEL GROUPS AND THEIR LOI DEFINITIONS

Hotel Group	Definition Letter of Intent (LOI)	Communication pipeline	Realisation of published pipeline in %	Major obstacles in realisation	Pipeline 2014
Accor Germany	Serious letter of intent at an early stage	Signed contracts	Nearly all except a few special cases	Financing and in some cases, construction approval	In Germany: 16
B&B Germany	Status to be taken very seriously before the purchase agreement	From the purchase agreement	99%	Divergent economic interests	1 hotel opening every month
Choice Europe	Establishes the corner stones of the franchise After contract signing 90% Lacking financing or too high Not specified contract. A draught of the franchise agreements is provided on the basis of the LOI, negotiations are then finalised. The LOI normally contains validity / exclusivity for a confirmed period; Typically 3 months: If the partners do not conclude by then, the LOI is no longer valid.	After contract signing	90%	Lacking financing or too high guarantee demands on operator by investor / bank	Not specified
IHG	Definition of the most important negotiation results. Projects in the most various stages. Signals the readiness of owner and brand provider to negotiate details with the goal of signing the licence agreement.	After signing of the licence agreement by both parties and examination by the legal department.	Very high – higher than with some competitors	Capital commitment for lease agreements, particularly in Germany. IHG has developed the „Franchise Plus“ model for this.	In Germany: 16
Kempinski	3 steps: Non-binding expression interest; Head of Terms: 3 pages with the most important conditions; memorandum of understanding: More than 20 pages, binding in the German realm with a concrete economic efficiency-analysis beforehand.	After signatures from both sides	Dependent upon location, international total is approximately 80 %	False expectations on both sides	38 in construction or development
Marriott	Non-binding establishment of the most important economic data	After contract signature	More than 95%	Construction approval, change of utilisation by the investor	Europe total: 29
Meliá	The agreed key points that serve as a basis for concrete contract negotiations.	With firmly concluded contract	From 90 to 95%	Financing, developing costs too high in comparison to the market potential	59
Rezidor Group	Non-binding expression of interest (Pre-signing/ Evaluation stage)	After contract signing and fulfilment of the CPs (Conditions Precedent)	According to region, from 80 to 85%	Financing, lacking experience of the owners/ developers in hotel real estate development	87
Starwood Hotels	LOI and Term Sheets are detailed and taken seriously. LOI is to be examined and approved before the concept development stage (CD).	After signing of the management or franchise contract	Depending on location, (political and financial situation)	Financing, political riots	450

HOTEL CONSTRUCTION COSTS RISE: WHAT CAN BE DONE ABOUT IT?

More lawyers than labourers

Wiesbaden (September 13, 2013). Not only has the interest in hotel real estate risen, but also construction costs. This is causing concern for project developers and hotel operators as disproportionate leaps in costs aren't so easy to work into existing budgets and can in some cases ultimately mean the end for some plans. hospitalityInside.com set out to look for the causes and solutions.

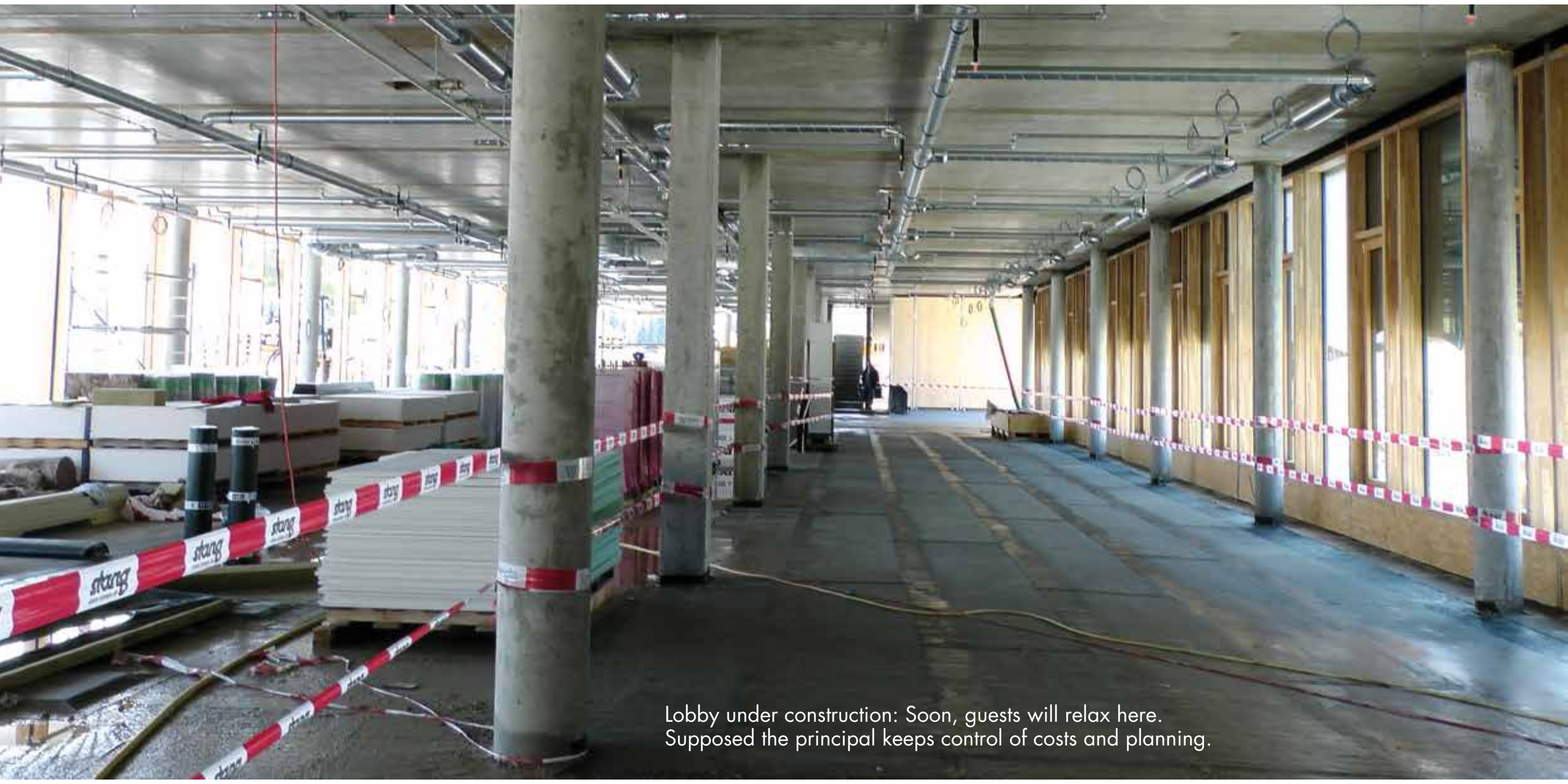
"For one project we manage, costs have risen on plans from 2011 by 15 percent," Antje Zumsande says from Consilium Hotellerie in Leinfelden. Peter Joehnk, Managing Director of the Hamburg-based interior design office JOI Design GmbH confirms: „Apparently, capitalism is working especially well in terms of construction prices. As soon as there's some light at the end of the tunnel, there are broad price rises." Price appreciation is especially notable in shell construction and building services.The engineers office Reinhardt und Sander based in Bad Salzuflen, which in recent years was commissioned by Maritim for larger restructuring and renovation works, confirms the rise in construction costs. In its view, the rises are due to rising costs in personnel, raw materials and energy. Dramatic price increases in raw materials have also been noted by architect Oliver Massabni from a2 hotelconcept based in Vienna

Long and complicated finance pushes up prices

For Joehnk, the main culprits of these price rises are principals and banks. „For many years, contracts have not been awarded to individual firms, but rather a decision has been taken to increase security – apparently – by using general contractors. The problem is that there isn't that many such large general contractors which are solvent enough to appear „safe" to the banks. I've also read that these large general contractors employ more lawyers than labourers. Where all this leads, many large projects now making headlines show. Warranted fixed prices are exploding. Here, I can only see that in-house lawyers have been working hard with their ‚claim management'.

Joehnk also observes an explosion in ancillary costs, including fees for project managers, specialists and auditors. These fees exist only because principals and banks wish to buy in their expertise and thus also a measure of price security.

Olaf Steinhage, Managing Director of hcb hospitality competence based in Berlin,



Lobby under construction: Soon, guests will relax here. Supposed the principal keeps control of costs and planning.

From left: Olaf Steinhage, Cornelia Markus-Diedenhofen, Oliver Massabni, Peter Joehnk

agrees fully here: „In particular, we see cost increases of between 15 and 20 percent on contract awards to general contractors preferred by the banks," he says.

No time for price comparisons

Oliver Massabni suggests one other reason for the rising costs: the ever longer duration of projects. „Since the beginning of the international economic crisis, investors and project developers have needed ever longer start-up periods to get their project off the ground and into the construction phase. That this has a negative impact on the feasibility of projects is understandable. No change is to be expected here in the foreseeable future," he fears.

Interior designer Cornelia Markus-Diedenhofen from Reutlingen adds: „Today, the lead time for tenders is missing. Construction contracts are only awarded when finance has been secured. After that, everything has to move very fast. Construction is carried out under enormous time pressure and so time for intensive price comparisons just isn't there."

Markus-Diedenhofen confirms that the rise in building service costs is especially notable. „Construction workers there must also pay close attention to what they're doing," she says. „Many architects have no idea about technical building systems. A hotel isn't an office building. Each planner must recognize the correlations and look beyond other works."

Further additional costs would be incurred if the principal wishes to incorporate ideas which are not contained in initial plans. „Sometimes it happens that the principal wants to reduce the budget whilst at the same time making additional demands," she goes on. Ultimately, the works also depend crucially on the negotiating skill of the companies involved. „Today, you can build a 3-star room without a bathroom for EUR 3,500 if everything runs smoothly," she says.

Opportunities and risks of globalisation

„An analysis of construction costs for the individual projects does allow reliable forecasts to be made," Massabni says optimistically. „Total costs, projected over a limited timeframe, should be set out transparently and discussed openly with partners. Verification is helpful in individual areas. Variable price trends are to be set out only for those project areas which really are affected. The lion's share of cost heads are subject to general price trends."

Joehnk confirms the latter in his own field of expertise: „There are no price rises in interior construction which go beyond minimal inflation," he says. Nevertheless, German trades are meanwhile losing out to large interior construction companies which provide only a fraction of works in-house and instead buy in services from neighbouring Eastern Europe or import free-standing furniture from Asia. „Polish carpenters are also good tradesmen, they are also prepared to work 14 hours a day and, despite minimum pay, earn considerably less than German tradesmen," he says, describing the opportunities and risks of globalisation.

The bad boys are the general contractors

The most effective permanent solution for the price problem in hotel construction may conceivably simply be: „Either you have to plan and tender in a much more detailed and broad way - up to service levels 5, 6 and 7 - in order to minimise possible risk premiums in the GC calculation," Steinhage says, „or you have to move very early into cooperative planning and contracting models with capable GC partners. Examples for this are guarantee maximum price models (GMP) or classic tenders for individual works and/or packages in order to avoid or at least minimise GC premiums."

Both solutions have their disadvantages though. „In the case of the first, advance finance by the principal is necessary. In the case of the second, construction cost security comes very late from the point of view of the banks," Steinhage says.

Joehnk's proposed solution seems similar: „If experienced architects and interior designers make individual tenders and award individual contracts, then a GC premium of between 20 and 40 percent can be saved. And if one could have a little more confidence in one's planners and do without other specialists, auditors, project managers and quality managers, then substantial fees could also be saved here," he says. „It may sound overblown, but it's true that we have managed some large projects where there have been more security personnel, administrators and managers than tradesmen.

On the other hand, the claim that a lawyer sits behind each tradesman and interior designer, just waiting to register a formal error is overblown. „But we're certainly on track to get there," Joehnk believes. //

Susanne Stauss

Extract of an article by hospitalityInside.com on June 20, 2014.

THE CHINESE, GASTRONOMY AND SECONDARY LOCATIONS ARE ALTERING THE MARKET

Trend Changer

Munich. 2013 was a good year for the hotel industry. Concerning profits, the year 2014 has deteriorated a little. However, the hotel market offers many new perspectives. The luxury hotel industry remains the flagship but is trying to find innovative ways. The gastronomy section is winning honour again with funny ideas and "top-roof" locations; new customer groups, and also new investors (from China) are causing a sensation and ensuring that the hotel market remains exciting for guests, investors and operators in 2014.

Currently, a lot of money is in circulation. Germany and the USA are very popular destinations for foreign investors, while Russia and some emerging counties are losing their favour. This is the result of a new study of the management consultancy A.T. Kearney.

This trend was also reflected at the "After Work Talk – Hospitality" organised by PKF hotelexperts and the law firm GSK Stockmann + Kollegen. While hoteliers and consultants used to be in the majority, many investors attended this time. Apart from the classical subjects about hotel investments, a new and interesting trend was mentioned as well this time: Chinese investors are coming. Just as in the industry, they are starting to invest in the German hotel industry now. In the meantime, their investment behaviour has changed: they are also interested in long-term investments and are slowly losing their reputation as predatory capitalists, who sell and purchase quickly for the sole purpose of yield maximisation. In the hotel industry, this trend seems to be establishing itself slowly as well. The reason: due to the increase of regulations in the Chinese real estate market, it is becoming more interesting for Chinese investors to invest in foreign countries, especially in a safe haven like Germany. In addition, an increasing number of tourists are travelling to Europe and are looking for hotels, which meet their needs – especially concerning the language barrier.

For investors, Frankfurt/Main seems to be very popular as a location for entering the market. Therefore, the former Golden Tulip in Offenbach has become a New Century Hotel in Chinese hands. Since 2009, the hotel had been empty until the second largest Chinese hotel group and largest private hotel group, by their own account, which is based in Hong Kong, bought it. The QGreenhotel by Meliá (a former Tryp hotel) is the first hotel of the Chinese investment group Greenland in Europe, and the Soluxe Hotel Frankfurt-Niederrad was bought by the Huarong group, a subsidiary of the China National Petroleum Corporation.

Leipzig and its attractive convention centre (photo) drive local hotel business.

Chinese investors want to attract fellow citizens

This probably was only the beginning as the numbers of Chinese tourists has been increasing rapidly since the EU signed an agreement with the Chinese tourism authority in 2004; this agreement makes trips to Europe for Chinese citizens significantly easier. While this was only affordable for the rich in the beginning, the middle class has started travelling as well now. In 2009, the research department of Deutsche Bank already hinted at this development and calculated that this segment of the population will generate 7.7 percent of the global gross domestic product by 2030.

This is good for Germany as neither France nor Italy, but rather the Romantic Road, the royal palaces, the cities Frankfurt, Munich and Berlin are the most popular destinations among the Chinese travellers. According to the German National Tourist Board (GNTB) already 1.7 million Chinese visited Germany in 2013. This is good for the economy as well because Chinese travellers are power shoppers. They spend an average of 580 euros per purchase in Germany – Russian and Arabian tourists come second and third with 336 euros and 296 euros respectively.

"While the number of Chinese travellers increased, the German hotel industry did not develop as strongly as in the top year of 2012," said Ulf Templin, Managing Partner at PKF hotelexperts in Munich. With 27 Mil-

Munich's leading luxury hotel:
Mandarin Oriental.

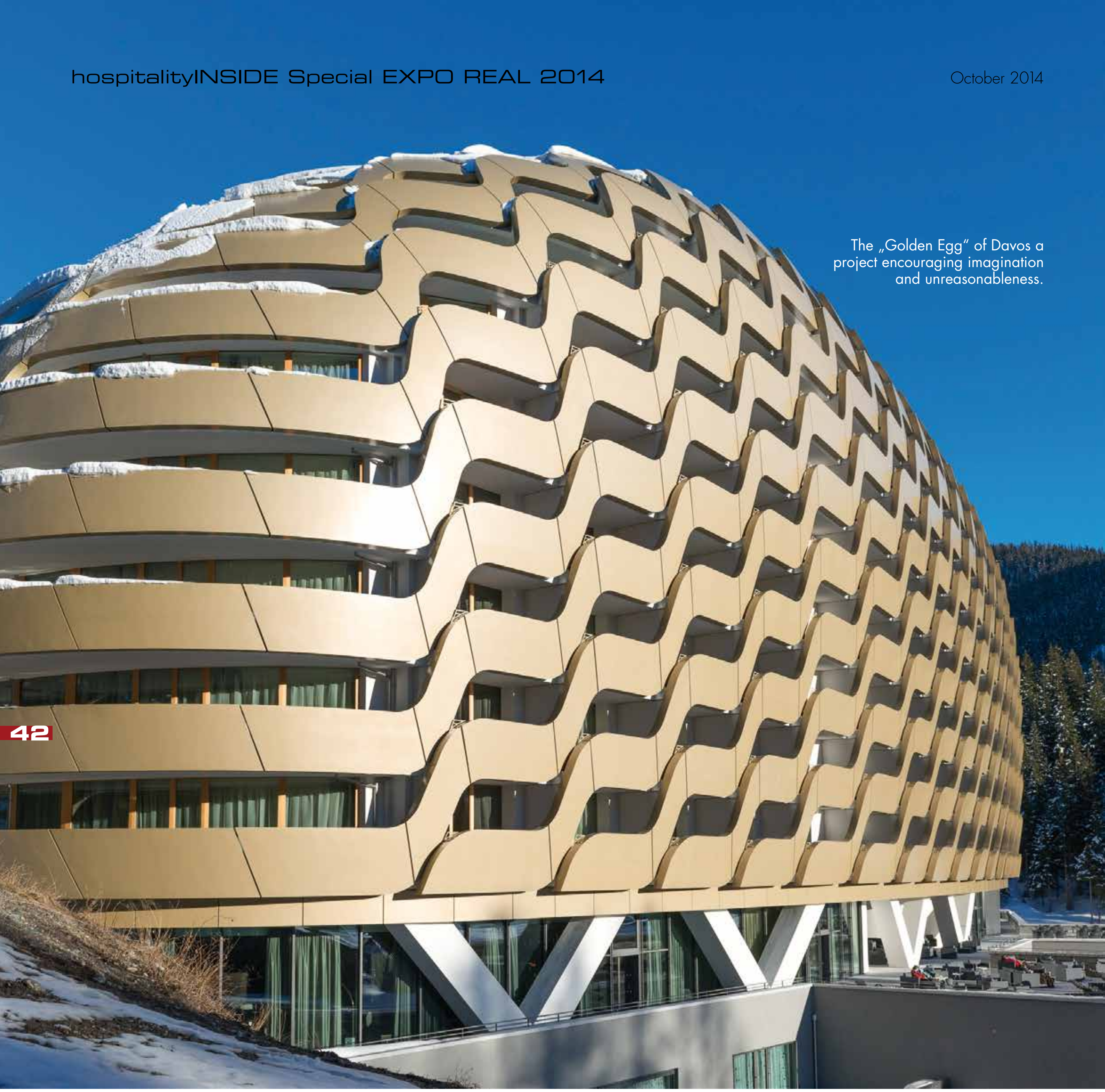
lion overnight stays, Berlin still ranks first; the city was able to increase this figure by eight percent. Ranging significantly behind are Munich and Hamburg with an increase of four percent. The Hanseatic city is catching up quickly. Hamburg was able to generate an increase of overnight stays of 9.4 percent compared to the previous year. For the placement of the figures: between 2004 and 2013, there was an average increase of 3.6 per cent per year. The average increase from 2012 to 2013 was 2.3 percent and therefore below the ten-year average value.

There were only few changes concerning the origin of the guests: with 81 percent, Germany remained an internal travelling country in 2013 as well. Similar with the categories: the 3-star segment still accounts for the broad majority with 52.6 percent, even though the economy sector seems to becoming stronger, said Templin. This might be the case at some locations; however, this does not apply to the entire market.
And there has only been little movement concerning the subject of "branding". Germany is still the country of individual hotels. The low average room rate remains a problem in Germany. While the occupancy rate increased by one percent, the average room rate decreased by 0.3 percent in the 3 to 5- star categories. Hardly surprising: concerning RevPar, Munich ranks first while Berlin comes last – due to the low room rates there.
However, the secondary markets have caught up. "Heidelberg has slowly developed into 'little Munich', says Templin, as it is popular among tourists and business people alike. Mainz and Wiesbaden complement the "golden triangle" of the secondary cities. PKF hotelexperts regards the provincial capitals Hanover and Stuttgart as attractive locations too. In the east, Leipzig has caught up significantly – especially through numerous conventions. Many projects are under way, especially in the low-rate segments.
Munich between luxury and budget boom
Concerning new buildings, Munich has outstripped Berlin, where 60 new hotels and 6,000 rooms are in the pipeline after all. This ought to further fuel the tense supply situation due to the hotel over-supply. In Munich, 40 new projects and five extensions with a total of nearly 7,800 rooms are planned – among them the extension of the Mandarin Oriental, the new buildings of the Andaz (Hyatt) and the Wyndham Grand Munich, as well as the contentious issue of tearing down and rebuilding the Koenigshof at Stachus. In the middle-class segment, Arcona Living, Sir Xiam, aloft, Novotel and the expansion of the angelo hotel at Leuchtenbergring are planned.

How much luxury does budget allow?

Particularly turbulent is the economy segment. Here, Adagio Access, ibis, ibis budget, B&B, Motel One (extension), A&O, Cocoon, Holiday Inn Express, and Super 8 want to stir up the market in Munich. In the other cities, the volume of new buildings remains reasonable – with the exception of Hamburg with 3,500 new rooms.
A close look at Munich is worthwhile: for years, nothing happened, but now they have become more flexible in the light of the hotel construction boom, said Templin summarising the situation. And luxury seems to be en vogue again. But how much luxury does a hotel guest need? How much pays off for an operator and an investor in a time that is characterised by budget hotels and co-living models?
Ten years ago, Germany was a misery country for hotels; in the meantime, it has blossomed to become the favourite country for investors. Even if the rates are in midrange and the performance has bottomed out after three super years, it has been a very positive development in total. //
Beatrix Boutonnet

Extract of an article published by hospitalityInside.com on July 11, 2014.



The „Golden Egg" of Davos a project encouraging imagination and unreasonableness.

LESSEE INSOLVENCY AT INTERCONTINENTAL: A SURPRISINGLY FAST BANKRUPTCY

The surprise egg of Davos

Davos. The insolvency concerning the InterContinental Davos has had first consequences: Lucas Meier, fund manager at Credit Suisse Real Estate Fund Hospitality (CS REF Hospitality), resigned from his position. Credit Suisse Real Estate Asset Management, which is responsible for the real estate funds and real estate investment foundations of the Swiss major bank, announced that the fund manager "decided to leave Credit Suisse after nearly three and a half years in order to take on a new challenge"; he had been responsible for the fund's fortunes since its launch in November 2010. The market sees this as a "sacrificial lamb" – too many questions remain unanswered.

As reported, only six months after the opening of the 5-star hotel in Davos, the lessee Stilli Park AG filed for bankruptcy on June 2, 2014, and the CS fund pulled Weriwald AG as follow-up lessee out of the hat within a few hours. Since then, there has been confusion – apparently with reason. Currently, the Credit Suisse is providing no information on the subject apart from the official communiqués; and yet, the events concerning the "golden egg" in Davos have preoccupied the public for days. Reports from Swiss media reveal a puzzle of apparent mismanagement.

In 2004, Stilli Park AG was founded specifically for the luxury hotel project in Davos (www.residences-davos.ch). The company purchased the corresponding piece of land, developed the project and sold the parcel of land to the real estate fund CS REF Hospitality in 2010, which then had the 5-star hotel with 216 rooms as well as 38 condominiums built for 250 Million Swiss francs (around 205 million euros); the hotel alone costs around 155 million CHF (more than 127 million euros). Due to fund-related reasons, Credit Suisse is not able to conclude a direct agreement with the operator InterContinental Hotels Group (IHG); therefore, Stilli Park AG has been put up as lessee for 20 years (see link). But the alleged guarantor for continuous cash flows for the fund went bankrupt after only six months.

"This is nobody's fault"

According to information of the news agency "sda", the debts of Stilli Park AG amount to three million CHF (about 2.5 million euros), whereas the company owes most of its debt to the hotel group InterContinental (IHG); the original lessee has a longstanding management agreement with the hotel group, according to hospitalityInside.com's knowledge.

There are debts as well as share capital of two million CHF (more than 1.6 million euros), which will be used in the case of insolvency. The bankruptcy of Stilli Park AG is nobody's fault, said Martin Buchli, president of the board of directors of the leasing company, to the news agency: "After the WEF, individual guests stayed away and we had a bad winter season; in addition, April and May are traditionally weak."

According to Buchli, the reason for the bankruptcy is the "failure of the property" – whatever this means.

Among the Swiss market participants and in the media there is no understanding for the events in Davos, however. Admittedly, there were some initial difficulties (the delay of the opening due to water damage as well as the hesitant sale of the apartments), but both occurrences are not uncommon for new buildings, as is widely known in the hotel industry; even start-up phases with weaker results are normally included in their schedules. IHG has, according to insiders in the hotel group's environment, never calculated with 50 percent occupancy at this alpine location in the first year of operation; the occupancy, which was lower than 40 percent, was also caused by the weak winter season, which nobody could predict in advance.

No more with Credit Suisse: Funds Manager Lucas Meier.

Due to such unknown variables, hotel experts are more pessimistic than optimistic in their planning: normally, luxury hotels need three to five years to establish themselves successfully in the market, especially in economically challenging times, and in combination with difficult season locations such as mountains more than ever.

That the lessee Stilli Park AG would have to strike sail after such a short time leads observers to believe that the company was undercapitalised. "It is not very professional to provide the leasing company with so little capital that it has to file for bankruptcy after half a year," said a market participant who does not want to be named. Normally, operator and lessee companies respectively are equipped to endure at least three to five years, even in worst case scenarios. Why Stilli Park AG was undercapitalised remains open in the meantime. "The shareholders probably wanted to keep the risk as small as possible," is the consensus on the market.

Risks could have been known

But the misjudgements started much earlier. That a 5-star project in Davos would entail risks, should have been clear from the beginning, reported an insider. Many parties interested in the project (such as Hyatt from the operators' side) withdrew after a thorough examination, "for quite understandable reasons". Indeed, in the eyes of many hotel experts, keywords like Davos, mountains and two-season operations are not compatible with luxury, expensive residences and mega hotel size, but the CS apparently did not want to hear any of this.

About the motives, why the bank respectively its fund was less risk-averse than the co-competitors and therefore joined the project in Davos, is not clear as the varying views show. Insiders point out that there has been a severe investment plight – especially among institutional investors who want to invest their money in the "secure" home market and also have to do so due to regulations. Shortly after the Lehman crash, the Swiss real estate market was regarded as a "safe haven", and the destination of Davos/Klosters with the WEF and many other congresses was popular as a "good location" for winter and summer holidays alike. This might have influenced the decision in favour of an investment, they say.

At the same time, banker logic might have played a role: as large projects require the same extensive examination ("due diligence") as smaller ones, bankers prefer the larger ones – to save costs. From this perspective, the Stilli Park project might have come in handy for a fund looking for investment projects for hundreds of millions of Swiss francs.

Project was on a knife edge

The project had been controversial from the beginning, as shown in a side note about the insolvency of Stilli Park AG, for example. Accordingly, the leasing company owes the municipality of Davos about 270,000 CHF (around 222,000 euros) for building permit fees. In 2009, the decision for the construction of the luxury hotel was apparently hanging in the air, reported the newspaper "Suedostschweiz". The small cantonal parliament at that time decided to grant Stilli Park AG a respite.

The construction of the hotel "was on a knife edge" and they wanted "to keep the investors in a good mood", were the quotes of Hans Peter Michelan official authority, of Davos. Maybe it was based on the fear of losing an important economic factor for

The Credit Suisse headquarter in Zurich:
a powerful bank with a questionable hotel commitment.

Davos: at that time, the short-term but quite serious threat of Klaus Schwab, the organiser of the World Economic Forum, was in the open to abandon Davos as a location. The municipality and canton beat the big drum and in order to support Davos as a convention location, many investments were made in the last few years, which not least of all ultimately benefitted the regional building sector. A new congress centre was built and numerous hotel projects initiated, among them the InterContinental. But the investors seem to have forgotten that the WEF only fills the beds once a year and then only for a few days.

Funds without fortune

In the meantime, a new lessee is ready to go, operations continue and the problem in Davos might not be existential for the CS REF Hospitality: the InterContinental Hotel is only one of more than 40 fund properties in the sectors of hotel industry, old-age living and university campus properties. However, the Swiss "Handelszeitung" points out that the "golden egg" is the largest property in the portfolio and that a certain correlation risk might appear: according to the annual report and with a total investment sum of about 1.3 million Swiss francs (more than 1 million euros), the luxury hotel in Davos represents nearly one fifth of the value of the CS Hospitality fund.
In addition, the fund, which is one of the first Swiss real estate funds with a focus on accommodation facilities, has not exactly performed well so far. If you take the development of the fund over its total life of three and a half years, the culminated performance only reached a weak 1.1 percent, reports the "Handelszeitung". In the course of the current year, there has been an upward trend but this does not change anything for customers who have invested in the CS hotel fund from the beginning and have only obtained bad results so far.

Looking for expertise

In the end, only one question remains: what does a banker or real estate expert know about the hotel business or a hotel as part of a mixed-use development at a secondary location? The answer is: plenty of nothing! Concerning CS, the entire process gives rise to scepticism doubly, as Lucas Meier originally came from the hotel industry: previously, he worked in Switzerland for a hotel group of the 3 and 4-star segment operating in Germany (Hospitality Alliance/Ramada), prior to this he was consultant.
Insiders from the hotel world as well as the real estate and financial world can only shake their heads about the bizarre bankruptcy puzzle in Davos. Credit Suisse named Thomas Vonaesch to be interim funds manager starting on July 1; since 2002, he has been funds manager of the CS 1a Immo PK, the second largest real estate fund in Switzerland. At the same time, the bank is looking for a "certified hotel expert" for the management of CS REF Hospitality. It will probably not be easy to bring the ship back on course. // BW, map

Extract of an article published by hospitalityInside.com on June 20, 2014.

LUXURY MARKET SWITZERLAND: THE BIG INVESTORS BEHIND

Significantly more foreigners

Siders. Investment opportunities in the Swiss luxury hotel industry remain in high demand both within Switzerland and abroad. Not only do investors secure excellent sites and the good reputation of historic grand hotels, they are also convinced by Switzerland's stability. A study describes the biggest actors within the 5-star hotel industry and reveals their motives. It also warns of new regulation which is likely to make life more difficult for both investor and hotelier.

Asian and Arabian investors get settled in Switzerland and in the rest of Europe. The photo shows the lobby of the new Peninsula Paris owned by Katara Hospitality.

5-star hotels are considered the beacons of the Swiss hotel industry. Two years ago, Patrick Kullmann and Roland Schegg from the Institute for Tourism HES-SO Valais, analysed the key actors behind the big luxury hotels. Since there have been significant changes in the market since the last survey, the new study "Who's Who in the Swiss 5-star Hotel Industry 2013/14: Investor Trends and Strategies in the Luxury Hotel Industry" takes a fresh look. The study divides investors into five categories – strategists, patrons, hotelier families, finance investors/speculators and developers. The Swiss luxury hotel industry is currently dominated by patrons (27%) and finance investors (23%). These characteristics are supplemented in the new study by facts as to the investor's geographic origin, investment motive, transactions involving change of ownership as well as trends from 2011 to 2013.

One important finding: Foreign investment has recently risen with foreign investors currently making up an estimated 46% of all investors in Swiss 5-star hotels (40% in 2012). These ratios would be even higher if they included foreign-born investors who have since been naturalised in Switzerland or those who hold dual nationality.

Focus on two well-known investors

The Swiss real estate market continues to be considered a relatively stable and secure financial investment, in particular by investors from volatile and politically unstable regions. Investment in Switzerland is therefore often made for hedging purposes or for portfolio diversification. Alongside these genuine investment motives, another topic of discussion is the risk that certain investment projects pursue other objectives, in particular those which collide with the Money Laundering Act. Here, funds may well be securely placed, the problem is rather that there then follows no sustainable investment in operations.

The study includes a table which gives an overview of the 12 most important actors on the Swiss 5-star market. Two investors, the Frenchman Michel Reybien and Credit Suisse Real Estate Fund Hospitality, are looked at closely by the study. Reybier, who already owns a number of hotels and hotel investments in France and Switzerland, has recently acquired the Swiss Victoria-Jungfrau Collection via Aevis Holding –

a transaction which is discussed in detail in the study.

Credit Suisse Real Estate Fund Hospitality invest in hotel real estate throughout Switzerland and holds around 20 hotel complexes and other assets in the amount of CHF 1.4 billion (end of February 2014). The fund has traded on the SIX Swiss Exchange AG since October 31, 2012, and is open to both institutional as well as private investors. The fund is an "evergreen" fund, that is, it has no fixed term and a diversified portfolio structure (various sites, classifications and operators) which is gradually added to.

The fund primarily makes hotel investments around large cities and conurbations from a critical size (at least 80 to 100 rooms with 160 to 180 beds). Investments in holiday resorts with international reputation form a secondary focal point though are only made where a clear 'unique selling proposition' has been identified (location, concept, operator, brand and infrastructure).

The study two years ago looked extensively at the Sandoz family foundation as well as at the Kipp-Bechtolsheimer family from Germany. Further foreign investor groups originated from Qatar, Saudi Arabia, Italy and Greece.

New regulations cause concern

According to the study authors, the luxury hotel industry has seen more mixed concepts planned and completed. These are concepts including hotels, residences and spas. The apartments were often sold upfront, either as part of time-share schemes or otherwise, in order to finance the construction of the hotel itself.

This type of finance was increasingly used in ski and mountain destinations. These concepts also had the advantage that second homes were also accepted as collateral for bank loans. The implementation of the Second Home Initiative as per March 11, 2012, which limits the number of second homes, will now show whether this type of finance has a future or not. The authors expect these additional barriers to entry will result in a certain backlog of investment in skiing and mountain regions. One solution here might be that existing real estate is in future offered with certain services, for instance as "serviced chalets". The complete study on the Swiss 5-star hotel industry with its many tables and investor names can be found at the website www.tourobs.ch. // sst

Extract of an article published by hospitalityInside.com on May 9, 2014.

BRUSSELS SUFFERS FROM LOW GOPS, LABOR COSTS & MORE

An unprofessional industry?

Brussels. For many people, Brussels is the "unofficial" capital of Europe, the place where its future is designed and its rules set. For the 3.1 million visitors who experienced Brussels in 2012, there is more to it than meets the eye under the European flag. Meeting the demands of both leisure and business interests, the city actually comes in 8th in the top 10 of "Lonely Planet's" best place to visit" this year and remains, for the fourth consecutive year, Europe's no. 1 destination for congresses and meetings. This sounds like a good basis, as occupancy is good. But RevPAR is devastating. The hotel association complains about "killing labor costs", while the hospitality union criticizes the market's oversupply and the industry for its unprofessional behavior.

According to the conventions and visitors bureau www.visitbrussels.be, Brussels-Capital Region currently boasts about 20,000 rooms. An additional 1,000 rooms should be available by 2015. Most of the established, internationally branded hotels such as Accor, Rezidor, Steigenberger, Starwood, Hilton, Marriott, NH, Meininger, Motel One, Best Western, Thon, Crown Plaza, Holiday Inn, etc. are present in Brussels. So are local privately owned groups such as Martin's (10 properties across the country and one 4-star in Brussels, The Martin's Brussels EU, a spa, few restaurants) or Manos (3 luxury hotels, 2 restaurants and a conference center in the capital). Known for being inventive and even "avant-garde", a few hotels showcase original concepts and modern designs clashing with charming or historical buildings which are not always well maintained.

Diversity is undoubtedly the word to describe the Brussels hotel industry. From tourists to business travellers, from families to groups, everyone will be able to find a room which satisfies their personal taste and fits into their price range. The capital city boasts about eleven 5-star properties, forty 4-star and around sixty 3-star hotels, as well as over 80 B&Bs and close to 6,500 serviced apartments (Source: Observatoire du tourisme à Bruxelles 2009).

According to the last monitoring published by visitbrussels.be, overnights were quite stable in 2012. For a total of 3.1 million visitors, hospitality industry posted close to 6 million overnights (+0.1% compared to 2011) with an average length of stay of 1.89 days (+0.7%). Representing 95% of the total number of rooms, traditional hotels accounted for 5,694,074 of total overnights (+1%), B&Bs for 11,670 overnights while youth hostels dropped by 18.5% to 272,634 overnights.

Despite an occupancy rate of 71% in 2012, which is acceptable compared to other major European destinations (London 82%, Paris 81.7%, Dublin 79%, Amsterdam 75.2%), Brussels hotels suffer from both low ADR (107.91 euros) and poor RevPAR (77.37 euros). The city is far from London ADR 163.8 euros and RevPAR 131, Paris ADR 155.2 and RevPAR 122.3, or Amsterdam ADR 120.4 and RevPAR 89.9 (Source: PwC 2014).

"It's unfair. Our city has never been more attractive until today, but hoteliers are still struggling with revenues. Do you know that we have one of Europe's lowest GOPs?" regrets Rodolphe Van Weyenbergh, Secretary General of the Brussels Hotels Association (BHA). According to him, labor costs are killing the local hospitality sector. "How can hoteliers survive, reinvest, recruit or simply





increase salaries when labor costs account for 45 to 50% of their total revenue?"

Union criticizes unprofessional industry

Contacted by hospitalityInside.com, Christian Bouchat, regional secretary of Brussels hospitality union (FGTB), confirms that the hospitality industry in Brussels-Capital region is seriously "sick". However, he does not share the BHA diagnosis and certainly does not blame the government for the hotels' disappointing profitability. "Labor costs account for 35% and not 50%. Even if the government agrees to a decrease, it will have an insignificant effect on hoteliers' profitability because the problem is everything else but labor costs! The real issues here are: bad management, stupid managing contracts with ridiculous renting costs (like the Méridien story) and, unfortunately, poor level of skills due to low salaries. Brussels hospitality is simply not attractive enough for top GMs and highly qualified staff."

According to Bouchat, the hotel portfolio is also an issue. "It's oversized. In Brussels, from Tuesdays to Thursdays, hoteliers have no problems filling up. But they definitely struggle the rest of the week, facing more supply than demand. Their survival relies on business travelers."

Today, there are around 200 hotels in the city and around 600 rooms are under construction according to PwC. New hotels include the 4-star Hotel Mercure Brussels, with 201 rooms, which opened last January, and Motel One with 490 rooms, operational since last April. Originally expected this year, the 5-star Hotel Tangla Brussels (181 rooms) will certainly face a delay, and the Hotel Astoria (140 rooms) will probably not be ready for 2015 as planned. In its last report on Brussels, PwC showed another trend. Several 5-star hotels opted to downgrade to 4-star to make themselves more attractive for business congresses.

Downgrading and outsourcing

For Rodolphe Van Weyenbergh, downgrading is not the right word. "Many hotels chose to re-position in order to fit in with new travel rules set down mainly by pharmaceutical companies. For few of them, it was more a tax factor." Defending employees' interests, Christian Bouchat has a hard time understanding how hoteliers will save money by outsourcing jobs. "It's a trend here in Brussels to outsource jobs, starting with housekeepers. Well, people should know that

Rodolphe Van Weyenbergh fights for fair competition.

many of those private cleaning subcontractors are illegal. They hire women from North Africa or Eastern Europe and force them to work unlimited hours for a few euros. I call that human trafficking. Hotel staff will lose a lot if forced to join these subcontractors. I am also currently investigating the case of Spanish trainees sponsored by their own government to work as cheap labor across Europe. This has to stop!"

After Paris last year, many Brussels hoteliers faced staff strikes in April and July, among them: Le Mercure Saint Gilles, Le Ramada Woluwe, Van Der Valk Airport as well as NH Hotels. "Outsourcing costs more money than it saves … unless your subcontractor circumvents the law and dumps their prices – something which is happening everyday. It's time for the industry to be properly monitored by the authorities," wishes Christian Bouchat.

On behalf of the BHA members, Rodolphe Van Weyenbergh obviously condemns properties using this sort of fraudulent firms. "It's unfair competition towards hotels which do not outsource and those which outsource legally. This being said, the best way to keep in-house cleaning staff is once again to review labor costs." Discussions between employers and unions are still ongoing.

EU institutions, a powerful magnet

Brussels hosts major EU institutions, representing more than 500 million Europeans from all the Member States. It is also home to hundreds of international headquarters of scientific organizations and corporations, NGOs, lobby groups, associations, etc. …

Targeting leisure as well as MICE segments, Brussels aims to double the number of overnight visitors from 5 million in 2010 to 10 million in 2020 by building on its role as a top conference center and by further increasing international city breaks.

In terms of leisure, the first foreign visiting country is France, followed by the UK and Germany. In terms of business, France still tops the ranking, followed by the UK, the United States and the Netherlands. Since 2009, the city has also relied on the support of the BRIC countries. Following the latest PwC report on Brussels, occupancy was relatively stable at around 67% between 2010 and 2013. RevPAR saw an increase of 2.1% in 2013, driven by a 2% ADR increase to 110.50 euros. The city region saw approximately 5.7 million hotel nights with 57% business versus 43% leisure according to the Brussels Institute for Statistics and Analysis (2012). Hosting hundreds of congresses and conventions every year, Brussels is Europe's no. 1 destination for meetings and congresses, and the second in the world behind Singapore (Source: Union of International Associations). No surprise that the city was standing firm in the face of world economic difficulties, showing 2.4% growth in MICE while other European destinations were suffocating.

A colorful MICE sector

Why do meeting planners continue to come to Brussels? Local professionals like to think it's simply because Brussels has it all. Great hotels complemented by world-class facilities, value for money and a host of assets that make the destination an attractive place to meet. In terms of access, Brussels Airport is 20 min away from the city center by car (except during rush-hour). Greener spirits have a choice amongst multiple connections by high-speed train (Thalys, ICE and Eurostar) from Paris within 1hr0min. (24 trains a day), Amsterdam within 1hr50 min (12 trains a day), Colgone 1hr47 min (9 trains a day), Duesseldorf 2hrs20 min (8 trains a day) and London 2hrs (11 trains a day). In terms of venues, the city offers a wide range of opportunities. From private castles to museums, from cathedrals to historical buildings, from hotels to modern convention spaces designed with state-of-the-art equipment, there are sufficient facilities to satisfy any group from 10 to 15,000 persons. 18 venues are ideal for larger events, amongst them: Palais 12 and Brussels Expo (facilities for 9,500 people and 115,000 sq.m. of exhibition space), Square-Brussels Meeting Centre, Bozar, Theatre Saint Michel, Université Libre de Bruxelles, Cirque Royal, the Atomium, etc. …

More culture, new image

Eager to distribute visitation numbers more evenly throughout the year, Brussels tourism authorities are working hard to give tourists more reasons to come independently on the season. Determined to market itself as a cultural (107 museums, ranked third in Europe behind Berlin and London), gastronomical, shopping and entertainment destination, the city has compiled an ambitious calendar of events. From hoteliers to restaurants, from museums to gardens, from shops to festivals, everyone is on board to "polish up" Brussels image.

Many of the events planned in the next few months should help attract more tourists: for the foodies The Belgian Beer weekend and Eat!Brussels, for art amateurs the Comic Strip Festival, Rubens and his legacy, the Skoda Jazz Festival, just for fun, the Festival of ice and snow sculpture, and, to close the year, the Winter Wonders (illuminations and Christmas market).

"Our visitor satisfaction survey shows that more than 85% of MICE visitors are satisfied and want to return, 45% combine business with pleasure while in the city," shares visitbrussels on its website.

On the whole, Brussels has a lot to offer, but also some serious issues to solve, starting with hotel profitability and visiting seasonality. Will 2014 be a good year for Brussels? According to PwC, who believes recent federal and European Parliament elections meant fewer conferences and events for Brussels. The good news is Luxembourg will take over the EU Presidency in 2015, which is expected to have a positive impact on visitor numbers and business travel. // Sarah Douag

Extract of an article published by hospitalityInside.com on Aug 29, 2014.

STUDY: HOTELIERS LOSE CONTROL OF COSTS, FRANCHISEES SUFFER MOST

The rising cost of guest acquisition

Geneva. What many hoteliers have long suspected – that client acquisition costs are climbing in tandem with hotel revenues – has been confirmed by a recent study. It reveals that, while room revenue increased by 23% from 2009 to 2012, total customer acquisition costs rose at about the same pace – by just under 23%; meanwhile brand allocations and third-party commissions well outpaced growth in room revenue – rising by 37% and 34%, respectively, over the period.

The study was published by the HAMA (Hospitality Asset Managers Association) in the US. Indeed, the white paper, entitled, "The Rising Costs of Customer Acquisition," analysed the financial results of 104 Canadian and US upper upscale and luxury hotels with brand affiliations.
The study was inspired by the HAMA board's desire to get an objective view of the costs owners are incurring to attract and retain customers.
What these findings basically show is that, first of all, hoteliers are not fully benefitting from the usual operating leverage that is a normally associated with the hotel business. High operating leverage means that the proportion of fixed cost is relatively great; so when revenue increases, profit margins widen. It also calls into question the relative value of both external (OTAs) and branded (e.g. chain websites and CRS) distribution channels. At the same time, the study found that local property marketing (including property specific Internet and paid search) increased by only 6%, or at a CAGR (compounded annual growth rate) of less than 2%. As a result of the disproportionate growth of external marketing and sales costs, hotel properties now control less of their marketing expenditure than in the past (44% in 2012 versus 49% in 2009). Also, commission cost growth differed widely by brand.

Hoteliers lose control

For the top 10 brands included in the study, cost increases during the three years ranged from a low of 10% to a high of 72%. This finding reinforces the message that hoteliers should emphasise and invest in direct channels – both online and offline. Franchised hotels fared even worse than average, since the room revenue of franchised properties grew by less than 22% during the period 2009-2012, but their total acquisition costs rose by almost 27%, driven by increases in commissions of 48% and brand allocations of 36%, which were partially compensated by the fact that on-property marketing expenditure rose by only 15%.
Another finding of the HAMA study was that branded luxury hotels were more efficient in sales and marketing spending (i.e. had lower sales and marketing cost as a percent of sales) than the branded upper-upscale sector. However, independent and small luxury chains outperformed major branded luxury hotels in terms of sales/marketing efficiency, which calls into the question the value of major brands.
Indeed, luxury hotels performed 11% better with respect to sales and marketing efficiency than the upper upscale segment. Nevertheless, with a 100% premium in ADR and RevPAR that was a surprisingly narrow margin. Otherwise, luxury hotels were 18% more efficient in sales and marketing efficiency when total revenue was considered. Commissions in upscale hotels grew more quickly than other chain scales between 2009 and 2012, but only by a slight margin. Group hotels maintained a steady level of sales & marketing efficiency over the period 2009-12 and were 9% more efficient than transient hotels (based on total revenue), which suffered a sharp rise in commissions.
OTA commissions and branding fees are not the only source of rising distribution costs for hoteliers. Since Google dominates search everywhere except China and Russia (where Baidu and Yandex, respectively, predominate), the search engine giant is effectively the online gate keeper controlling access to potential hotel customers. Indeed the rise in spending on paid search has pushed up the cost of using this channel. Also, in a similar way, since Facebook continues to change its algorithms and to filter what users see, the reach of social messages from hoteliers has been reduced, which has given rise to the necessity of paying Facebook for improved reach – further driving up hotel distribution costs.
// Macy Marvel

Extract of an article published by hospitalityInside.com on Sept 12, 2014.

American hotels under the magnifying glass: Costs for guest acquisition rise strongly, especially for franchise hotels.

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