hospitality INSIDE SPECIAL

OCTOBER 2013 // EXPO REAL EDITION FOR HOSPITALITY & REAL ESTATE EXPERTS

HOTELS: IN THE **MAELSTROM** OF FINANCE

EXPO REAL 2013

Messe München International

www.exporeal.net

16. Internationale Fachmesse für Immobilien und Investitionen
7.–9. Oktober 2013, Montag–Mittwoch • Messe München

16th International Trade Fair for Property and Investment
October 7–9, 2013, Monday–Wednesday • Messe München

Stand März 2013 – Änderungen vorbehalten
As of March 2013 — subject to changes

Parkmöglichkeiten
Parking Facilities

Parkhaus West / *Car Park West* — für Aussteller und Besucher / *for Exhibitors and Visitors*

P3 — für Shuttle-Busse / *for Shuttle Busses*

P4 — VIP-Parkplatz / *VIP Parking Facilities*

P1 Nord — für Besucher / *for Visitors*

U — U-Bahn / *Underground*

Flughafen-Shuttle / *Airport Shuttle*

Hotel-Shuttle / *Hotel Shuttle*

Taxi

Linienbus / *Public Bus*

ExpressWay

Eingänge / *Entrances*

1 — SPECIAL REAL ESTATE FORUM
HOSPITALITY INDUSTRIE DIALOGUE
WORLD OF HOSPITALITY

2 — INVESTMENT LOCATIONS FORUM

3 — PLANNING & PARTNERSHIPS FORUM

4 — EXPO REAL FORUM

5 — NETWORKING LOUNGE

6 — Konferenzräume / *Conference Rooms*

7 — Meeting Center

8 — Pressezentrum / *Press Center*

9 — BAVARIA LOUNGE (VIP)

Anreise mit dem PKW
Arrival by car

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

Hospitality related exhibitors of the hospitalityInside network EXPO REAL 2013:

CBRE Hotels	A1.210
Union Investment	B2.142
Deutsche Hypothekenbank	B1.344
Motel One Group	C2.010
"World of Hospitality" – hospitalityInside joint stand	**C2.230**
a² hotelconcept	C2.230
Accor Hospitality Germany	C2.230
bbg-Consulting	C2.230
Choice Hotels Europe	C2.230
Christie + Co	C2.230
Derag Livinghotels	C2.230
HospitalityInside	C2.230
Hotour Hotel Consulting	C2.230
Hyatt International	C2.230
InterContinental Hotels Management	C2.230
Jung & Schleicher Rechtsanwaelte	C2.230
Kempinski Hotels	C2.230
LFPI Hotels	C2.230
Louvre Hotels Group	C2.230
Marriott International	C2.230
Premier Inn	C2.230
Treugast Solutions Group	C2.230
Wyndham Hotel Group	C2.230

Dear hospitalityInsiders and guests of EXPO REAL 2013,

Never before has EXPO REAL welcomed so many exhibitors from the hotel industry! Within only three years, hotels have become an integral part of Europe's leading real estate and investment trade fair as an asset class.

Since the last EXPO REAL, margins of hotel assets are sometimes higher than commercial real estate. Major investment funds have issued special hotel funds, while institutional investors are craving for entire hotel portfolios, and High Net Worth Individuals are lying in wait for trophy assets. At the same time, Russians, for example, are buying profitable or ailing hotels, and the Chinese are investing in hotel and tourism groups. There has been a lot of movement in the hotel industry lately.

The gap between real estate investment and hospitality – the core business of the hotel sector – seems to becoming ever larger. In this respect, it is important to convey understanding and knowledge, since the one does not work without the other in my opinion. HospitalityInside is thus involved in many different activities at EXPO REAL: the Augsburg-based publisher specialized in hotels is organizing and initiating:

- the 6th „Hospitality Industry Dialogue" (HID) hotel conference, which will take place for the 12th time this year (on Monday at the „Special Real Estate Forum" in Hall C2) offering panel discussions with 32 experts from eight different countries;
- the 5th „BRICKS & BRAINS" networking event where personally invited guests will meet once again – 130 top executives from the world of hotels, real estate, and investment/finance;
- the print and online version of the 4th bilingual hospitalityInside SPECIAL EXPO REAL; it is the only pure hotel publication that is produced solely for these three days, and it is becoming increasingly popular. For the first time, the SPECIAL will be available at approximately 50 hotels of partner companies, which is why the print edition has been stepped up by one third;
- for the third time there will be a joint „World of Hospitality" booth in Hall C2.230 right next to the conference forum: the required floor space has almost tripled since the start, presenting 18 co-exhibitors, among them major international hotel chains as well as smaller expanding groups. Together, the 11 hotel companies taking part in the stand represent more than 28,000 hotels and about 3.15 million rooms.

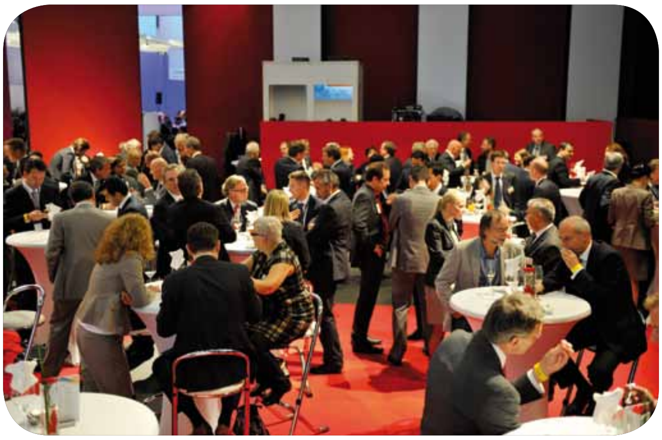
We will introduce you to both the co-exhibitors at the „World of Hospitality" and the „BRICKS & BRAINS" sponsors on the following pages. The fact that these pages exist at all is due to the advertisers in this SPECIAL. We have listed all their names in the imprint section. At this point, we would like to express our thanks to all our business partners! Their focused appearance at the trade fair once again puts the entire hospitality industry in an even brighter light!

This edition is to give you an overview of the hotel industry at EXPO REAL and act as a type of guide. Select articles will make the specialities of this particular asset class more transparent. Look out for summaries by the editing team on the results of the conference and a balance of the trade fair at www.hospitalityInside.com. All articles under the „NETWORK" category will be freely accessible for non-subscribers too.

The hospitalityInside team wishes you a successful EXPO REAL 2013!

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 2013 or are extracts of articles published in the online magazine www.hospitalityInside.com // **Authors:** Beatrix Boutonnet, Sarah Douag, Maria Puetz-Willems, Susanne Stauss // **Title:** mediapartis/fotolia.com // Photos were kindly provided by the companies and persons mentioned // Other photos by M. Puetz-Willems; Orlando Florin Rosu/fotolia.com // **Advertisements:** This Special is kindly supported by Christie + Co, Deutsche Hypothekenbank, hcb hospitality competence, Hotour Hotel Consulting, Derag Livinghotels, Messe Muenchen, Motel One, ruby Hotels, Union Investment // **Layout:** Cornelia Anders // **Print:** Silber Druck, www.silberdruck.de // **Copyright:** hospitalityInside GmbH. This content is protected by law. Publishing this content or parts of it in print or online media requires the written permission of hospitalityInside GmbH. In case of violation we will charge current market fees. Beyond, we reserve the right to take legal action and claim damages.

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Partners of the joint stand "World of Hospitality" (in alphabetical order): a2 hotel concept, Accor Hospitality, bbg-Consulting, Christie + Co, Choice Hotels Europe, Derag LivingHotels, Hotour Hotel Consulting, Hyatt International, InterContinental Hotels Group, Jung & Schleicher Rechtsanwaelte, Kempinski Hotels, LFPI Hotels, Louvre Hotels Group, Marriott International, Premier Inn, Treugast Solutions Group, Wyndham Hotel Group.

Partners of the networking event "BRICKS & BRAINS" (in alphabetical order): bbg-Consulting, CBRE Hotels, Choice Hotels Europe, Kempinski Hotels, RMDS Hotel Development.

2013: NEW WEB BLOG, FOCUS ON FINANCING, STRONG HOSPITALITY SEGMENT

EXPO REAL on a new path

Munich (October 7, 2013). EXPO REAL finds itself on a new path this year. The trade fair improves the virtual appearance of the property and investment trade fair, intensifies social-media activities, and puts sustainability into action when it comes to erecting its booths. There was also some movement among exhibitors – in a positive way. Accordingly, the hospitality sector has become an important pillar over three years. This is one of the aspects, Exhibition Director Claudia Boymanns is happy about. The new developments at EXPO REAL 2013, the 16th International Trade Fair for Property and Investment.

The biggest B2B trade fair for property and investment in Europe presents 1,700 exhibitors spread over an area of 64,000 square metres. Among them, Central, Eastern and Southern Europe are repositioning themselves. For the first time, the trade fair managed to combine these regions in Hall A1. Among others are Bosnia-Herzegovina, Bulgaria, Croatia, Montenegro, Poland, Romania, Russia, Serbia, and Vienna. Austria is the biggest international exhibitor and presents itself with two joint booths. Poland also shows strong participation. Montenegro, however, is appearing at EXPO REAL for the first time, just as a Russian regional booth representing the regions of Altai, Leningrad, Nizhny Novgorod, Oblast Volgograd, and Tula.

In terms of content, the trade fair will clearly focus on financing this year, which also reflects in the conference programme of the various forums.

„Shadow banks on the rise? New financers in the market" and „Rules are for fools – or maybe not? How is the property sector implementing the new AIFM directives?" are only two of the many questions that will be taken up and discussed. Alternative investments such as nursing homes and clinics are also increasingly coming into focus. The same is true for logistics and hotel property that property investors consider promising alternative assets by now.

Claudia Boymanns, Exhibition Director EXPO REAL

„We are very excited that the hospitality sector covers 200 square metres this year," said Claudia Boymanns. „The joint booth is a real success story – not only because it managed to triple its size, but it has also significantly increased its quality. This year, the booth also includes the most important ‚global players' from the ranks of international hotel chains. The booth was substantially expanded and includes more international participants to the benefit of the ‚Hospitality Industry Dialogue' conference held right next door at the ‚Special Real Estate Forum'. Networking opportunities are thus at hand for all hospitality experts."

Visitors of EXPO REAL should be able to collect all information and news via the newly designed www.exporeal.net website. Visitors will read the latest news via the intensified blog under http://blog.exporeal.net presenting articles by experts like Maria Puetz-Willems, Editor in Chief of hospitalityInside.com. This blog is to play back the entire communication in connection with the trade fair.

Once more, sustainability literally plays a visible role. The „Planning & Partnerships Forum" in Hall A2 will be constructed from sustainable material for the first time – pallets. When the trade fair is over, they will be re-integrated in the logistics cycle avoiding any waste.

Fittingly, the topic „intelligent urbanization" will be picked up again under the sustainability aspect. In collaboration with Bundesarchitektenkammer (BAK) and Deutsche Gesellschaft fuer Nachhaltiges Bauen (DGNB), EXPO REAL has worked out a joint concept on this issue. On the one hand, both BAK and DGNB will present the issue at their booth; on the other hand, the trade fair will offer a special exhibition only a few steps away. Furthermore, there will be several different panel discussions in the Planning & Partnerships Forum on Tuesday, October 8, 2013, such as „Sustainable Urban Development" and „International examples for innovative/intelligent solutions and concepts for future city developments". //

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, the 16th International Trade Fair for Commercial Property and Investment, is being held at the New Munich Trade Fair Centre from 7 to 9 October 2013. It is a key networking event for interdisciplinary and international projects, investment and finance. It caters to the full spectrum of the property sector, offering an international networking platform for markets spanning from Europe, Russia and the Middle East to the United States. The fair's extensive programme of conference events, featuring some 400 speakers, gives participants valuable insight into the latest trends and innovations in the property, investment and finance market.
A total of 1,700 companies from 35 countries exhibited at the EXPO REAL 2011. The event attracted more than 38,000 participants from 71 countries and took up six exhibition halls, covering 64,000 square metres of space.
The statistics for EXPO REAL are audited by an independent accountant on behalf of the Gesellschaft zur Freiwilligen Kontrolle von Messe- und Ausstellungszahlen (FKM, Society for Voluntary Control of Fair and Exhibition Statistics) (www.exporeal.net).

Messe München International

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

HOSPITALITY HIGHLIGHTS

FIGURE OF THE DAY 11 hotel groups will join the third joint stand „World of Hospitality" at Expo Real 2013 representing over 28,000 hotels and with about 3.15 million rooms worldwide… Never before, Expo Real has attracted so many hotels.

Blog Read opinions, and tell us your opinion! http://blog.exporeal.net

Global Player and hotel groups at the „World of Hospitality": Accor, Choice, Derag Livinghotels, Hyatt, InterContinental, Kempinski, LFPI Hotels, Louvre, Marriott, Premier Inn, Wyndham Hotels

Consultants and hotel specialists at the „World of Hospitality": a2 hotelconcept, bbg-Consulting, Christie+Co, Hotour Hotel Consulting, Jung & Schleicher, Treugast Solutions Group

Real Estate Flop of the year in Germany: sale of Grand Hotel Heiligendamm

TOP 10 of hotel chains, by rooms, as of January 1, 2013: IHG (675,982 rooms), Hilton (652,378), Marriott (638,793), Wyndham (627,437), Choice (497,023), Accor (450,199), Starwood (328,055), Best Western (311,611), Home Inns (214,070), Carlson Rezidor (166,245). *Source: MKG World Ranking*

www.hospitalityInside.com The information netowrk for the hospitality industry. Every Friday, up-to-date, profound, free of advertising, German-English. With readers in 20 countries.

Transactions In the first half of 2013, the hotel transaction volume of 5.5 billion € in the EMEA region was 38 percent above the level of the previous year. *Source: JLL Hotels & Hospitality Group*

Personal news of the year From a comfortable shareholder's armchair to an uncomfortable CEO seat: Sébastien Bazin, representative of Accor's main shareholder Colony Capital takes the CEO seat on August 27, 2013. He has put a lot of pressure on Accor CEOs over recent years, now it's his turn to be subject to the pressure.

www.exporeal.net All information and news about Europe's biggest B2B trade fair for property and investment

Hotline for HospitalityInside: +49 – 821- 885 880 20, office@hospitalityInside.com

Join us for the hospitalityInside „Investment BAROMETER" supported by Union Investment! Starting in October 2013. Details at www.hospitalityInside.com

Since 12 years hotel experts meet at Expo Real for the conference „Hospitality Industry Dialogue". Six years ago, hospitalityInside started to organize the conference.

5 times Top executives will meet for the networking event „BRICKS & BRAINS" for the fifth time this year. By Invitation only.

4 times Four years ago, the top-class hospitalityInside SPECIAL EXPO REAL was published for the first time. In Print and Online. Click www.hospitalityInside.com

Costly London Hotel real estate is among the most expensive in the world. InterContinental Park Lane was sold for GBP 300 million (around EUR 348 million). According to Deloitte, in the first half of 2013, deals for around GBP 2 billion (over EUR 2.3 billion) were concluded (first 6 months of 2012: approx. EUR 582 million) in EMEA.

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12TH HOTEL CONFERENCE ON FINANCING, FUNDS, FRANCHISING & CONDITIONS

Discussion between trendsetters

Munich (October 7, 2013). There is currently a lot of movement in the world of hotel investment. Hotels are increasingly distinguishing themselves from commercial real estate, despite demanding a lot of in-depth knowledge from investors and financers. Nonetheless, more and more institutional investors, investment companies and family offices are showing interest in this particular sector. More than ever, capital is surpassing geographical borders. The latest trends and most up-to-date issues will be discussed at the 12th „Hospitality Industry Dialogue" (HID). For the first time, there will be a dedicated CEO panel, including no less than three top executives. On Monday, October 7, 2013, at the „Special Real Estate Forum" in Hall C2, 32 experts from eight countries will be speaking. They all come from top-notch companies belonging to the trendsetters of the hotel and real estate sector.

10.30-10.50 h

Key note: Fit for hotels? How markets and hotels feed different types of investors.
Simon Redman, Managing Director, Invesco Real Estate London

11.00-11.50 h

Opportunity funds: Who still finances old hotels?
Hundreds of lease agreements will terminate in the next few years. What fate awaits portfolio property?
Moderator: Martina Fidlschuster, Managing Director, Hotour Hotel Consulting
Panelists: John Nielsen, Director, Azure Hotels
Elsa Tobelem, Business Development, Foncière des Murs
Bernd Maeser, Managing Director, LFPI Hotels
Willemijn Geels, Development Director Northern & Central Europe, Louvre Hotels Group
Olaf Hartmann, Partner & Managing Director, Haymarket Financial

12.00-12.50 h

Private equity & institutional investors: High in demand, hard to get? What kind of property is private capital looking for and what are the limits?
Moderator: Charles Human, Managing Director, HVS London
Panelists: Andreas Loecher, Head of Investment Management Hotel, Union Investment Real Estate
Ramsey Mankarious, Chief Executive, Cedar Capital Partners
Stéphane Obadia, Head of Acquisitions, Algonquin Hotels
Ralf Selke, Managing Director, Munich Hotel Partners

13.00 -13.50 h

CEO Talk: Directed by others? Quo vadis hotel sector?
Are influential chains actively able to improve the sector's frame conditions?
Moderator: Maria Puetz-Willems, Editor in Chief, hospitalityInside.com
Panelists: Reto Wittwer, CEO, Kempinski Hotels
Dieter Mueller, CEO, Motel One Group
Puneet Chhatwal, CEO, Steigenberger Hotels & Resorts

14.00 -14.30 h BREAK

14.30-15.20 h

How realistic are the parameters of the banks?
The difficult task of financing special-purpose properties such as hotels.
Moderator: Max Luscher, Senior Manager, Corporate Finance Real Estate, KPMG
Panelists: Dr. Christian von Villiez, Chairman of the Board, Duesseldorfer Hypothekenbank
Uwe Niemann, Departmental Head Real Estate Banking Inland 2, Deutsche Hypothekenbank
Bettina Graef, Head of Hotel Properties, Aareal Bank
Michael Rentrop, Associate Director, Coreal Credit Bank

15.30-16.20 h

Resorts & Boutique Hotels: What chances do exotics have compared to the bonus of chains?
Is the bonus of big groups justified? Which are their true strengths?
Moderator: Susanne Stauss, Senior Editor, hospitalityInside.com
Panelists: Rolf Seelige-Steinhoff, Managing Partner, Seetel
Olaf Steinhage, Managing Director, hcb Concepts/Holler Hotels
Rob Hornman, Managing Director, Worldhotels
Olivier Harnisch, Chief Operating Officer, Carlson Rezidor Hotel Group

16.30-17.20 h

Franchise vs. franchise. A global model with many facets.
Who supports their franchisees in what way?
Moderator: Christian Walter, Managing Director, PKF hotelexperts Wien
Panelists: Thomas Edelkamp, Vice President Franchise Development Germany & Austria, Accor
Georg Schlegel, Managing Director, a.i., Choice Hotels Europe
Robert Shepherd, Chief Development Officer, InterContinental Hotels Group
Markus Lehnert, Vice President Hotel Development, Marriott International
Nima Davoodzadeh, Vice President Development Europe & UK, Wyndham Hotel Group

Portraits Panelists


Simon Redman


Olaf Hartmann


Stéphane Obadia


Puneet Chhatwal


Olivier Harnisch


Robert Shepherd

Simon Redman joined Invesco Real Estate (IRE) in 2007 and has extensive experience in real estate fund management, capital markets, fund structuring and marketing. Prior to joining IRE, he was a board director of RREEF Limited, head of business development and an investment committee member.

Olaf Hartmann joined Haymarket Financial in 2013 and serves as a Partner and Managing Director of HayFin's Frankfurt office. Prior to joining HayFin, he was a Managing Director of the German entity of private equity firm, Cinven. Before, Olaf worked for nine years in various functions at JPMorgan in London and Frankfurt, most recently as a Vice President in Leveraged Finance.

Stéphane Obadia has been heading acquisitions for Algonquin since 2008. The hospitality investor focuses on midscale and upscale hotels acquisitions in France and in Europe. Stéphane started his career at Credit Agricole Indosuez, before joining Lassalle Investment Management in Paris. He joined the Groupe du Louvre in 2002 where he was in charge of European expansion for the Louvre Hotels brands.

Puneet Chhatwal, CEO of Frankfurt-based Steigenberger Hotels AG completed a Bachelor's Degree at the University of Delhi and a diploma in Food Service and Hotel Management. Chhatwal started his career with the India Tourism Development Corporation. Following further studies at Cornell University, U.S.A. and in France he gained insights in hotel consulting and project development. He joined Carlson Hotels Worldwide in 1998, since 2002, he has been responsible for Corporate Business Development at the Rezidor Hotel Group in Brussels. As Chief Development Officer (CDO) he became a member of the Executive Committee in 2007.

Olivier Harnisch became the Executive Vice President & Chief Operating Officer of Rezidor in January 2013. He began his career in flagships such as St. Regis New York and Hotel Bayerischer Hof in Munich. He joined Hilton in 1999, experiencing leading positions at Hilton Hotels in Dresden, Madagascar, Zurich and Munich (also as Cluster General Manager). In 2008 he was promoted to VP Northern and Central Europe at Hilton Worldwide.

Robert Shepherd, Chief Development Officer, Europe leads development for all IHG brands in Europe for franchised and managed hotels. His previous role at IHG was as Vice President Hotel Services EMEA. He started his career as a Chartered Surveyor, culminating in 4 years in Dubai where he worked in the Major Projects Division of WS Atkins on the Jumeirah Beach Resort and Al Burj Arab development.

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7.–9. Oktober 2013

Ihr Erfolg ist : unser Maßstab

Hall C 2 Stand 230

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Who is Who?

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DERAG LIVINGHOTELS is one of the pioneers in the expansive niche market of serviced apartments in Germany and Austria and has established itself with currently 14 properties and around 2,600 rooms as one of the leading providers. Derag Livinghotels can already be found in attractive locations such as Berlin, Duesseldorf, Frankfurt, Munich or Vienna. All the properties are centrally located and well connected to the motorway network as well as public transport.
Whether for business trips or private occasions, serviced apartments offer the ideal space for short or long term stays at a very good price-performance ratio and convince with fully equipped kitchens or kitchenettes and a free choice of additional services. The main target groups are business travelers who, job-related, stay longer in a foreign city. The growing interest in low cost but high quality accommodations confirms the great potential in this segment and is associated with a consistent expansion. Derag Livinghotels has planned, built, restored and operated hotels and apartments with the motto „apartments in a hotel" for 30 years – this experience speaks for itself.
www.deraghotels.de

Hotel Consulting
HOTOUR

HOTOUR HOTEL CONSULTING: The goal of the Frankfurt-based consulting firm is to support clients with lasting effect in the most varied of problems and strategically important decisions in all phases, from the project development up to the hotel opening. The foundation for the success of a long-term added value is a creative solution approach and individually tailored consultation services. Hotour's fields of activity:
„Transaction Consulting" for Purchasers, Sellers and Banks: Valuations; Hotel-specific and management analysis / due diligence; Search for investors and operators Preparation and support of negotiations.
„Project Development Consulting" for Project Developers, Investors and Banks: Feasibility studies and plausibility appraisals; Hotel development, conception and planning of new or reconstructed buildings; Search for investors and operators.
„Asset Management" for Banks, Owners and Investors: Hotel check: building, operator and budget assessment; Preparation of business plans; Coaching and monitoring with detailed reporting; Implementation of interim management or new operator; Project management of renovation works.
„Hotel Appraisals" for Banks, Investors, Project Developers and Operators.
www.hotour.de

hospitality INSIDE
WORLD OF HOSPITALITY INFORMATION.

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. Furthermore, the company connects executives of the industries during fairs, workshops, hotel conferences and own events by its grown information network. www.hospitalityInside.com

HYATT PLACE™

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 and Hyatt House 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, 2013, the Company's worldwide portfolio consisted of 524 properties in 46 countries.
Hyatt Place is designed for the busy lifestyle of today's multi-tasking business traveler and features a selected range of services aimed at providing casual hospitality in a well-designed, high-tech and contemporary environment. Property sizes typically range from 125 to 200 rooms and are located in urban, airport and suburban areas. Signature features of Hyatt Place include The Gallery, which offers a coffee and wine bar, a 24 hours per day, seven days per week guest kitchen with freshly prepared snacks and entrees, and daily complimentary continental breakfast. Hyatt Place guests are business travelers as well as families. Hyatt Place properties are also well suited to serve small corporate meetings. www.hyatt.com

IHG®

INTERCONTINENTAL HOTELS GROUP (IHG) is a global hotel company whose goal is to create „Great Hotels Guests Love". IHG is present in nearly 100 countries and territories around the world offering over 4,600 hotels – another 1,000 hotels with 150,000 rooms are in the pipeline.
IHG 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. Due to the global presence and variety of

Continue on page 16

HOTEL VIER JAHRESZEITEN KEMPINSKI
WITH NEW BANQUETT AND SHOW KITCHEN

Dynamic and casual

Munich. The Kempinski Hotel Vier Jahreszeiten Kempinski has shown penchant for colour with the conversion of the conference and banquet area in Munich. In July, General Manager Axel Ludwig presented the new design by the French interior designer Pierre Court to the public: a reflection of the 1960s, colourful and dynamic. At the same time, a new show kitchen was created for top-class and unconventional events. This year, some of Expo Real's visitors will also be able to enjoy the luxury hotel's catering service.

6.7 million Euro were invested into the conversion of the new conference and banquet area, including all 15 conference rooms as well as the foyer. The foyer no longer resembles a business area but rather a living room – thanks to the works of art from Alte Pinakothek, elegant Louis Seize furniture and casual leather furniture. The burgundy and anthracite-coloured carpet design, inspired by the flow of waves, welcomes the guest in a new and softly flowing room. Old masters adorn the young ambience: excerpts from works by Albrecht decorate the rooms in over-dimensional sizes. The open bar, which is integrated into the foyer, brings the guests back to the dynamic and puristic world of today: the bar is a work of design made of black granite and Calacatta marble.
Colour and shape is one thing, functionality the other: today's event rooms have to be equipped with state-of-the-art technology. Therefore, the ceiling height of the 500-sqm ballroom „Maximilian" was raised by nearly 1.50 metres and supplemented with a new LED light system. The computer-controlled software provides for about 160,000 lighting moods so that every event has its unique flair and every enterprise is able to stage its CI playfully. In addition, all rooms are equipped with Dolby Surround technology; in the ballroom in particular, where three beamers and screens are integrated into the ceilings, an almost 360-degree projection is possible.

New show kitchen as unconventional event location

The show kitchen is a novelty; it is connected to the „Marstall" salons, but can also be used on its own. Formal events become informal events in this cutting-edge gastronomy kitchen; it is also suitable for (company) parties as well as for cooking classes. When it comes to culinary details, Kempinski's Executive Chef Sven Buettner is in charge of the show kitchen as well.

The catering team at Vier Jahreszeiten is very happy about this new event possibility, which enables the luxury hotel to increase the radius of its activities even further. On the one hand, the team loves to provide the service at events like in Munich's Nymphenburg Palace, for example; on the other hand, private customers or companies prefer the proximity to the hotel, which in turn offers short routes and convenient accommodation. Sven Buettner, who once belonged to the chef circle of the „Young & Wild" (which no longer exists), also demonstrates his creativity at Expo Real 2013: Kempinski Vier Jahreszeiten is the caterer for HospitalityInside's networking event „BRICKS & BRAINS" on Monday at the trade fair. In addition, the visitors of the joint stand „World of Hospitality" will be able to enjoy the services and culinary delicacies of Munich's luxury hotel for the first time this year. And last but not least, HospitalityInside – with Kempinski Hotels as co-host – will stage another small event in the new show kitchen at Vier Jahreszeiten as a conclusion to the trade fair. // kn

the IHG brand family the Group offers hotels for all guest needs and events – for a short trip, busines travel, a family event or a very special experience.
IHG operates the world's biggest hotel loyalty program IHG Rewards Club with over 73 million members.
www.ihg.com/development

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JUNG & SCHLEICHER RECHTSANWAELTE: Located at the heart of Berlin, Jung & Schleicher (J&S) provide comprehensive legal advice to national and international clients in all areas of business law and particularly in real estate law – always focused on performance and solutions. 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 funds and financing of more than € 2,5 billion, complex real estate transactions and developments of more than € 4 billion (more than € 2 billion in hotel and management properties) 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.
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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

KEMPINSKI HOTELS: As a hotel management company, Kempinski Hotels operates more than 80 select five-star hotels worldwide. The portfolio consists of distinctive, historically unique and modern hotels, which are either market leaders in their locality or landmark enterprises of their particular area. This range is continually extended with new hotels in Europe, the Middle East, Africa and Asia, demonstrating the group's strong growth capacity. In order to justify its claim to exclusivity and individuality without the least compromise, Kempinski aims at selective growth and concentrates on prestigious properties in key international destinations. The group's future strategy is based on the three focal points of selective growth, innovative service concepts and outstanding quality.
www.kempinski.com

lfpi Hotels Management Deutschland

LFPI GROUP: Paris-based LFPI Group (La Financière Patrimoniale d'Investissement) is a French private equity group with a sense of tradition, which currently manages assets of about 2.5 billion euros. LFPI primarily invests on behalf of institutional investors in the private equity, property, fund of funds and mezzanine sectors. In France, the group already manages a portfolio of around 60 hotels.
The focus of the German subsidiary, LFPI Hotels Management is primarily on busi-

5 minutes of plain talking in 2012 with IHG and Siemens Financial Services…

… and with Accor, also see YouTube/TheHospitalityTV.

ness hotels already in operation, with central locations in city centre areas, with a size of 50 to 150 rooms and a classification in the budget to midscale sector. The group's portfolio is growing fast in Germany and consists of 9 hotels meanwhile. The hotel properties are owned by LFPI and are usually managed under local brands of relevance to the concept on the basis of franchise models. The objective is to develop a portfolio comprising 20 to 30 hotels in the coming years. **www.lfpihotels.de**

LOUVRE HOTELS GROUP is positioned among the World's Top 10, with more than 1,100 hotels, more than 90,000 rooms, 6 brands and 55,000 clients a day. Constantly evolving, the group stands out in the market by its history, where prosperous development is combined with sustainable growth. Including a strategy founded upon the dynamism and the ambition of all our employees.

Established in over 40 countries, developing brands abroad with help from local partners who know the local hotel and real-estate market inside out. What makes the group unique and distinctive is the range of different brands that it is made of.
Every one of those 6 brands ranging from 1 to 5 stars, seeks to shake up the standards of its category. And they all have something in common: a determination to innovate and a challenger's state of mind. The 6 brands are: Premiere Classe – Campanile – Kyriad – Tulip Inn – Golden Tulip – Royal Tulip. **www.louvre-hotels.com**

MARRIOTT INTERNATIONAL is a leading lodging company based in Bethesda, Maryland, USA, with more than 3,800 properties in 74 countries and territories and reported revenues of nearly $12 billion in fiscal year 2012.
The company operates and franchises hotels and licenses vacation ownership resorts under 19 brands, including Marriott Hotels & Resorts, The Ritz-Carlton, JW Marriott, Bulgari, EDITION, Renaissance, Gaylord Hotels, Autograph Collection, AC Hotels by Marriott, Courtyard, Moxy, Fairfield Inn & Suites, SpringHill Suites, Residence Inn, TownePlace Suites, Marriott Executive Apartments, Marriott Vacation Club, Grand Residences by Marriott and The Ritz-Carlton Destination Club. There are approximately 325,000 employees at headquarters, managed and franchised properties. Marriott is consistently recognized as a top employer and for its superior business operations, which it conducts based on five core values: put people first, pursue excellence, embrace change, act with integrity, and serve our world. Our relentless focus on innovation and action fuel the way we do business. With the most powerful brand portfolio in the world, we set the bar for the hospitality industry. **www.marriott.com**

PREMIER INN: Award-winning Premier Inn is the UK's biggest hotel brand, offering quality accommodation at affordable prices. Premier Inn is consistently rated the UK's Best Value Hotel Chain (by YouGov.). We are the only hotel chain in the UK to offer a ‚Good Night Guarantee'. We are so confident that our quality, comfortable rooms and friendly service will give our guests a great night's sleep every time, that we offer a 100% money-back guarantee if they are not happy with their stay.
Ambitious growth: With over 650 hotels in the UK today and 52,000 rooms in great locations, we have excellent market coverage and will strengthen this further with 75,000 rooms by 2018. Internationally, we currently have four hotels in the Middle East and two in India, with further developments in the pipeline and a target for 50 international hotels by 2018.
Our growth is fuelled by the quality of our developments and the attractiveness of our property proposition. We do freehold or

leasehold projects, are highly flexible and offer competitive terms backed by the financial strength of having a FTSE 100 parent company (Whitbread). In the UK market, this combination of assured investment and a proven track-record for delivering value-creating projects is a significant differentiator and sets us apart from the competition.
Consistently great on comfort and quality: At Premier Inn we pride ourselves on comfort and quality, so whether you are staying for business or leisure, you will always enjoy a warm welcome from our friendly teams, as well as comfortable king-sized beds, ensuite bathrooms, a TV with Freeview and Wi-Fi in every room. All our hotels have a bar and restaurant, either within the hotel or just next door, offering a wide selection of meals and hearty eat-as-much-as-you-like full English and continental breakfasts.
Premier Inn is part of Whitbread PLC, a leading UK leisure business founded in 1742 and one of the UK's oldest and most respected companies, employing over 40,000 people within its much-loved brands including Premier Inn, Costa Coffee, Brewers Fayre, Beefeater Grill, Table Table and Taybarns. Over the past five years Whitbread has created 15,000 UK jobs by adding 137 more Premier Inn hotels, 96 more restaurants and 1,535 more coffee shops. **www.premierinn.com**

TREUGAST Solutions Group

TREUGAST: Established in Munich in 1985 as a consultancy for hotels and gastronomy, TREUGAST Solutions Group became one of the leading consulting companies for the hospitality industry in Europe. The group holds offices in Munich and Berlin. The company is also represented abroad by an office in China. Scientific activities are concentrated in the TREUGAST International Institute of Applied Hospitality Sciences. Besides, the TREUGAST Solutions Group is the first consulting company worldwide which was awarded (2011) with the „Star Diamond Award" by the American Academy of Hospitality Sciences. **www.treugast.com**

5 minutes of plain talking: Experts introduce themselves…

WYNDHAM
HOTEL GROUP

WYNDHAM HOTEL GROUP Wyndham Hotel Group is the world's largest and most diverse hotel company, encompassing approximately 7,400 hotels and over 635,000 rooms in 67 countries under 15 hotel brands.
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 nearly seven million active members worldwide.
Within Germany, Wyndham Hotel Group encompasses more than 80 hotels and over 11,000 rooms under four hotel brands: Wyndham Hotels and Resorts, TRYP by Wyndham, Ramada and Days Inn. The footprint of Wyndham Hotel Group in Germany grew significantly in the first quarter of 2013 when the company formed a strategic partnership with Grand City Hotels to brand 43 hotels and over 5,400 rooms across Germany, Holland and Belgium over the following two years.
www.wyndhamhotelgroup.com

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Building networks

BRICKS & BRAINS
A hospitalityInside Network Event hosted by Expo Real Munich

Chilling out

Munich (October 7, 2013). The fifth „BRICKS & BRAINS" event will be staged at a new location. On Monday evening, 130 handpicked guests from hotel operations and both the real estate and investment sector will meet after the EXPO REAL hotel conference.

The new premises at the trade fair are equipped with stylish chill-out furniture creating an ambience that will probably meet design expectations of most hoteliers. Here, aside of the hustle and bustle at the trade fair, top executives from the hospitality sector will be able to talk to well-known colleagues and establish new connections in a relaxed atmosphere.
For the fifth time, Kempinski Hotels are acting as the event's main sponsor. Further sponsors are BBG-Consulting, CBRE Hotels, Choice Hotels, and RMDS Hotel-Development (see info on the right hand side).
Traditionally, sponsors, trade show partners and participants of the "Hospitality Industry Dialog" will make up half of all participants. The remaining seats will be reserved for new guests. All guests will receive a personal invitation in order to enable top decision makers a few hours of efficient talks despite the relaxed ambience.
The number of seats is limited, only invited guests with confirmed registrations will be admitted. Accompanying persons will not be allowed to join the event.

BRICKS & BRAINS

For the fifth time, the top-level hotel networking event is taking place at EXPO REAL. Kempinski Hotels will act as the main sponsor for the fifth time as well, while others will support the event as „Gold Sponsor": bbg-Consulting with its two Managing Directors, Tina Froboese and Karlheinz Kreuzig, Choice Hotels with Managing Director Georg Schlegel and Developer Bruno Leroy, CBRE Hotels with Olivia Kaussen, Head of Hotels Germany & CEE at CBRE, and RMDS Hotel Development with the architect Cornelia Markus-Diedenhofen and colleagues.

Without these strategic partnerships the development of the hospitality network at the fair would not become reality …

Due to the relocation to the new premises, there will be fewer guests than last year. However, this in turn provides the guests as well as the service staff members with sufficient room to move around. The catering team of Kempinski Hotel Vier Jahreszeiten Munich will once again pamper the guests with a creative flying buffet. The team under General Manager Axel Ludwig has already become a permanent 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 2013!

SAVE THE DATE 2014

Would you like to become a partner for BRICKS & BRANS 2014 and benefit from the top contacts at this event? Please, send an eMail to office@hospitalityInside.com.

EXPO REAL 2014 will take place from Monday to Wednesday, 6-8 October 2014.
Consequently, BRICKS & BRAINS 2014 will take place on Monday, 6 October 2014.

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 80 historical Grand Hotels, business hotels and resorts in 30 countries.

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 44 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 2012 revenue). The Company has approximately 37,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices worldwide. CBRE Hotels employs 140 hotel real estate specialists worldwide (around 50 in EMEA) and offers and 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 more than 70 hotels are located in Germany, Italy, Switzerland and the Czech Republic. With more than 6,200 hotels and 495,000 rooms, Choice Hotels International is the world's biggest franchisor.

RMDS HOTEL DEVELOPMENT stands for a network of hotel experts who construct, care for and furnish hotel projects from a single source. The experts behind are Cornelia Markus-Diedenhofen from Reutlingen, a graduate engineer having received several awards in the last years, the architect and city planner Wolfgang Riehle of Riehle + Assoziierte in Reutlingen, and Scholze Gruppe, an international planning and consulting company based in Leinfelden-Echterdingen.

Four Seasons George V in Paris, a „trophy hotel" many investors dream of.

EQUITY EXPERT RAMSEY MANKARIOUS ON HOTEL INVESTMENT MOVEMENTS

Earn in Asia, invest in Europe

London. In future, capital will increasingly come from Asia and Arabia, as markets there will continue to grow reliably and increase the desire of investors to commit funds to Europe. However, there is no need to fear hotel investors from these parts of the world, equity expert Ramsey Mankarious says.

Hotel real estate insiders got to know the friendly and modest American who is considered a distinguished investment expert with top contacts. His company, Cedar Capital Partners, specialises in the European hotel industry.

For the last 21 years, the American has lived outside the United States, mostly in London. As Executive Vice President of Acquisitions and Development for Kingdom Holding, owned by the Saudi Prince Al-Waleed, between 1995 and 2000, he had an intensive course in the ways of the European, Arabian and Asian worlds; amongst other things, he developed nine Four Seasons Hotels in the Middle East for the Sheikh. „I learned a lot at Kingdom, also in the Asian and European markets," Mankarious says.

His time at Kingdom was a formative one, and also a period which brought him into contact with many wealthy investors, powerful funds and a range of banks. This was the base on which he built his own company: In 2004, Mankarious established Cedar Capital Partners (CCP) headquartered in London (www.cedarcp.com). His focus today: He raises capital – from all possible sources: from American and British funds, hedge funds and sovereign wealth funds, from investment banks like Morgan Stanley and from high net worth individuals (HNWIs). „We are not a consultancy," he clarifies,"but look for hotel investment opportunities on behalf of our various institutional investor types and HNW partners."

„We love broken hotels"

The CCP business model has its own touch: If a hotel is found, CCP buys the real estate on behalf of its capital partners, secures finance, finds an operator, negotiates the management contract with it, and then supports the hotel property as asset manager. „We love broken hotels," Mankarious says. „We love hotels which we can renovate and improve their performance. Once we fix a property and improve its operation, we sell it."

90 percent of CCP's business is in Europe with the remaining ten percent in North

Dear Readers,

In this SPECIAL, we focus on the hotel industry at EXPO REAL 2013 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.

America and Asia. In terms of projects, the company has a clear focus on 5-star hotels operated by renowned operators (chains such as Four Seasons, Hyatt, Hilton, Marriott etc.). Of course, trophy assets in premium locations are also Mankarious' favourite. But it doesn't always have to be the Grande Dame. The solid full-service hotel in the upscale segment with at least 100 rooms will also do, provided it can be turned into a brand hotel.

Equity Expert
Ramsey Mankarious.

Large European cities are the anchor

And how have the sources of capital changed since the Lehman crash in 2007? Experts like Mankarious who stand between real estate, finance and capital have close hand experience. In the years between 2004 and 2006, large private equity funds were the main hotel buyers, he says looking back. After the crisis, only a few of these funds remained active. This gap was then filled by investors and sovereign wealth funds from the Middle East, primarily from Abu Dhabi and Qatar. Since the middle of 2011, he is again noticing changes: private equity funds are returning and are much more active than before. At the same time, Asian investors – from China and South East Asia – are actively investing in Europe.

Do the new investors from Asia understand the fragmented European market? „Yes, certainly," Ramsey Mankarious nods, „they know the core cities like London, Paris and also Berlin from their own travel experience, and also from other investments. It's for this reason that they are also looking for hotel opportunities in these cities and not in Birmingham or Lyon, for instance." If hotel purchases are to be made, then it also doesn't always have to be a single building. The investment can also be made through participations. For example: The Chinese hotel group HNA acquired a 20%-stake in NH Hoteles and the Chinese investment company Fosun International has invested in Club Med.
Often, investors from outside the hotel sector don't look to an investment in a hotel until yields from their office or retail investments fall. At present, profit margins on classic commercial real estate stand at around five percent, in the hotel sector it is seven to eight percent. Even Asian investors are satisfied with that. In London and Paris, yields are often lower than in secondary destinations. „Nevertheless, London will always beat Glasgow," Mankarious says of the prevailing investor attitude. „Basically, investors always prefer the security of the major gateway cities!"

Earn in Asia, invest in Europe

Investment in Europe is also very much characterised by caution and confidence in clearly structured markets with recognised rules. „For this reason, more foreign money will flow to Europe than leaves it," Mankarious says – and this despite the fact that Asian hotels (depending on destination) post net operating incomes (NOI) which are over ten percentage points higher. In Asia, the net operating profit stands at around 35 percent, in Europe it's 25 percent.
Money earned by Asians and Arabs in their domestic countries will – so the capital expert believes – in future tend to be invested in Europe and North/South America. And this money flow will not dry up so quickly, in particular as markets in Asia and Arabia will continue to post strong growth over the medium term. To Europeans who fear too much capital from the Far East, he says this: „Asians tend to think in terms of their family. They generally hold hotel real estate much longer than the European, often over ten to 15 years. The culture of these countries won't change so quickly."
He expects to see more HNWI, family offices and funds from the Middle East for Europe. From Asia, he expects more individual investors, but also companies of all kinds looking to buy hotels. // Maria Puetz-Willems

Only one of these four CEOs experienced the hotel industry before taking leadership of a hotel chain: From left, Chris Nassetta of Hilton, Richard Solomons of IHG, Arne Sorenson of Marriott and Frits van Paasschen of Starwood Hotels.

WHY ARE THE NEW CEOS NO LONGER COMING FROM THE HOTEL INDUSTRY?

The hot seat

Augsburg. Does a financial or real estate expert sit on the CEO seat of your company? And is the CEO fired every two years? Then your hotel group is hip. Or does your CEO still have their own financial board of directors and the time to consult with them? Then your hotel group belongs to the old guard! The fact that Accor's shareholders sent someone from their own ranks to the CEO seat last week is the culmination of an extreme development all around the globe. Will it lead the hospitality industry to the edge of the abyss? Over recent years, almost every new CEO who has been appointed to the top of the „Global Players" has not been a hotelier. The new hospitality leaders are coming from the financial and real estate or brands world. They have only rolled figures, grilled the other burger, sold the Nike shoes.... They are engaged because they are to be considered as creative, unconventional thinkers and bring fresh input. Stockholders have them called them in – and thrown them out again. What are these external leaders able to supposedly do better than hoteliers, what worse? How long will this change persist and what will the hotel CEO of the future look like? hospitalityInside.com has asked former CEOs, executives and headhunters.

The CEOs of these hotel chains from the western part of the world are non-hoteliers:

- Accor's brand-new CEO Sébastien Bazin comes from the investment and real estate sector, most recently he was the representative of the investment company Colony Capital, one of Accor's main shareholder,
- Richard Solomons of IHG comes from the investment industry,
- Hilton CEO Chris Nassetta enjoyed the investment and real estate industry,
- Hyatt CEO Mark S. Hoplamazian experienced the banking and investment world before changing to Hyatt owner Pritzker and finally to Hyatt,
- Marriott's Arne Sorenson already joined Marriott in 1996, but before he was Partner of a law firm,
- NH Hoteles CEO Federico Gonzalez Tejera spent years of his career with several multinational companies, e.g. Disneyland Paris and Procter & Gamble,
- Starwood's Frits van Paaschen was hired by a brewery, by Nike and Disney before moving to the hotel industry,

- Four Seasons' new CEO Allen Smith comes from the real estate sector.

Hoteliers have the say at these hotel groups at the moment:

- Best Western CEO David Kong was affected by hotel chains like Hyatt, Omni and Hilton, then changed to KPMG's hospitality and real estate consulting and finally to Best Western,
- Carlson Rezidor CEO Wolfgang Neumann is a pure hotelier (Hilton, ArabellaStarwood),
- Choice CEO Stephen P. Joyce spent 26 years with Marriott before,
- Wyndham's Eric Danziger is a 30-year old veteran of the hotel industry; before joining Wyndham he spent the last seven years with a real estate broker and a online shopping provider.

Interesting within this list it is that the stock market-listed giants nearly all have engaged CEOs who are new to the trade. It is even more interesting that Four Seasons has also now been integrated into this list. Of all hotels, Four Seasons – the global epitome of the most top-class hospitality! Does this signal the beginning uniformity of the luxury hotel group, a settling to the level of Blackstone and Hilton? Incidentally, Four Seasons was founded by Isadore Sharp – by a non-hotelier. Starwood Hotels was also founded by a non-hotelier – Barry Sternlicht, today's CEO of Starwood Capital. It was he who invented the „W" lifestyle brand that adorns the Starwood Hotels' portfolio of today.

It is interesting that among the international mid-sized chains Rezidor is still escorted by a hoteliers and Operations expert. The largest franchisors in the world (Wyndham, Choice, Best Western) also trust in hoteliers.
However, the global trend is clearly toward CEOs who do not come from the hotel industry. „We as an industry have spent too long at culinary school instead of a university of applied sciences," André Witschi gets worked up, „we as an industry have neglected the financial part too long!" The hotelier, Witschi, former CEO of Accor Germany and Steigenberger Hotels, criticises the industry gruffly. Now as President of the Ecole de Hôtelière Lausanne, he is about to alter the school: More master programmes, more international professors, also from external industries. „In ten years, graduates of Lausanne must sit at the head of big hotel groups once again!" he demands resolutely, „I am working on this tough as nails right now!"

A business like every other?

The first hotel chain to engage an external financial expert as a CEO had once been known as Bass, the predecessor company of the InterContinental Hotel Group (IHG), remembers Russell Kett, Partner at London HVS. Others soon followed… He finds this correct if CEOs bring their experiences from other industries and along with this, think outside the hotel industry's box. The Englishman sums it up drily, „The hotel business is not rocket science".

Ashok Sharma, president of the headhunting agency Renard International from Toronto, sees this more extremely. Since the investment companies have gotten into the hotel industry everything has changed: „Because these have simply wanted growth, they established sub-divisions and called them luxury. The products have been changed, but the service elements would have had to continue as a specific feature of the brand. But, it has not been this way. The hotel industry has become like every other business." In 1999, Ashok Sharma sat together with the senior vice presidents of a large hotel group as everything transformed in one sentence: „The hotel group is a strategic business unit of our company and we think that every person with excellent business acumen should be able to lead the hotel group." The hotel group is no longer in existence today.
The hotel companies seem to move between the extremes increasingly stronger. No problem for Russell Kett: Not everyone must know how to be and be able to be a CEO, he means: „A good CEO can make up for lacking experience or knowledge while they compensate for their own weak points with the appropriate executives under him. A CEO can absolutely come from the hotel operations and also should rally colleagues who are new to the trade around them. And vice versa: An external CEO should place hoteliers in their closest surroundings." And: „They should always listen to each other very well." No time remained for this at Accor this time around. Yann Caillère threw in the towel in

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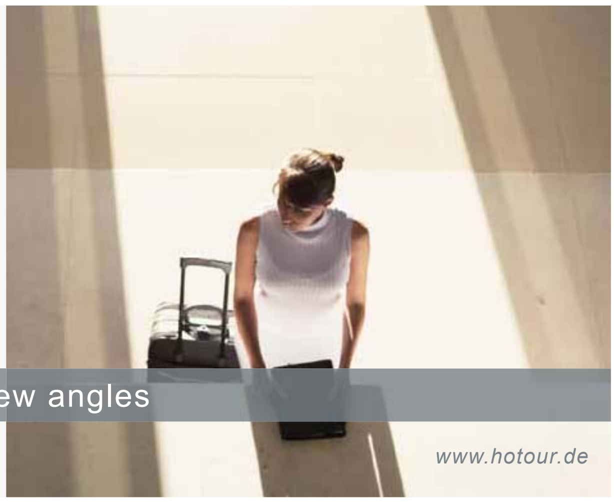

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Arco Buijs


Marc Hildebrand


Russell Kett


Antje Maesse


André Witschi

the afternoon when Sébastien Bazin was appointed the CEO. Up to then, Caillère had been the strong second man – COO at the side of Denis Hennequin – and since his sacking, also the Interim CEO. Now, all Accor executives are asking themselves who the new CEO with a stockholder past will be heaved into the second position, a hotelier or a newcomer to the trade? A decision had not yet been made as of yesterday. The Accorians are nervous; a great deal depends on it.

More pressure on CEOs

The latest personnel change at the head of the largest hotel chain in Europe is the most unusual event in current hotel CEO history. Never before has a shareholder (shareholder's representative) hauled their self into a controlling function in the active hotel operations. This switch symbolises the triumph of the financial world over the operations, the triumph of the figures over the service-oriented thinking company. This is also the tenor that stretches through all discussions. But, is it a final triumph?
„Every CEO deserves a chance," says Jan Hein Simons, who even had to leave overnight just a few months ago after a CEO decision by NH Hoteles. He understands the CEOs today who are subjected to immense shareholder pressure. „Today, supervisory boards meet much more frequently than earlier, they have more expert opinions about the hotel business and deal more intensely with the daily business than in the past."
„Shareholders have no longer spoken of the guest for a long time," Arco Buijs limits and thinks rather like Ashok Sharma here. „CEOs from the financial world are often absent of the emotion and the passion that has created the beauty in the hotel field," he says. „The hotel industry is not a steel factory."
Buijs had changed from a leading position with NH Hoteles to the CEO chair at Steigenberger after this company had been sold to the Egyptian tourism enterpriser, Hamed El Chiaty. Buijs was already the second CEO within two years then; he was removed from the office after 19 months. His predecessor, André Witschi, was in the office slightly longer, namely 22 months. Both managers, both experienced hoteliers, that one can count among the „Hire & Fire" victims of a company that cannot demonstrate a strategy in times of change. Likewise, the CEO changes with NH Hoteles over the last years have still not ultimately rendered economic reassurance to this day – only the entrance of an additional capital partner, the Chinese investor HNA. CEO changes can also be a camouflage coat for the inabilities of the shareholders.

Every change is priced in

In any event, the tempo of the turnarounds at the top is increasing – for the most various of reasons. Today, those who can stay in the CEO seat for two years are good. „Shareholders already exert a huge pressure on CEOs. They must deliver answers immediately! They no longer tolerate waiting patiently," sums up hotel consultant, Russell Kett with HVS. „The shareholders who want changes have the effects of this change immediately priced in," he explains further, „although everybody knows: Every change needs time before it can take effect."
Former CEO, André Witschi, can only partially understand the aspect of the raised pressure: „When I started with Accor in Germany in 2004, I also had to withstand a great deal of pressure from the Accor founders, Paul Dubrule and Gérard Pélisson," André Witschi remembers – particularly at a meeting where he could only fret and fume so much. „But they can be inspired through hospitality ideas."
When Witschi, the hotelier, was dismissed from his CEO job at Accor Germany, the Paris headquarters searched for an alternative. They found Marc Hildebrand, who brought along experience from American Express and the TUI business travel subsidiary, TQ3. However, the French did not like his quiet manner and approach to problems.
„With the increasingly more complicated markets and structures, a CEO must be the generalist among specialists," Marc Hildebrand reflects today. „Global company structures primarily function following the matrix principle. As a result, there are many professionals in their respective fields for every function. At the uppermost level, however, one requires a CEO who is able to reunite all functions and disciplines expertly and is visionary in the implementation. And they must work internally and externally. So it is not enough to „only" have somebody who has worked their way up into Operations over decades or is only in the real estate industry. But, only those who can cover all areas and make a difference within them can succeed on a long-term basis."
This opinion shares Wolf Hengst. He dedicated 28 years of his professional life to Four Seasons Hotels, during the last seven years he led the group (as COO) and ultimately handed this over to his long-standing colleague, Katie Taylor, who then left the five-star hotel chain this spring absolutely unexpectedly – after 25 years in the company – and has now been replaced with a

financial expert. „The criteria is to find somebody who has the perfect balance between operational and finance/development," he says. Those who want growth need CEOs with these abilities. „In the case of Four Seasons and probably other five-star hotel operators where finance people are at the helm, the need then is to create an organization that has a strong operational senior management structure with real executive authority."
Up to the leaving of Wolf Hengst, by the way, Four Seasons founder, Isadore Sharp, was always involved as CEO, „but he was never in operations," Hengst emphasizes. „His genius was to surround himself with people that created the service culture for which the company has become famous. He is above all a keen business man and excellent architect."

Unexpected surprises

In spite of all the pros and cons, Antje Maesse, Director of the headhunting company purely specialised in hotel management, Haystax from Munich, has reported serious doubts over the entire development. „The tendency is that the gap between Finance and Operations is becoming larger and larger! Listed companies will always place financial experts at the top themselves because they can better represent the interests of the owners and investors. If the COO post is then taken by a person from operations, this would be good. But: With this, the COO seat also becomes a ‚hot' seat!"

In her eyes, when the shareholders choose a CEO without instincts for the service-oriented hotel industry, the cornerstone has already been laid for an undesirable trend within the company. „One cannot quickly push or force the ‚production' upward in a hotel operation overnight by two percent," the headhunter warns the CEOs new to the trade.
„Many CEOs are also shocked by the high personnel costs in the industry," she pecks out an example. Those who cannot convey their strategies to the hotel staff members have an additionally bad hand. Because this will immediately spread to their contact with the guests. And in the end, the guest decides – while they simply stay away from the hotel. While stock market-listed hotel groups are uncompromisingly saving and increasing their yields, the niche hotels are gaining ground. Service is still maintained there and as a result, they will be the winners in this development, Antje Maesse is certain.

The CEO of the future

„Every CEO expulsion takes a hotel company back by about two to three years," the headhunter says. In view of the massive tempo that rules within the market and the shareholders´ demand that their CEOs remain in an increasing form could prove as a boomerang.
Maesse still sees a second boomerang circling in the sky: „The winners are the companies that keep the real estate and the brand in one hand. Asset-light companies have no more control over the real estate and with this, over the brand on their roof. It can ultimately be easily substituted."
However, Antje Maesse remains optimistic – for another reason. She is certain, absolutely certain: „These undesirable trends will lead to the fact that the industry will find their way back to their core again. The boomerang will swing back again in the medium term!" Over how many years this will be exactly, she is not able to number at the moment. „But the change is coming!" Until then, the „CEO of the future" will run to and fro between numbers columns and shareholders' meetings, wear a smart jeans, open collar shirt and casual jacket and only speak with the guests who might see them. The hotel CEO type is always smartly dressed and still seeks out a conversation with the guests. The hotel world has not changed from earlier times to its advantage, Ashok Sharma sighs. „The stylish word ‚Hotelier' has been substituted with the general word ‚CEO'." // Maria Puetz-Willems

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WHAT ASSET MANAGERS ARE ALLOWED TO KNOW – DIVERGING VIEWS

Spies between the lines

Munich/Frankfurt. „There are three types of asset managers," joked Markus Semer, board member of Kempinski Hotels. „There is the investor's wife, the consultant throwing around Excel charts, and finally real asset managers backed by a team of experts." That hit home causing great laughter among the audience.

Moderator Markus Beike (Christie+Co; left) moderated a lively discussion about asset management at the Expo Real hotel conference 2012. Next to him: Andreas Loecher, Union Investment; Heribert Gangl, Hamilton Hotel Partners; Markus Semer, Kempinski Hotels, and Stephan Gerhard, Solutions Holding.

Aside of Semer, there were two asset managers sitting on the podium: Heribert Gangl from the Hamilton Hotel Partners asset management specialist in London and Stephan Gerhard, CEO of Solutions Holding in Munich, which recently introduced a new asset management department. There was a similarly entertaining panel on the same topic at the „Hogan Lovells Hotel Day" in Frankfurt that started with a speech by Jones Lang LaSalle Hotels Switzerland on „operational asset management". The representatives considered it part of the job to immerse themselves deeply in the business of hotel operators. Surely, Markus Semer would have fired back. So, what should an asset manager actually be able to do? And how far may or should his authority go? There is no doubt about this: this species will likely keep its reputation of being a spy between the lines.

An asset manager's responsibilities depend on their client. Accordingly, Hamilton Partners usually represents interests of owners, „and we definitely dig deep in operations," said Heribert Gangl, Senior Associate at Hamilton Hotel Partners. Among their clients are so-called high network individuals (HNWIs), private equity or Arabian state funds. Solutions Holding considers itself more on the side of hotel operators, „as translators between operators and owners," but it also includes banks in its client portfolio.

Both major investors and private owners fall back on external asset managers when it comes to concrete transactions or loan inquiries. Sometimes they also have an „owner's representative", who is practically an asset manager. Markus Semer even deals with 71 members of this species, as 71 of 74 Kempinski hotels are based on management agreements.

For Hilton, asset managers are also part of everyday life: „Each of our general managers has to deal with an asset manager," explained Olivier Harnisch, Area VP Northern and Central Europe of Hilton Worldwide. With respect to lease agreements, the chain uses internal asset managers, while owners send an asset manager in cases of management agreements. Hilton has been working based on this model for ten years – in parallel to the rising number of institutional investors. At Hilton, the reporting line is under the real estate management department, which „needs to communicate closely with operations," said Harnisch.

Owners demand transparency

Installing an asset manager only makes sense with management agreements involving considerable risk. This is what all experts agreed on. As regards lease agreements, „review talks" would be possible at best. „When it comes to hybrid agreements including an incentive component things get interesting," said Stephan Gerhard, CEO Solutions Holding.

Family Office RFR Management GmbH does not see any limits based on the type of agreement. Whether management, lease or hybrid – it all depended on the agreement's reliability, said Managing Director Dr. Alexander Koblischek. Despite the fact that the family owns only five hotels, it has already

Markus Semer (middle) also criticized the two asset managers at his side – Heribert Gangl (l.) and Stephan Gerhard.

established a dedicated monitoring hotel team. „I also want to know how my leaseholder is doing and whether he is able to meet his obligations!" The company drew up a dedicated report based on the talks with the operators – also for the bank. Union Investment Real Estate also demands transparency: the fund company mainly uses asset managers upon conclusion of an agreement and in the beginning of a 15 to 20-year partnership. The bank follows the same procedure: Dirk Schuldes, former Eurohypo, wants to know „what's going on at least once a year". However, he signs a confidentiality agreement for the operator confirming that the figures will not be handed on to the owner. The bank has been stipulating its demand for a share in decisions in its loan agreement by default.

Monitoring or interference?

Regarding management agreements, it seems to be customary to have a talk with the operator once per month. Meetings on such a frequent basis, however, do not necessarily find favour with them. Not only Markus Lehnert, Marriott Development Representative at „Hogan Lovells Day" in Frankfurt, fears that too many operational details will be revealed at these numerous meetings.
The conflicting interests with operators seems to be in the nature of the task: if Hamilton acts as an asset manager, things often start with an operational check – similar to André Seiler's description in his speech. „We've got the same understanding as a local management," said Heribert Gangl. 85 percent of the achievable value was generated by the operational side after all, which directly influenced operating profits and yield. Accordingly, they succeeded in getting a separate website for the hotel on behalf of the owner, or initiated a collaboration with The Leading Hotels of the World – against the wishes of the operator.
Markus Semer of Kempinski does not think much of such „interventions" in the core business of operators. „We need competence free of conflicting interests," he insisted criticising the fact that many asset managers act as if they were competitors of operators. „Intervening in executive decisions influences the value chain," he warned. And with respect to small and medium-sized companies, hiring an asset manager even means „dying in instalments": in such cases, owners would pay experts twice – once as a consultant and once as an asset manager. He pleaded for establishing clarity and getting responsibilities straight: „Either I can lead a hotel as an operator, or I can't. This is, after all, a question of liability." From Semer's point of view, consultants like Gangl and Gerhard were practising a type of watered down white-label management.
Do you really need an asset manager? In the current, difficult financing environment, Markus Semer definitely identifies „aggressive expansion" by asset managers – similar to that of auditors not long ago. //
Maria Puetz-Willems

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PROFESSIONAL PRIVATE HOTELS, OTAS & INTERNET RELATIVISE CHAINS' ARGUMENTS

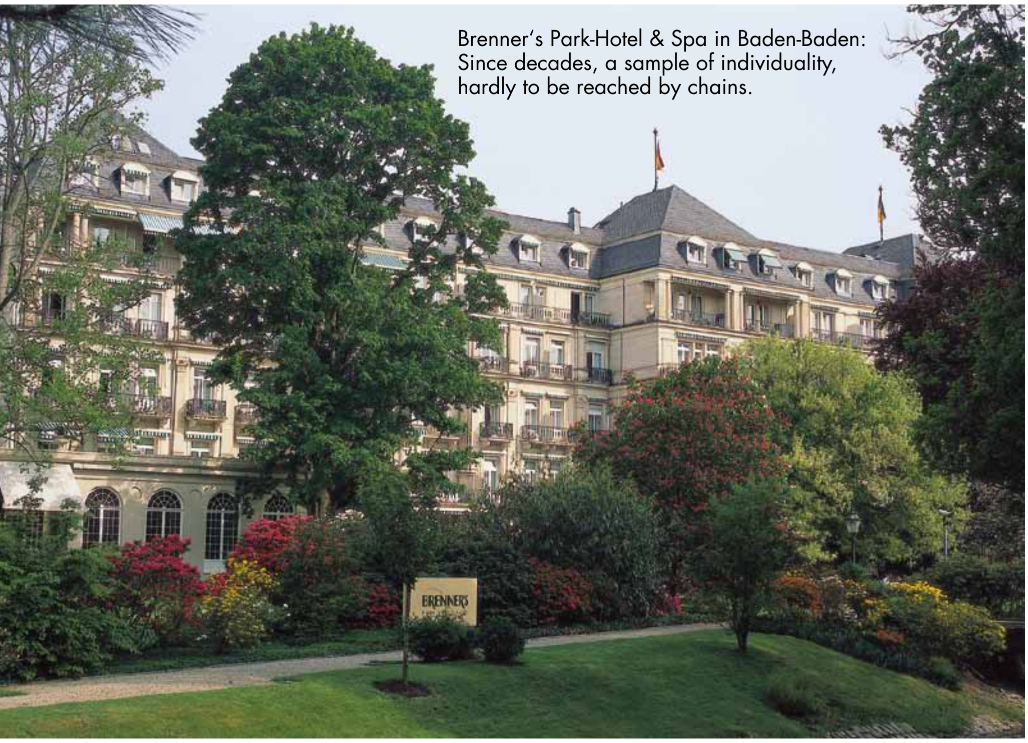
The bonus is diminishing

Wiesbaden. The brand hotel industry continues to develop over proportionally compared to unbound private hoteliers worldwide. One reason: financiers favour brands as operators in general. But is this strategy always logical and justified? Why are the chains the only ones to receive the bonus? There are many reasons for rethinking. A large argument of the banks, for example, that the chains are stronger in distribution, has been softened by the internet and online booking platforms: the OTAs have the last word here. The large chains often lack creativity and the private hotels the professional appearance. The following survey among the operators of renowned private hotels, among medium-sized groups and consultants shows that the bonus for the chains is no longer as strong as it used to be.

Peter P. Tschirky, Chairman of the Management of Grand Resort Bad Ragaz AG in Switzerland, identified a field where chains have a clear advantage: „They normally have a think tank, which contains many benchmark figures by its size alone. Concerning these matters, a private hotel manager has to take the initiative himself in order to obtain such information and innovation," he says. If private hoteliers want to obtain services from chains, they have to pay dearly.

Chains, according to Tschirky, only have one reason to exist: if the hotel has 150 rooms or more and/or the investor has no connection to the investment. „Whether a hotel is good or not depends on its General Manager, not the chain. If this person does a good job, the hotel is good and vice versa. If this were not the case, all chain hotels would have to have a much higher occupancy than private hotels. But this is not the case, except for airport hotels maybe and very special business locations," explains Tschirky confidently.

Moritz Dietl, Senior Consultant at Treugast Solutions Group, has arguments in favour of private operators that could convince investors as well: „Agreements with private operators can be more flexible and individual, and shorter contract periods are also possible with them, for example," he says. Besides, private operators tend to identify more with the hotel than larger operators. As far as the construction goes, the standards of private operators are less distinct in general, concerning the minimum number of rooms or the room sizes to name some examples. Another disadvantage of chains is that their requirements often cut across the requirements of an individual business: „In web marketing, the brand often has priority, but important search keywords for a special hotel are often neglected," says the expert.



Brenner's Park-Hotel & Spa in Baden-Baden: Since decades, a sample of individuality, hardly to be reached by chains.

Hotel brands good for standards, not for individuality

Frank Marrenbach, Managing Director Oetker Collection, knows the economic plus-points of chains: „They have advantages due to their brand awareness, their global presence and very good distribution in most cases. This is associated with a notably stronger standardisation, which has the advantage of easy scalability but the disadvantage of lacking individuality." Especially individuality is the strength of smaller hotel collections.

In the operation of high-end hotels and highly individual concept hotels, this advantage is substantial. „The understanding and the management of individuality requires a business structure and the corresponding employees aligned for that purpose," continues Marrenbach. However, he believes that it will be much harder for individual players – apart from very few very strong traditional hotels. „Especially with the digital communication and the distribution, which becomes increasingly complex, a larger experience context will be necessary," he adds. For standardised hotel projects, the large hotel brands are the right concept for the time being. However, for distinct guests it will probably be easier with individual hotels and collections.

Five reasons for private operators

His hotels are far off from traditional hotels but Marco Nussbaum, Managing Director of the small and emerging private chain prizeotel, does not understand why known brands are being preferred by investors or banks. „I have discovered five reasons why single hotels and smaller chains do not have a bonus compared to larger, global chains. However, these points have not yet reached the financial world. They are still relying too much on the ‚compact brand power' in terms of financing. However, one question has to be asked: what will happen if a growing number of large chains want to phase out of their lease agreements („asset heavy") and replace them with franchise or management agreements („asset light"). How much value will the brand have afterwards for the financial world? Franchisees will never be able to provide the same securities as large groups – even if the franchisors should support them with guarantees at the beginning. And concerning online distribution, franchisees have to ask themselves if the fees are in relation to what they obtain in the end."

Nussbaum's five reasons in detail, why chains do not deserve bonuses:

1.Today, distribution sovereignty and distribution power is no longer with the large chains but with the online travel agents (OTAs). This becomes obvious in the direct comparison in the micro markets where allegedly younger brands and smaller chains have a better performance than established ones (e.g. 25hours or Superbude). The stock prices of listed OTAs have developed over proportionally well compared to large hotel chains in the course of many years. Now, the online giant Expedia has reported drops in profit of 32 percent for the second quarter of 2013. This shows that it is becoming increasingly expensive to win over customers in the internet. The costs of propelling this business forward have long reached a point the hotel industry is no longer able to pay.

2. Because of the transparency provided by the internet, the location of a hotel is ever more decisive. When 30 years ago, a hotel called itself „Berlin-Mitte" (Berlin Centre) even though it was located outside the city centre, it nonetheless received many bookings as the travellers were not able to immediately judge the location. Today, the people who want to book are able to find out distances with a single click in the internet, they limit their search area and book spontaneously and independently from the brand.

3. Working professionally with OTAs, search engines and other online platforms offers single hotels or smaller chains many opportunities to establish awareness and visibility. In former times, this was only possible with great efforts.

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4. Many travellers are tired of hotel products without profile. Every hotel needs a story to be able to distinguish itself in the market. As soon as this is not (or no longer) the case, these hotels disappear into insignificance. In the network of large chains, hotels without profile only ride along; however, it takes longer to recognise this. But this trend is a great challenge for the established players: they have to prove that they are able to keep their promise of quality as a large and global brand with several thousand hotels. This is not easy to fulfill considering various operating forms, diverse owners and a high fluctuation among the managers. The internet shows: in micro markets, it becomes increasingly difficult for global brands to gain acceptance.
5. Innovations mainly take place among start-up hotels and not in the rigidly structured chains and groups. The innovative power of a franchise brand is not to be found in the headquarters of a chain but in the creativeness of the individual operators who work in close proximity to the guests.

Guests find a sympathetic ear more easily among private operators

This was Marco Nussbaum's criticism on chains. And now it continues: Antje Zumsande, Managing Director of the consultancy Consilium Hotellerie Stuttgart, is convinced that guests and employees are better off in private hotels and small hotel groups than in the chain hotel industry, generally speaking. Both are very important for the success of a hotel. „In privately run luxury and resort hotels, the guests are cared for ‚privately' and very well as experience shows. The owner is often responsible for the hotel management; this particularly allows for the usual familiar services. And the fluctuation among the staff is often lower in private hotels – including the internal housekeeping. This kind of accommodation business leads to a more ideal development of regular guests," she says.
The private care that goes along with it is not necessarily a disadvantage concerning profits. „Ideally, the private hotelier is able to react better to the regional needs of the guests and work cost-optimised, as he or she does not have to meet international standards, e.g. kind and extent of the breakfast buffet as well as the menu,


Moritz Dietl


Frank Marrenbach


Marco Nussbaum


Rolf Seelige-Steinhoff


Peter P. Tschirky


Antje Zumsande

opening hours of the spa area, etc. He or she is able to react autonomously and thus flexibly to all situations," says the expert.
In her career, she has witnessed many peculiar situations, which do not give the chain hotel industry credit to be the better hotel operator. For example, the general manager of a medium-sized group, which took over a previously privately managed 5-star hotel in the north of Germany, issued orders to use only one kind of universal glass from then on. As soon as the general manager had time off, the employees took out the good red wine glasses from the storage, to the delight of the guests. In an Austrian hotel, which became a chain member, the new hotel management alienated regular guests by prohibiting dogs suddenly. Other guests were forbidden to smoke in a tent originally put up for smokers only at New Year's Eve.

Lessees are liable, managers are not

Of course, there are also guests who appreciate chain standards as safety. „Especially in very large companies and generally in business hotels, the hotel operation is more anonymous. Therefore, guests do not normally expect individual service," explains Zumsande. In addition, chain hotels are nearly always better accessible than their private colleagues – „whether via the central office for reservations or the reception. And some private hotels cannot be booked via their own homepage due to cost reasons. Because of the guests' changed booking behaviour, hotel groups have enormous competitive advantages here," she says.
Rolf Seelige-Steinhoff, Managing Partner of the Seetel group, a private operator and owner of several resort hotels (15 on Usedom, 1 on Mallorca), knows the disadvantages of management agreements with chains. „If the chain is the brand of the tour organiser, it could happen that the rooms can only be booked via this operator, even if the hotel manager were able to fill the hotels with other additional guests too," he says. Furthermore, in the case of a management agreement with a chain, the investor runs the risk that the chain – especially prior to expiry of the agreement or in times of crises – does not take the maintenance very seriously.
In addition, Seelige-Steinhoff is convinced that the advantage the chains gained through their reservation systems is decreasing. In the MICE, this is still different, but concerning individual bookings, OTAs had long had the last word. „Moreover, banks should always take into consideration that lessees are liable, and management companies are not."
Facit: Private operators, who want to be taken seriously by investors, should remember their strengths and take over useful services of chains at the same time. //
Susanne Stauss

GBI identified the market demand quite early and developed its own brand SMARTments.

GBI CHAIRMAN REINER NITTKA COMPARES STUDENT AND SERVICED APARTMENTS

Simply good

Berlin. People's needs are becoming more varied, more individual; and supply and demand in the „accommodation market" is responding accordingly. At the same time, cross-over areas are growing. A very current example is provided by the segment for student housing and serviced apartments. Reiner Nittka, Chairman of GBI AG, describes the similarities and differences in a guest contribution for hospitalityInside.com, and compares key ratios from both segments (as of November 2012).

Since 2011, the Berlin-based developer, investor and operator has focused on the student housing niche by creating its own brand: „SMARTments" (www.smartments.de). The Moses Mendelssohn Foundation and its affiliates GBI AG and Nord Project Immobilien have ever since been looking for plots to turn its plans into reality. In Hamburg (Huehnerposten) 160 apartments have already been provided. 131 apartments are under construction in Frankfurt (Europaallee), and a further 1,000 apartments will be under construction by 2013 in Darmstadt, Mainz, Cologne, Stuttgart with a second building in Frankfurt.
In the serviced apartments segment, GBI operates a property comprising of 146 units in Munich under the Citadines brand; a further 293 apartments for two Citadines in Hamburg and Frankfurt are currently under construction. A further serviced apartment project with 153 units is planned (with construction scheduled to start in summer 2013).
At present, GBI is currently the only – experienced – provider of both types of accommodation. In recent years though, interest has grown and various new providers have set up as investors began to look at the business model. „The trend is due to the social trend of mobility, urbanism and flexibility," Reiner Nittka says. „And the two products are much more closely related than it may appear at first sight."
In the following, Reiner Nittka describes why smart-flexible accommodation offers

Reiner Nittka, Chairman, GBI AG

make sense from the point of view of GBI by comparing key ratios and criteria:

„Up to now, student apartments have generally been provided by public authorities, whereas serviced apartments have their origins in the hospitality segment and are primarily known in North America." Now, both have conquered the German market: After Great Britain, Germany is the second largest market in Europe. Nevertheless, up to now the sector has dominated by smaller independent operators which have concentrated their efforts on Berlin, Munich and Hamburg.

GBI draws clear parallels between the hospitality and student housing segments. This has resulted in the company developing its SMARTment product further; taking its student apartment – SMARTments – concept and extending it to become SMARTments business for young professionals and frequent travellers.

Investors and operators are also increasingly seeing the potential. The resonance it found at Expo Real in October has also motivated GBI to push forward with the strategic development of SMARTments: Interest in these products has grown enormously from institutional investors and family offices. At present, three pan-European student housing funds are planned!

Key ratios & perspectives

Location: A good location is a basic requirement for both products. Both A as well as B cities are of interest. For student apartments, the focus is obviously on cities with a high proportion of students and good rental potential. Both products survive on a central or close-to-central location, or at least from good public transport connections to city centres.

Land prices: There are differences here: Between 450 and 550 Euro per sq.m. gross floor space for serviced apartments and between 100 and 350 Euro per sq.m. for student apartments. That serviced apartments need to be in much more central locations in mixed areas with shops and restaurants is reflected in these prices.

Living space: GBI bases its estimates for SMARTments on approx 15 to 17 sq.m. for living room/kitchen/hallway and approx 3.2 sq.m. for the bathroom. For serviced apartments in the 3 to 4-star category, floor space varies widely in accordance with design. Living space/kitchen/hallway can be expected to come in here at between approx. 28 to 45 sq.m, possibly also with a separate bedroom and with around approx. 4 to 5 sq.m. for the bathroom.

The investor perspective

Public areas for SMARTments will be much less grand in terms of size at between 90 and 140 sq.m. than for serviced apartments (4 stars) which will have public area stretching over 900 to 1,300 sq.m.

Parking spaces: Generally, the number of parking spaces will be much less than is the case for standard residential developments and personnel costs are also low to very low. All this is a strong recommendation for these products for investors. Example SMARTments Hamburg: In the Albrecht Mendelssohn Bartholdy building we provide 12 parking spaces for 160 units with only 10 (!) rented to students. GBI also provides cycle spaces and car sharing space with e-charging stations.

Fixtures and fittings: Furniture will be of high quality, though floor space will vary: Whilst student apartments are very comparable to budget hotels (19 to 21 sq.m. net floor space or between 25 to 28 gross floor space per apartment), serviced apartments, on the other hand, are very different from the capital hotel room: the net floor space per apartment here comes in between 28 and 45 sq.m. and between 45 and 55 sq.m. gross floor space.

Return: The investor can expect a return on equity (ROE) of between 5.0 and 5.7% for SMARTments. Current serviced apartment chains are generally owned and operated by one and the same company.

The operator perspective

For the operator, the „reduced to stay" concept is also working well.

Secondary spaces are as good as not available. Both serviced as well as student apartments are focused on the accommodation (93-96% of all units, generally even 100%); there are no restaurants, no spas and very little F&B and in the case of stu-

Why are serviced apartments more successful than hotels?

Prof Dr Max Schlereth, Managing Partner of Derag Living succinctly described the crucial difference between a classic hotel and a apart-hotel at the 3rd „Serviced Apartment Camp" in Duesseldorf:

„Although the average room rate in a serviced apartment (SA) is below that of a hotel, the SA generates higher occupancy figures. At the same time, only a fraction of the cost goes to services and administration compared to a hotel. Important for a SA are the ‚ABC' costs (activity based costs). The number of arrivals pushes up fixed costs in a hotel. All processes after check-in are simple, systematic and recurring. It's not the overnight stay per se that generates the cost, but the arrival.

For this reason, Derag pays attention to ensuring that in a mixed-use property consisting of SA (longer stay) and hotel (shorter stay), the hotel accounts for no more than 40 percent. If it were otherwise, variable costs and later also fixed costs would rise. This would of course impact on returns."

dent apartments, generally only the reception area with a room as meeting point (TV, chat/social media etc.). This considerably reduces operating and ancillary costs.

Equipment (FF&E): SMARTments incur a cost of approx 4,400 Euro per apartment, for serviced apartments (4 star), costs come in between approx 15,000 and 20,000 Euro depending on the concept.

FF&E reserve: FF&E reserve expressed in relation to total revenues are higher for student apartments at between 5 and 6% than for serviced apartments and classic hotels at between 3 and 4%.

Labour costs: They are considerably lower. They amount to less than 10% of total revenues, including cleaning, for student apartments. Serviced apartments come in roughly on par with budget hotels with costs generally at between 20 and 22% and max. 23% of total revenues.

Occupancy: Service ‚on demand' and external partners extend the services available to serviced apartments depending on need. For student apartments, a contact person/caretaker on site is generally sufficient. Very high occupancy, no seasonality and standard rental contract terms of one year for student apartments compares will with the 80 to 85% occupancy expected of serviced apartments.

Internet specifics: Demand from students for a quick and reliable internet connection is high. This is one of the most important factors in a student's choice, much more important than a parking space. In the Albrecht Mendelssohn Bartholdy building, each student has an average of four „internet-capable devices" (e.g. TV, PlayStation or Xbox, laptop, smartphone). Here, GBI accommodates these needs with agreements with telecommunications providers as well as with hotspot providers in order to avoid bottlenecks.

GOP (Gross Operating Profit): In terms of their GOP, serviced apartments come close to the figures generated by budget hotels (in cases over 60%). In relation to total revenues, GOP comes in at between 40 and 60%. By way of comparison: Business hotels come in at between 30 and 40%. NOP (Net Operating Profit): This comes in at between 10 and 30%, calculated after lease fees." //

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The guests kitchen –
more valuable than any interior design.

MEININGER IN RETROSPECT: SASCHA GECHTER ON HOSTEL STRATEGIES AND THE MARKET

Low budget: At the limit

Berlin. „The capacities in the Hostel, Low Budget and Budget segments are slowly pushing toward their limits. In any case, there will soon be a clear market settling." Sascha Gechter, still the Managing Director of Meininger through to April, forecasts this. In mid February, the first German hotel group in the Low Budget segment was entirely taken over by its shareholders, the British tour operator Holidaybreak. In 2012, the group produced a revenue of approximately 43.3 million Euro with its hostel and hotel model. Approximately 50 million Euro is planned for 2013. Was this the right time, in the middle of the budget boom, to sell all shares? As a German company, Meininger was only 14 years old. What made its success, what mistakes did others make? Sascha Gechter casts his gaze on the market and the Meininger history.

In 1999 and shortly after completing his business management studies, the Berliner, Nizar Rokbani, opened the „Studenthotel Meininger 10" in Berlin-Schoeneberg together with a friend of his youth, Oskar Kan. The Kienbaum partner, Sascha Gechter, arrived in 2006 and since then, the three formed the Meininger management. First, the group was called „Meininger Hostels and Hotels" and in 2008, they decided against this hybrid name and only the brand – „Meininger" – has been emphasised since with the addition of one subtitle – „The urban travellers' home".
The steady and significant revenue increases rendered Meininger as attractive, all the more so for the stock exchange-listed British holiday organiser, Holidaybreak.

Meininger had recently increased its revenue of 23.1 million Euro in 2010 by 87% to 43.3 million Euro in 2012. Likewise, the bed capacity in comparison to 2010 grew by around 55% to more than 6,000 beds in 2012. Most recently, the room occupancy amounted to more than 80%, the room revenue (RevPAR) at just under 64 Euro; Gechter explains that the average rate per bed amounted to 27 Euro. Silence was agreed regarding the actual sale price; Holidaybreak had paid 36.5 million Euro for the 50 percent entrance into Meininger in November, 2010, including the option to acquire the remaining shares following the same valuation scale within three years. Meininger currently operates 16 properties with 2,016 rooms and 6,366 beds in eight cities of three countries. Two other properties in Brussels and Barcelona will open in spring, 2013 and in the middle of 2014.

In a conversation with Maria Puetz-Willems, Sascha Gechter has a look back at the Meininger history, its success factors, general errors in reasoning and at the development within the entire Low Budget market.

Mr. Gechter, was 2013 already the right time to sell the group completely? Could you not have profited even more strongly from the Budget Boom and the sale in the next three to five years?

Sascha Gechter: We have stretched the entire sale over more than two years. If we had simply sold 100 percent all at once today, we absolutely would have achieved a higher price. Nevertheless, my two partners and I are very contented because it has granted us an unusually high market multiplier in the commercial result. However, the decisive factor for this planned step was that the human relationship with Holidaybreak was excellent and that we could place the company in hands that were, like us, interested in the concept and the content.

Sascha Gechter

Is Meininger a pure management company that you have co-sold or does it also provide the property?

No, Meininger owns no properties – except one. The property on Oranienburger Strasse in Berlin belongs to us three Managing Directors. We bought this property in 2010 out the need to retain the location. The previous owner had financial problems.

The group has grown strongly since 2006. To what strategy is this owed?

There were and are three top criteria: The property, the design and the distribution. Allow me to explain them in order … Regarding the property: If we are talking about an especially interesting property and look at the entire value-added chain, then a good bank rating is present from the beginning. Many budget newcomers in the market underestimate its meaning in light of the strategic planning. Brokers, developers and investors are the first to ask for this because this will have an influence on the future value of the developed property. For me, these ratings/rankings are the foundation for a quick expansion. What causes good ratings? A clear company structure, clean reporting and respectable growth. Those who intend to open the door to other investors through a progressive development should, one way or another, provide for a clear company structure and not allow for anything to divert them from their strategy – and also not, for example, by tempting tax savings possibilities and with that, walking along complicated organisation models. In the hospitality industry, such considerations, too many and too early, can detract from the original course.

A Meininger stands at the Central Station in Berlin, but not at the Gedaechtniskirche (Memorial Church) as a Motel One

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Meininger Hamburg: little space, multiple services.

will soon be. Rather, a Meininger is found a few blocks away. How important is the central location for Low Budget hotels?
It is very important, because a central location documents the „urbanity" of the property, it permits the guest quick access to the heart of the city. A location three blocks away from a place of interest allows for lower lease prices. With a location in the Ku'damm in Berlin, we would be guaranteed to pay from 100 to 150 Euro more per room per month. But, does this make the sense? Here and as a Low Budget operator, one must concentrate entirely upon the figures and calculations – besides, vanity has no place here. One behaves differently with traffic-strong interchanges such as railway stations or airports where the so-called Walk-ins represent a guest potential that is not to be neglected.

What criteria are applied to hostel properties?
Up to now, Meininger has been completely flexible – open in terms of new buildings or conversions. Also room sizes and room-customisation were completely equal to us, because we do not work with ready-made mass furniture. Moreover, the visibility of a Low Budget property does not particularly need to be provided as long as it does not concern a location directly in a railway station or airport with which the visibility offers a true added-value through more spontaneous Walk-ins. Otherwise, vanities have no place in the Low Budget hotel industry.

Regarding the second top criterion, the design. How flexible are you there?
On this subject, we have often come into the headwinds of larger chains that place a great deal of value on standardised design and promote individual pieces of furniture as the eyecatcher. We have always distinguished between Corporate Design and Corporate Identity. As said, we need no Corporate Design – no scaleable pieces of furniture, but rather prefer a flexible, regionally-related or property-related design. For this, we place a great deal of value on the identification with the company, on „soft" values such as atmosphere, care, personal engagement, getting to know, etc…

Every Meininger has a „guest kitchen" in which the guests themselves can cook up a little something. Is this part of the Corporate Identity?
Yes, of course. This kitchen is an approach point for everybody, a contact room for everybody. This creates an unbelievable „value" that we rate much more highly than any other attractive Budget Interior Design can provide.

Before the reservation, however, the traveller only sees photos of Meininger and still has no feeling for the intrinsic values of this group … And in comparison to Motel One, Meininger rooms do not have such a stylish effect?!
That may be so, although Meininger has implemented a valuable „budget-unusual" design in relative tandem with Motel One. From the outset, Motel One has implemented this way of thinking perfectly. Today, there is no one who thinks „budget = cheap" because the professional suppliers in this segment have managed that the small room sizes are forgotten through the high-quality appearance.

As a hybrid group, Meininger calculates in beds, the others calculate in rooms. Is your model not a handicap?
This is rather an industry-internal problem, or also a marketing problem. In the beginning, it was also a developer topic due to the expected higher rate of wear in the rooms with multiple beds for us. However, we could assert ourselves against all of these doubts with our good numbers.

Your third point of success is the distribution. How does Meininger steer the favourable prices?
With my entrance into the group in 2006, we turned around our funnel policy in regard to the target group: Instead of focussing on school groups, we intended from that point forward to open up to all target groups with our excellent price-performance ratio– like Aldi does: Always well-accessible, centrally situated, good quality at reasonable prices. This has proven itself. As a general rule, the business guest knows what to expect and will turn a blind eye if they must check-in next to school children. Other criteria are important to them.
In contrast to Motel One – to stay with this name as an example – we have operated in extreme yielding for many years with a level of automation of nearly 90 percent. A permanent comparison with the prices of our competitors as well as our own availabilities occurs behind the scenes, our automatically ascertained prices are directly conveyed electronically to the Extranet (for example, HRS, Expedia). Now, the art consists of no longer serving the expensive Extranet/Online Travel Agents in times of scanty availability. With us, the most expensive external partner is logically chucked out as the first to go from the contingent list.

How much business comes through the Meininger website today; how much through the Extranet?
In 2003/2004, the reservation ratio between our own website and the Extranet was 20:80, we are at a 50:50 ratio today, but are targeting a 70:30 ratio.

Would the strength of Hostels or Low Budget hotels generally be conceivable without Internet distribution?
Without the Internet, we would need a substantially larger distribution. However, the great merit of the Internet is that it has also helped this niche segment along with a strong push because it offers complete price transparency.

The yielding principle has absolutely made Meininger even more interesting to Holidaybreak because most Britons are also aware of this and employ it aggressively. Motel One as another German budget chain is now also expanding strongly in Great Britain, but wish to retain their rather fixed price model. Do you consider this as realistic?
It is certainly very skilled to establish oneself in a market with a relatively fixed price – in Germany just as well as in other countries. In the beginning, it is a marketing point, but after a few years in the market, the model could falter. Actually, Motel One loses money with this model. It pressures the results, but the image is right!

But, surely there is yet another point in the success criteria: The personnel costs. Where do the Meininger standards lie here?
Indeed! There is an iron rule with us that the personnel costs group-wide may not exceed 10%. We currently employ 382 staff members, including 21 managers, at the headquarters and in the hotels. We have optimised and automated processes in other areas and have therefore reduced costs rather than extending services through personnel increases.

Is it still in keeping with the times to carry out deliminations between the concepts in order to distinguish between Hostels, Low Budget and Budget?
No, this only creates confusion. Everything is blurred today. There is hardly a perceptible differentiation and certainly no stars. 39
And when will the Hostel boom flatten?
In my opinion, an oversaturation within the market is already apparent. In continental Europe, there are only four players of significance in this hybrid segment: Meininger, A&O, Generator Hostels and Wombat's. The big players will no longer be so quick to sweep onto the market as others have already done. Moreover, smaller suppliers also frequently move in the grey area of the private housing market.

What will you and your both Managing Director colleagues do after Meininger?
To tell the truth, we do not know yet. However, each of us will absolutely want to „clear our heads" first. Meininger has been a strong chapter for Nizar, Oskar and I.

Many thanks for the stimulating conversation! //

Meininger decided to eliminate the difficult term of Hostel/Hotel and go for a motto.

UNION INVESTMENT RAISES APPEAL OF LOW COST HOTELS TO INVESTORS

Low budget takes the funds hurdle

Hamburg. Demand for low cost accommodation is rising with the economic crisis. With the UII Hotel No. 1 fund, Union Investment has now established a special fund for institutional investors primarily investing in budget hotels in a good micro-location. The fund makes 400 million Euro available for this purpose; a sum large enough to trigger the next budget boost on the German and European market. A look at the investment universe of the Hamburg-based fund company and its new approach with strong signal effect shows: The once ridiculed „cheap segment" has now taken the final hurdle.

Low budget smacks of youth hostel, Lambrusco and tinned ravioli. Meanwhile though, a lot has happened in this area of hospitality. Quality and design have made in-roads and low budget chains like Ibis and Motel One have succeeded in revolutionising the dusty and outdated market of budget hotels. By concentrating on just a few high-quality fixtures and fittings such as designer chairs and chic lamps, and perhaps an unusual colour concept, they have managed to raise the sector's image. The hotels are full, and Motel One in particular has become a popular investment partner – constantly expanding, and with significant results at that. The meanwhile multi-award winning group aims to increase its number of hotels to a total of 70 by 2016.

Success stories like Motel One gave experts at Union Investment the idea of establishing a budget hotel fund. The figures speak for themselves, and even the German International Hotel Association (IHA) expects positive performance. According to the IHA, budget hotels are „the hotel market of the future". And this has one reason: More and more Germans, and Europeans too, are taking city breaks. According to IPK World Travel Monitor, this type of travel grew by 13 percent in 2012. As a result, more and more high-price chains such as Marriott recently (with „Moxy") and InterContinental Hotels Group in the past (with the „Holiday Inn/Express" brand) have jumped on the budget bandwagon. In Germany, small owner-operated midscale hotels and bed & breakfasts suffer here. As a result of the current credit crunch, they often lack the funds for necessary renovations. As a result, the crowding out by budget hotels is becoming increasingly intense.

Budget chains made no-frills hotels attractive for Union Investment: Part of the fund's portfolio is the Motel One RAI Amsterdam, acquired in 2012 and scheduled to open in 2014/2015.

They strongly believe in budget hotels: Martin Schaller, Senior Investment Manager Hotels and Head of Projects for UII Hotel Nr. 1 (left), and Andreas Loecher, Head of Division Investment Management Hotel with Union Investment.

400 million Euro, but the conditions are tight

The budget and economy format has its origins in the US. It has won over not only guests, but increasingly also investors. The uncomplicated operator concept, the simple price structures coupled with low operating costs, efficient processes and low personnel intensity underpin their appeal. Their comparatively low investment costs, short and manageable construction windows, and relatively low construction risk also make their hotels interesting.

Union Investment is not a novice in the hospitality sector. The fund company, a member of the cooperative banking group BVR (Bundesverband der Volks- und Raiffeisenbanken), has several decades of experience in dealing with hotels and special real estate. „The risks facing hotels are no higher than those faced by other managed real estate. In the European comparison, and in contrast to offices and retail properties, hotels have posted positive total returns on investment (ROI) even though the last crisis," Andreas Loecher, Head of Division and Head of Asset Management Hotel at Union Investment, explains of the company's excitement for hotels.

With the 400 million Euro UII Real Estate Special Fund Hotel No. 1 (WKN A1J2TF), the company now moves down a new path, concentrating exclusively on budget hotels. The focus of investment is to be Germany which is to account for at least 60 percent of the portfolio. The remainder is to be spread over Western Europe and Poland. The fund will focus on established operators with good credit rating and with strong brands such as Motel One, Holiday Inn Express and InterCity.

Real estate/projects are to be in attractive locations in European primary cities such as Brussels, Amsterdam or Hamburg. Secondary German locations will also be considered. In particular, cities recording more than 500,000 overnight stays per year are on the „watch list" for UII Hotel No. 1. The requirement is, Martin Schaller says, Senior Investment Manager Hotels at Union Investment, that it's a city with inter-regional economic significance and sufficiently strong tourist appeal. An excellent micro-environment plays a crucial role here.

Higher returns than for other asset classes

What is important for the new „budget fund"? In terms of key ratios, occupancy is of course an important operating benchmark for every hotel. More important for Union Investment though is lease cover. In the budget segment, it should be over 1.25. The Hamburg-based fund company has a target return of six percent per year. Union Investment is also cautious with regard to debt finance. A conservative debt ratio of between 30 and 40 percent is targeted. The company has long-term finance partners, both within the BVR and externally, and the banks appreciate the hotel expertise and conservative approach to these investments. 60 percent equity is also a convincing argument, Loecher says confidently.

According to Schaller, the target group for the fund is both national and international institutional investors with long-term investment horizon. These include banks as well as utility and insurance companies. The latter in particular are finding it hard to generate sensible returns as a result of persistently low interest rates. Hotels, it seems, might be able to help them in their dilemma then. Indeed, hotels appear to have been en vogue with institutional investors for quite some time already.

„Professionally managed hotel investments enjoy a good reputation among our investors as they can regularly generate higher returns than most other asset classes and we invest exclusively in long-term lease agreements in very good micro-locations," Loecher confirms. In terms of portfolio optimisation, hotels are particularly attractive due to their low correlation with other types of real estate.

Union Investment: risks manageable

Risk diversification and the availability of long-term lease agreements are clear advantages for hotel investments, as many real estate experts confirm. And one particular advantage must not be forgotten: Standardised chains may appear somewhat monotone and boring, though they give the guest certainty in making absolutely clear what can be expected – in uncertain times, this should not be underestimated. Better investment opportunities per se though, this must also be said, are not generally offered by the hotel sector. It is a matter – as is the case for all real estate – of the assessment of the individual properties and its fund packaging.

Apart from that: Hotels react with some delay to economic changes. This could become a problem if the situation in Europe intensifies further and people travel less in future. For a pure hotel fund, not a good scenario. Yet Loecher is optimistic. „Such a risk, at least over the medium to long term, is not borne out in history."

He's right. International travel has risen sharply over recent years and dipped only slightly through the financial and economic crisis. This is in part due to the fact that not all source markets for a particular destination are equally affected by crises. The hotel and air travel industry also react quickly to falls in demand and offer discounts. „In assessing the acquisition, we pay attention to the fact that demand on the local hotel market comes from different source markets and guest segments. Precisely this is the advantage of budget hotels as revenues per available room (RevPAR) in this sector have proved much less volatile than those in upscale and luxury hotels," Schaller adds.

Lots of scope in the market – no overheating

So everything's hunky-dory then? Not exactly. The history of hotel funds hasn't been smooth. In the past, various very unprofitable hotel investments have been made through funds. Greedy managers, bad operators and problems in the choice of location – the reasons for this are many. Often, the potential of the brand at a particular location is also too optimistically judged. This then leads to incorrect operator forecasts and, as a result, to too high lease payments. From time to time, there is also fatal „confusion" between what is a sustainable hotel lease payment and the lease payment necessary to generate investors a satisfying return. In this case, the failure comes not only from the operator, but also from the investor. Some hotel experts also believe the budget hotel sector to be overheating.

Experts at Union Investment see this differently though. Market penetration of the brand-led budget hotel industry is only ten percent in Germany and, in their opinion, will continue to perform positively, Schaller explains. In France, around 60 percent of the budget hotel industry is comprised of chain hotels. In England, this is 30 percent. Professor Stephan Gerhard from Treugast certainly sees lots of potential. He believes penetration in Germany will rise to between 20 and 25 percent in the coming years. Demand for design-orientated and low-cost hotel products is also growing faster than supply, Loecher continues. In his opinion, the conditions necessary for an overheating of this market are not satisfied for the time being.

Competition for locations could push up rents

Nevertheless, competition – and even Loecher doesn't dispute this – will intensify for the best micro-locations, irrespective of the type of hotel. If rents rise over the medium-term, this will also impact on profitability for operators. In the intensely competitive core market, the particular choice of hotel must be given increasing priority. Price, property, location and operator each have equal weight for Union Investment though, as each directly influences the other. The lease contract terms are also important, Loecher says. „Without appropriate agreements on proper and meaningful reporting as well as comprehensive maintenance undertakings, we will not make a hotel investment."

Since 2004 a member of the Union Investment family: InterCity Hamburg.

In response to the difficult question of lease contracts, which must still be asked in Germany – though international operators are now increasingly pushing for management contracts – Loecher says the following: Both types of contract have their place and supply and demand will ultimately determine which type is correct in each market environment. According to Loecher and his team, investors want operators to bear a greater share of the economic risk in order to entrust them with the operation of the hotel.

This takes us to the matter of fees. Hotel investments made through funds are often subject to high fees which must be generated by the hotel. Given the high demand, there is the question then of whether it's possible at all for investors to generate attractive results here, in particular given that real estate is currently a very popular investment due to inflation fears. Yes, it is certainly possible, as the approach of risk-adjusted gross initial returns in conjunction with variable lease payment components offers a realistic opportunity of achieving the targeted return on investment, Loecher says. The interest rate environment is also favourable and allows positive effects from moderate uptake of debt, he adds.

Special knowledge remains key

Barriers to market entry for new investors and those inexperienced in the hotel sector have meanwhile become relatively high given the requisite specialist knowledge. This is often seen, Loecher says, in the fact the majority of Union Investments are made as „off market" transactions, stand alone and have a customised structure.

Union Investment also concentrates on one more thing. The fund company primarily focuses on city and business hotels. Resorts don't come into question. This is a very interesting segment, Loecher says, though is subject to very different rules to the city hotel industry. Aspects such as seasonality and very specific and space-intensive operator concepts are often to the detriment of investor returns. For this reason, the opportunities/risk profile is not attractive for UII Hotel No.1. Apart from that, resorts are easier to duplicate than business hotels. The Spanish coast is already competing with the Croatian coast, Loecher points out. //

Beatrix Boutonnet

2013

The typical Motel One eggchairs in tartan pattern: Local touch in Edinburgh.

MOTEL ONE CEO DIETER MUELLER ABOUT PRICING ABROAD, IPO AND SALES

Deeply relaxed

Munich. Dieter Mueller is deeply relaxed. In Munich, in front of him on the conference table there are Scottish whiskey candies in a bowl; they are a sweet symbol of the successful Motel One launch in Edinburgh in January 2013. There, the egg chairs by Arne Jacobsen, which are typical for Motel One, have a tartan pattern; however, apart from that, the German low budget design chain wants to remain faithful to its chosen path, also abroad.

The success proves the chain right, as shown in the annual report 2012 last week: the net profit is nearly 21 million Euro, which is six million more than in the previous year. Where does the founder and CEO of the Motel One Group see the saturation limit of a city, which micro locations is he aiming for, will he be able to maintain the fixed-rate model abroad, and when will he sell? Dieter Mueller and his wife Uschi Schelle-Mueller, responsible for marketing and design in the business, openly talked with hospitalityInside.com about the status quo and the tricks of the trade. „Before we feel the pain, the world has to be suffering really badly," says Mueller relaxed.

The pace of expansion Motel One has had for some years now will continue: currently, the chain has 42 hotels with 9,000 rooms (in Germany, Austria and Great Britain). By 2014, there will be 61 hotels with 14,300

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Playful Austrian design in Salzburg.

CEO Dieter Mueller.

rooms; this growth rate has been fixed contractually. At the same time, individual hotels are being enlarged: so far, Motel One Muenchen Deutsches Museum with 469 rooms and the hotel at Berlin central station with 505 rooms have been the largest budget accommodations; however, they will be surpassed by the new Motel One Gedaechtniskirche in 2014 still to be constructed in the Upper West tower block in Berlin. The tower will have 582 Motel One rooms, and insiders are already smiling at the fact that budget guests will be peering down from their terrace on the 10th floor at the luxury guests of the Waldorf Astoria, located opposite, who might be sunning themselves on the terrace of the 6th floor...

Some Motel One competitors are no longer smiling: the Motel One Upper West is a big coup, as the hotel is located directly next to the world-famous memorial church called Gedaechtniskirche, which is the touristic symbol of the German capital. This A1 location guarantees a high occupancy rate for the rooms on the first eighteen floors some of which have a fantastic view. „Preferably, I would like to have only such top locations," says Dieter Mueller. They automatically provide for more guests: „Normally, for our occupancy calculations, we assume the average rate of the respective market," explains Motel One's CEO, „in Berlin, it is currently 73 percent. If we are able to achieve this percentage, the hotel has a good performance and a comfortable rent cover (EBITDAR/rent) of 1.8. However, our occupancy rate is higher normally."

Why are budget hotels becoming larger all the time? For Mueller this is a simple equation: „Larger hotels enable scale effects. With hotels containing 500 rooms you are able to generate a return on revenue of up to six percent higher compared to hotels with 250 rooms." However, this only makes sense with excellent downtown locations in large markets. In future, there will be rather larger than smaller Motel One hotels. Dieter Mueller already announced this at the „CEO Panel" at the ITB hotel conference in Berlin last March.

In the meantime, investors of all kinds are fighting over the budget giant in the very competitive market of Germany. Nevertheless, 300 offers are quickly reduced to 30, says Mueller. Motel One's position is becoming increasingly stronger at the moment:

- From currently 42 hotels, 21 hotels with 3,757 rooms are currently owned by Motel One Real Estate GmbH,and cover 41 percent of the capacities. „Their book value is 300 million Euro," according to Mueller.
- The figures for the annual report 2012 show that Motel One's parameters, gross and net results are all in an upward trend. „The hotels have such high yields that the growth is financed by the equity," says Mueller. And he adds: the shareholders do not obtain high payouts.
- The financially strong business is able to buy properties at interesting locations on its own. „Motel One will have assets, also in future," says Mueller.
- Motel One is still willing to pay (fixed) lease agreements; franchise is still no issue. For franchise, an individual organisation has to be established. „Compared with most franchise chains, Motel One has more creditworthiness," says Mueller.

With this standing and this flexibility, Motel One frequently outdoes stock market-driven asset-light and franchise-focussed mega players like Accor. Motel One has made budget sexy, there are many enquiries from institutional investors. In particular, they are longing for top locations – which Motel One is now able to offer in many cases. Mueller explains the great interest of this investor group as follows: they used to see budget hotels on the periphery only under yield aspects. Budget hotels in A1 locations like the Gedaechtniskirche Berlin allow institutional investors to dream of properties. Due to the great interest „rents are now decreasing," says Mueller, „which is good for all operators."

Fixed rate remains despite yield-headwind

The Motel One boom comes at a time when the gap between cheap and expensive, significant and valuable is widening across all areas of society. This makes business partners and guests more sensitive. Therefore, Motel One is pressing for market shares in the metropolises: Motel One wants to obtain a maximum of ten percent of the entire number of room nights under its flag. According to Mueller, the chain generates five percent of the overnight stays in Berlin, and seven percent in Munich.

In Edinburgh this dimension should be realistic too; there, this first project on British territory, the Motel One Edinburgh-Royal, opened in January with 208 rooms. The second Motel One Edinburgh-Princes will open with about 140 rooms at the end of 2013. In London, reaching ten percent of the market share could take a little longer. But the first Motel One located on the

Thames is already under construction and will open in 2014. Plans for four additional hotels on the island are in place.
However, Motel One wants to keep Germany's tried and tested pricing model (room rates in 10-Euro steps – 49, 59 or 69 Euro per single room, depending on the location (the second person pays 10 or 15 additional Euro) plus 7.50 Euro for breakfast. In Edinburgh, the Euro rates were simply converted into pounds: sleeping one night within the walls of the historic district costs 69 pounds sterling plus 7.5 pounds for breakfast. The additional costs for a double room are 15 pounds.
„With this pricing model, we achieve a clear brand profile faster," say Dieter and Uschi Mueller confidently. However, the German idea of pricing has already caused a sensation in Edinburgh as it contradicts the extreme yielding the British are used to from the hotel industry. „On Sundays, we are 50 percent above the yield of Travelodge, on Wednesdays 50 percent below," says Dieter Mueller laughing. He knows that Motel One is being monitored closely. And he also understands judgments like the one of Sascha Gechter, General Manager Meininger hotel and hostel group: in an interview with hospitalityInside, he pointed out that Motel One's fixed rate policy will decrease the result in the medium run: „yes, this is true," says Mueller nodding, „if an extreme yield is necessary for the result."

First hotel in Paris

Dieter Mueller also expects good figures from his next premiere project – namely in Paris. At Porte Doree in the 12th arrondissement in the east of the city, about 20 km away from the airport, the first French Motel One is under development. It will have 250 rooms and is planned to open in 2016. The partner is the French real estate developer Vinci. This way, Motel One not only expands further to Eastern Europe but also to the west.
In the south, this is different: Motel One is not able to expand in Italy and Spain – just like many other chains. It is difficult to obtain properties, and there is no financing available in these countries due to the economic situation. But also in other countries, it is important to stick to one's own guidelines: for the Motel One in Prague, the business from Munich negotiated three years „until the rent was acceptable," says Mueller.
Motel One is extremely well off, Dieter Mueller (57) could leave the business. When will he sell? Many people in the industry are asking this question, as his dynamism and sharp-wittedness can only mean that he is getting things in place … Or not? After all, he did the same with Astron Hotels in 2002. For 54 hotels with

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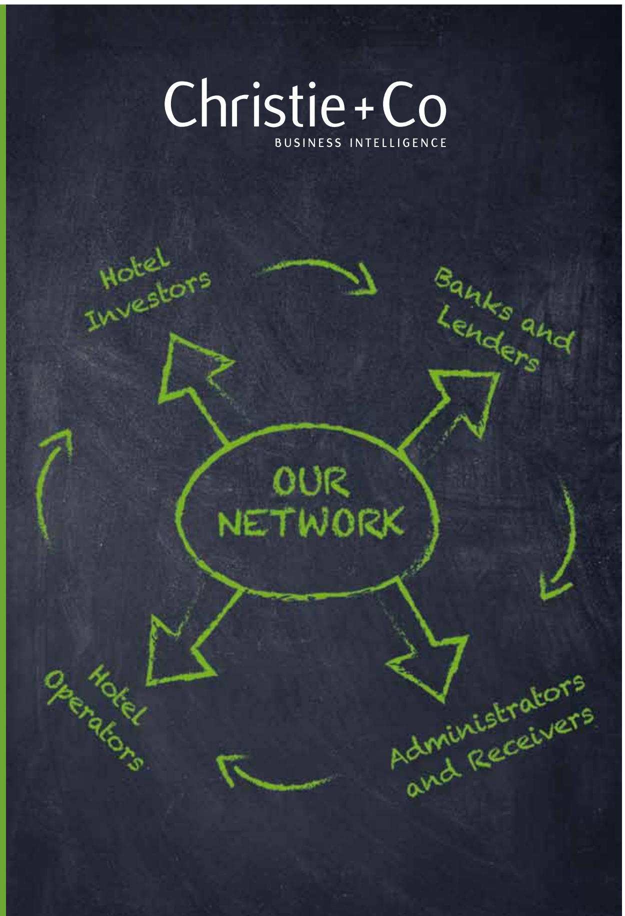

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8,000 rooms, the Spanish NH Hoteles paid 130 million Euro (for 80 percent of the shares) plus an additional 31 million Euro for the remaining 20 percent. Or will Mueller list Motel One on the stock exchange first, in order to gold-plate the group once and for all …

Dieter Mueller leans back in his chair relaxed – and talks about the partnership with Morgan Stanley. Their name and connections should help to inspire the expansion in Great Britain. Since 2007, Morgan Stanley has held a share of 35 percent in Motel One GmbH; this should have been terminated last year according to the agreement. „However, it has remained" says Motel One's CEO grinning, „they seem to like it with us."

„With an exit of Morgan Stanley, a listing on the stock exchange would be an issue," says Mueller. But he is very reluctant concerning this idea: „On the stock exchange, hotels are appraised at a much too low value compared to other industries. I am cautious." The stock exchange does not act realistically according to Mueller; moreover analysts exert great pressure. Nevertheless, the private business has published its detailed results for years (www.motel-one.com). This transparency combined with the success story probably gives Mueller more credibility in the financial community than analysts could ever provide.

„Why should I sell?"

With relish, the budget giant sucks on a Scottish whiskey candy and thinks aloud: „The hotel market is a growth market, as the travel activity is increasing. Motel One is established in a niche with potential development. We have a good product, capable and experienced employees and a good spirit in the team. We are still able to move a lot. Why should I sell?

His son Daniel, aged 33, and Managing Director of Motel One (he is responsible for Operation and HR), has already learned the ropes well and enjoys great trust within the business. In view of this steady family pillar, he would rather leave the business within the family. „I will keep Motel One and expand it continuously, without taking any great risks – then I might re-structure the board and leave the next generation in charge…" Adding just a moment later with cunning humour: „… and then I will annoy those from the supervisory board." // Maria Puetz-Willems

DEUTSCHE HYPO BOARD MEMBER ANDREAS POHL ON HOTEL FINANCE

With tight corset

Hanover. Deutsche Hypo has provided hotel finance since the beginning of the 1980s. And it's to stay that way, Board Member Andreas Pohl tells hospitalityInside.com. However, since the Lehman collapse, the Hanover-based Pfandbrief bank has imposed more rigid conditions on customers. And the Managing Director makes no secret of this. His criticism of the hotel industry is that there are still many half-baked finance concepts. On the other hand, the bank appears to have a lot of patience when it notices that it has chosen the wrong operator. A conversation on principles and hotel finance.

Deutsche Hypo, established in 1872, has been a NORD/LB company since 2008 and is the platform for commercial real estate finance within the group. Andreas Pohl has been member of the board of Deutsche Hypo since March 2008 and is also Global Head of Real Estate Banking in NORD/LB Group; in October 2012, the Supervisory Board extended his contract for a further five years. In total, Pohl (56) has been with the Group for 34 years (www.deutsche-hypo.de).

The bank's results for the first half-year 2013 are good: Business with new property loans rose compared to the H1 2012/13 from EUR 1.3 billion to EUR 1.65 billion. The new focus on business with project development appears to be flourishing – especially in Germany, but also in Poland. „Our know-how will be in demand in project development," the Manager says confidently. In the hotel industry, the pendulum has meanwhile swung much to the benefit of project development: Two thirds are attributable to this segment, only one third is attributable to finance of portfolio property.

Andreas Pohl

Equity premium outside Germany

Up to ten percent of Deutsche Hypo's real estate portfolio is likely to be made up of hotels, Pohl explains. There is still some room with hotels. The bank prefers hotel projects of between EUR 15 and 30 million, though projects up to EUR 50 million and more are possible. According to Pohl, the bank requires between 30 and 40 percent equity in Germany. Outside Germany, where management contracts are more usual, the bank generally requires between 50 and 60 percent equity, Uwe Niemann says, Head of Real Estate Banking Germany at Deutsche Hypo.

As he took up his position in hotel finance at the bank in the 1980s, Andreas Pohl was the responsible member of staff for finance to Breidenbacher Hof in Dusseldorf and another colleague worked on finance for a Maritim hotel. Sector ratios and benchmarks were completely absent then. Today, the expert hotel team at Hypo has five members.

The hotel pattern is clear

Since the Lehman crash, pressure on bankers has also changed, both internally

and externally. „Since 2008, guidelines within banks and also for us have become much more strict," Andreas Pohl admits. Hypo's core requirements remain: Hotels seeking finance must be in the 2 to 4-star category, be located in a city with over 500,000 inhabitants and in a central location, have over 100 rooms, conference rooms (from 3 stars) and have parking spaces. The hotel must have a renowned operator and be managed with top ranking. Finance for 5-star hotels is only provided in exceptional cases. Of the hotels financed by Hypo, there is a Steigenberger (inter alia in Braunschweig), various Motel One hotels (inter alia in Edinburgh), a few Accor hotels (inter alia the ibis „show hotel" in Munich's Westendstrasse and ibis hotels in Hamburg, Huehnerposten) as well as a Dorint and Meliá.

„We're not always right"

When does the bank intervene? Pohl: „Only when capital payments are no longer made." The bank is interested in operator performance only in a second stage – it is, after all, difficult to change the hotel operator, the Manager says. He pleads for restraint and for not acting too hastily – there may be many reasons. Pohl is self-critical with regards to operators and investors: „We're not always right." It's all the more important then for bankers to know their partners, to establish a lasting relationship with them and to have the feeling that that partner can guarantee cash flow for the property. „Cash flow is an important point for us. It must primarily come from the property or the hotel business." Theoretically, the bank could set a higher interest rate instead of requiring a high equity ratio, but it doesn't do this for risk considerations. „A more significant topic in the hotel industry, Deutsche Hypo believes, will be mezzanine finance," Niemann reports, „especially for family offices and project developers." In contrast to other banks though, Hypo doesn't invest in project development companies.

One in 10 applications approved

Since 2010, Deutsche Hypo has been in a position to be more selective than ever with projects as there a many more applications than it would be possible to provide finance for. „One in every ten applications," Niemann says, is approved by Deutsche Hypo. Every year, the bank receives around 70 applications. The focus is clearly on city hotels. The bank only finances resorts in exceptional cases. Small and medium-sized hotels therefore also find it difficult with Deutsche Hypo. „We prefer operators with their own booking systems and those than can balance out fluctuations within their own businesses," Pohl says. Management and franchise contracts with operators have little or no chance where there isn't a parent company to guarantee the finance. The risk doesn't remain with the bank even at Hypo. // Maria Puetz-Willems

Launch in October:

hospitalityInside und Union Investment kick off Investment Barometer

Augsburg/Hamburg. At Expo Real 2013, the hotel trade magazine hospitalityInside and Union Investment Real Estate will launch a new industry index provided by the two cooperation partners. The results will be published on hospitalityInside's website on a quarterly basis.

With the new "hospitalityINSIDE Investment BAROMETER", both partners want to survey the moods and evaluations concerning investments in the international hotel industry as well as the hotel market. Hoteliers, project developers, investors, banks, funds, owners and who deals with hotel properties are invited to participate in this survey.

There will be three questions in every survey in order to be able to generate a long-term index. The other questions will analyse current trends and refer to different topics in every survey. The questions can be answered within a few minutes as the responses can be chosen from a provided selection of answers. The results will be published at hospitalityInside.com.

In order to ascertain the industry's mood on an international level in the long term, the Investment BAROMETER has been consciously set up as online tool, available in German and English.

"The survey itself is anonymously, the registration data of the participants will not be linked to the answers – precautions have been taken by the IT department," ensures Maria Puetz-Willems, Editor-in-Chief of hospitalityInside.com. "We know how sensible such surveys are, especially when insiders are asked for their evaluations."

"There has been a lot of movement in the hotel asset class. With improved transparency, this fascinating investment form will be able to score among risk-averse institutional investors," says Andreas Loecher, Head of Investment Management Hotel at Union Investment Real Estate GmbH. "From the evaluations of the hotel experts, valuable indications can be deduced concerning trends that will be implemented as products tomorrow."

Analogously to market developments, the questionnaire will continue to develop as well. In October, the "hospitalityINSIDE Investment BAROMETER" will be available online at www.hospitalityInside.com. The first results will be published in December. // kn

MORE EUROPEAN COUNTRIES FIGHT FOR A REDUCED VAT

United taxes?

London. Desperate times require bold solutions, and time appears to be running out for several European governments which are seeking for money in order to reach a balanced budget. Drastic measures are being imposed on London and all across the European Union and among them a possible increase of VAT. Not concerned until today, British hoteliers, leaded by Travelodge are currently asking for a reduced VAT. Tax differences have become a European challenge.

The hotel chain is calling on Prime Minister David Cameron government to reduce VAT for the British hospitality industry to 5% (which is the lowest rate allowed by the European Commission) in order to boost the economy. Subject to a 20% VAT rate, one of the highest rates in Europe, with Slovakia (19%) and Denmark (25%), they wish the government will bring VAT into line with the rest of Europe. „That would create 236,000 jobs by 2015, more than 400,000 by 2020 and will boost the economy by 150 million British Pounds a year" assures Travelodge.
A recent study, commissioned by the hotel chain, explains how UK tourism industry outperformed from 2007 to 2011, showing that it was one of the fastest growing sectors during the double dip recession. Revenues grew by 12,6% during the five year period. However, hoteliers expect the government to be more supportive. Cutting VAT on hotel beds, would allow them to face competition coming from the rest of Europe, especially from France where VAT was dropped from 19,5% to 5,5% and readjusted last year by Sarkozy's government to 7%. Even at that rate, hotels unions were furious.

Germany strongly fought for a reduced industry VAT.

Reduced VAT is crucial

„It is not by changing a VAT rate that we solve problems. The government says, we want to go to the convergence with Germany. Fair enough, but it can't be done by only changing VAT. It must also take into account other parameters such as payroll taxes which in France are one and a half times superior to Germany's. What's needed is a balance on the whole tax" explained at that time one of the syndicates. Following very closely the European Commission work on the revision of the current VAT regime, the HOTREC, the trade association of hotels, restaurants and cafes in the EU, whose members are 40 national hospitality associations in 24 European countries, recently expressed its worries. „The issue of reduced VAT rates is especially crucial for the hospitality industry, applying the standard rate in the future, instead of the reduced rates, could imply a rapid rise in prices in the tourism industry". In response to the EU consultation on reduced VAT rates legislation, the Hotrec published a report two weeks ago which clearly demonstrates how the hospitality industry needs support. „We have been advocating for years, for accommodation and restaurant services to be eligible in all member states for the reduced VAT rate. Currently 24 out of 27 member states are making use of the option to apply a reduced VAT rate to accommodation services, despite the fact that until June 2009 only 11 out of 27 were entitled to do so."

High taxes cut market shares

For the trade association, it would be detrimental for the European hospitality and tourism industry, if VAT rates would have to be increased. It would also be very difficult in that case to achieve the Commission's aims to keep Europe as the number one destination in the world. „Europe has for years already been losing market share in international tourism and this trend could even be accelerated if VAT rates on such services would have to be increased" explains the HOTREC pointing out that it will also lead to the loss of a considerable number of jobs in the hospitality industry, as it was proven in few countries.
In Latvia, for example, the VAT rate on accommodation was increased in January 2009 from 5% to 21%. In 2009 the number of people employed in the sector fell by 12,000 resulting in losses for the government in social and income taxes of around 14 million Euro. Following the re-introduction of the reduced VAT rate in May 2010 at 10%, employment grew by 8.3% and number of visitors started to rise again, which was also visible in the rising occupancy rates of most hotels (48% and 56% in 2009 and 2010 respectively).
The recent positive examples of, among others, France, Germany and Luxemburg are clearly showing how reduced VAT rates for accommodation and restaurant services can boost the whole economy by additional jobs and investments. In France, in one year following the VAT reduction on restaurant services, almost 30,000 jobs were created by mid-2010, despite the economic crisis. In Germany, the VAT rate on accommodation services was reduced from 19% to 7% as from January 2010. Since then an increase in the number of jobs in hotels could be observed (+2.9% in 2011) and 700 million Euro were invested by hoteliers in improving their services, increasing wages and training for over 40 million Euro and even reducing their prices. In Luxemburg, thanks to the low level of VAT on hospitality services, in 2012 the sector increased by 5%, against the local economy which only increased by about 0.4%. The hospitality industry has created 1,650 new jobs last year and more than 1,800 new jobs in 2011.
While it's working for some countries, others are claiming for more transparency in prices and fair competitiveness. Italy for instance, where VAT rate is charged at 10%, would appreciate a single rate common to all member states. „In comparison with other countries like France, the Netherlands or Portugal, which are our competitors rules are not to our advantage. A common VAT regime would be interesting, but still depends on the rate level" indicates the local hotels chains association.

Economic prove of benefits

But a binding harmonisation of the VAT requires the unanimity of all member states, which seems to be quite unrealistic knowing the critical economical situation of several countries. Waiting for decision to be taken, the HOTREC concludes that reduced VAT rates for accommodation and restaurant/catering services should be maintained as there is no evidence of any distorting effect to competition in the internal market.
On the contrary there is sufficient economic evidence demonstrating the positive effects of such rates on employment and economic growth in the EU, as the hospitality sector is one of the few sectors in Europe where employment was in the rise in the recent years. Keeping the reduced VAT rate for hospitality services will facilitate to achieve the aim of the EU 2020 relaunch strategy, namely that „75% of the population aged 20-64 should be employed" and also the aim to keep Europe as the number one tourism destination in the world. // Sarah Douag

The European Commission discussed VAT all over Europe.

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