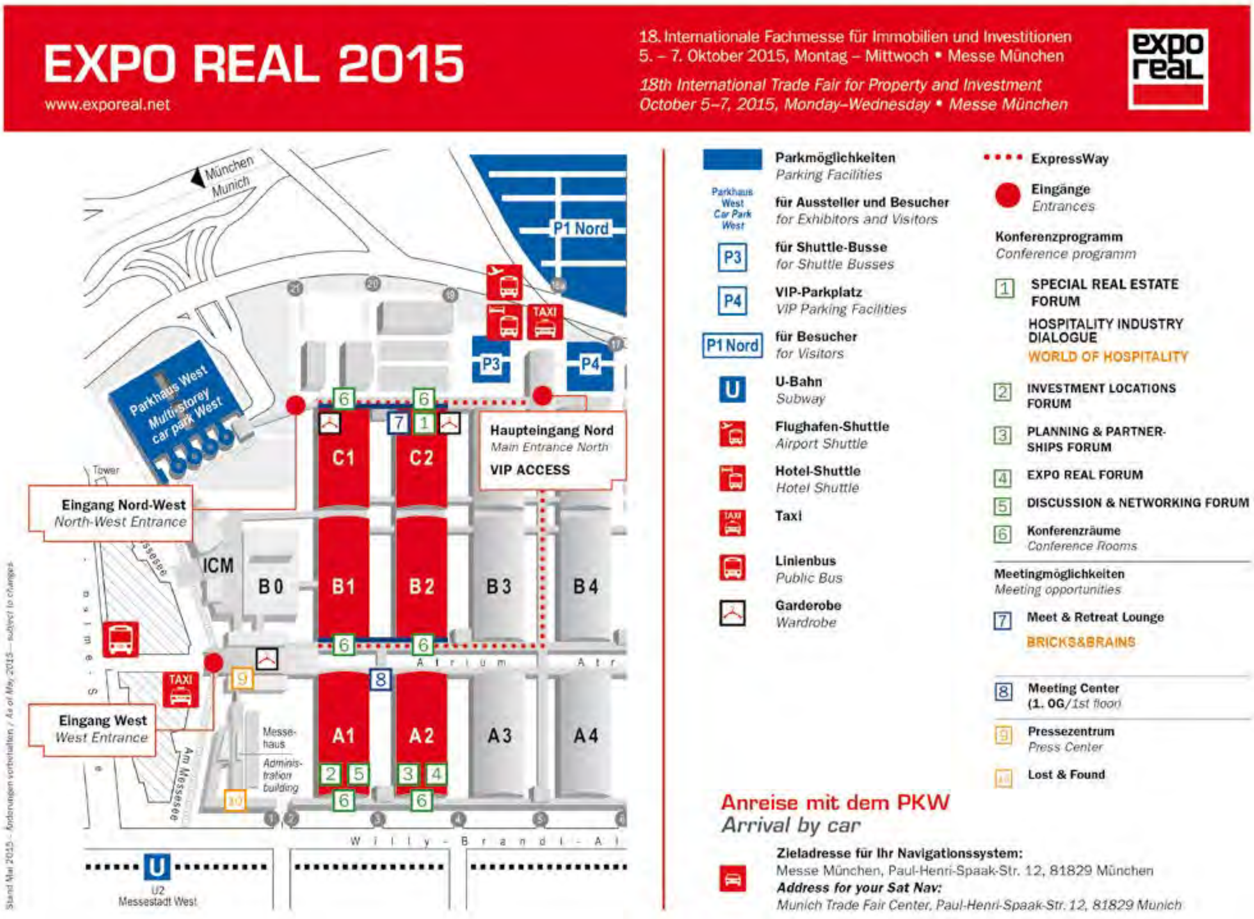
hospitality INSIDE SPECIAL

OCTOBER 2015 // EXPO REAL EDITION FOR HOSPITALITY & REAL ESTATE EXPERTS

In the Spirit of the Hype



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

AccorHotels
Carlson Rezidor Hotel Group
Choice Hotels Europe
Christie + Co
Derag Livinghotels
Drees & Sommer
Falkensteiner Hotels & Residences
Horwath HTL
Hotour Hotel Consulting
Hyatt International
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Jung & Schleicher Rechtsanwaelte
Kempinski Hotels
LetoMotel
LFPI Hotels Management Deutschland
Novum Group Hotels
Pandox AB
Plaza Hotelgroup
Primecity Investment PLC
prizeotel
TKS
Treugast Solutions Group
Wyndham Hotel Group

Hospitality related exhibitors of the HospitalityInside network:

CBRE	A1.210
Colliers International	B2.320
Deutsche Hypothekenbank	B1.344
Union Investment	B2.142
Motel One Group	C2.010

Dear hospitalityInsiders and guests of EXPO REAL 2015!

The world of real estate and hotel real estate is emerging as a year full of transactions and mergers. Mega deals and due diligences are underway and capital is flowing – and with it comes greed. Cautionary comparisons with 2007 are not ebbing. How long will this run go on – currently controlled by low interest and private equity? And how much bigger will the gap become between the „safe havens" and the both economically and politically volatile markets?

Expo Real 2015 promises to be a highly exciting show once more – also from a hotel investor's and operator's perspective, moving parallel to the remaining real estate sector. The fact that hotels have become an extremely attractive asset class is indicated by the growing number of hospitality exhibitors in hall C2: at the WORLD OF HOSPITALITY joint stand alone, Expo Real visitors can meet 23 co-exhibitors, once again more than the year before, among them several new names. We will introduce them all in a portrait in this SPECIAL issue (from page 12).

Tourism is currently the only industry that is constantly growing all around the globe. Hotels – aside from airlines the most important powerhouses of tourism – present themselves more dynamically than ever. Young, fresh brands and operators surprise us with ingenious ideas, translating the guest's needs into new rooms and services. At the same time, established players are joining forces.

The question of what needs to be questioned in the colourful world of hospitality will be shown once more by the 2015 „Hospitality Industry Dialogue", the content of which the trade fair requested me to organise eight years ago. Accordingly, on Monday during the show, the hotel conference will analyse the ongoing real estate hype, the luxury and budget sector, investors from the Far East (China), hybrid hotel rooms, or agreements of the future in the course of the „Special Real Estate Forum". You will find all the details on page 10 and 11.

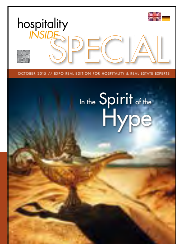
After the conference, all invited guests meet for „mingling" – once again at a new location. We are very much looking forward to this high-profile BRICKS & BRAINS business networking (see page 22).

This is the sixth time you are holding a special issue of HospitalityInside in your hands – in print at the trade fair, at Munich's trade fair hotels, or permanently available online via www.hospitalityInside.com (eLibrary). Forward this link to your business partners who are just beginning to think about the hotel industry! Our reports always dig deep and show how thrilling and multifaceted the industry is! The articles you find in our SPECIAL issue are good examples of this (from page 25).

We are grateful to our advertising clients who make it possible that this hospitalityInside SPECIAL EXPO REAL 2015 is available online and in printed format, and we would like to express a big thank you! We would also like to thank the loyal sponsors of BRICKS & BRAINS and the co-exhibitors of the WORLD OF HOSPITALITY. They all contribute to making the hospitality industry a bit more important at Europe's leading real estate and investment trade fair each year.

We wish you a successful Expo Real 2015!

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



CONTENT

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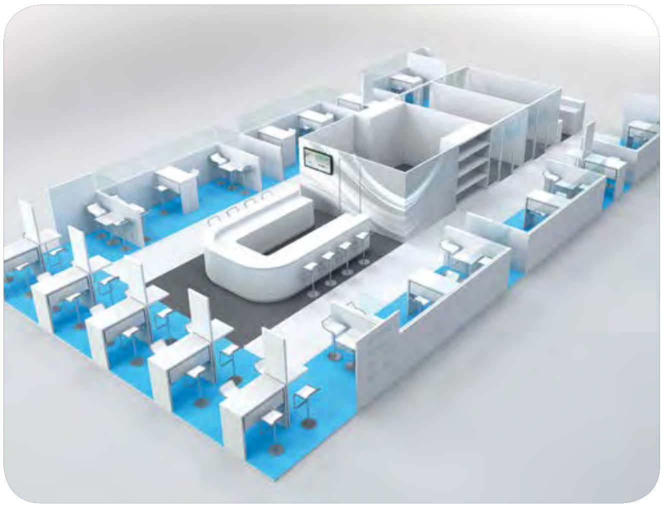

PARTNERS AND SPONSORS 2015

Partners of the joint stand „World of Hospitality" (in alphabetical order): AccorHotels, Carlson Rezidor Hotel Group, Christie + Co, Choice Hotels Europe, Derag Livinghotels, Drees & Sommer, Falkensteiner Hotels & Residences, Horwath HTL, Hotour Hotel Consulting, Hyatt International, InterContinental Hotels Group, Jung & Schleicher Rechtsanwälte, Kempinski Hotels, Letomotel, LFPI Hotels Management Deutschland, Novum Group Hotels, Pandox AB, Plaza Hotelgroup, PrimeCity Investment Plc, prizeotel, TKS, Treugast Solutions Group, Wyndham Hotel Group.

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

EXPO REAL EXHIBITION DIRECTOR CLAUDIA BOYMANNS ON THE 2015 TRADE FAIR NEWS

A market place of change

Munich (October 5, 2015). The real estate industry is doing well. In the first half-year 2015, the investment volume within the European commercial real estate markets laid at a solid 110 billion Euro and with this, once again a good one-quarter higher than in the previous year's period. Parallel news of success is likewise coming from the hotel industry: The 2015 transactions in Germany, throughout Europe and worldwide have achieved new records. And even at the Expo Real, the asset class Hotel is aiming for a new record: Never before have there been so many exhibitors from this industry.

From October 5 - 7, 2015, the international trade fair for real estate and investments invites the real estate industry to network in Munich for the 18th time. Numerous national and international exhibitors have already announced themselves for the Expo Real. „The trend toward the joint stand during this remains unbroken," explained Expo Real Exhibition Director Claudia Boymanns.

Exhibitors from Bulgaria, Luxembourg, the Netherlands, Austria, Portugal, Romania, Russia, Switzerland, Slovenia and the Czech Republic have decided on shared country pavilions and after a break, France will likewise be represented in this format once again this year. The cities of Birmingham, Gothenburg and Lyon will also appear again this year under the stand heading „European Leading Cities".

However, companies will not only unite geographically, but also thematically. With the joint stands „World of Hospitality" and „LogReal Campus", the Hotel & Tourism as well as the Logistics segments will have a clearly visible presence at the trade fair. Both segments will also have their firm place in the conference programme of the „Special Real Estate Forum" in Hall C2 with „Hospitality Industry Dialogue" and „Let's Talk Logistics".

The topics: Conflicts, shifts, future

The steadily growing significance of hotel real estate is demonstrated in the success of the „World of Hospitality" stand at the EXPO REAL: The stand has grown every year since its premier in 2011; this year, 23 well-known companies from the area of Hotel & Tourism will present themselves there: The largest chains in the world, globally operating investment companies, project development companies and consulting companies as well as the smaller, Germany-focused or European-focused new hotel groups (additional details on Page 12 in this issue).

With this year's conference programme, the trade fair once again follows the wishes and demands of the real estate industry as the topics were compiled in close cooperation with industry representatives. General topics such as financing or investments and transactions are settled within the „Expo Real Forum". Thus, the opening round will be about the question of which effect external events such as the low oil prices, the Ukrainian conflict or the Greek crisis can have on the real estate industry and how the industry is adjusting to it. The shifts in investment strategies are also highlighted: „Core" has long been considered as valid, now „added-value" is rather spoken of. The trend toward mergers is increasing – another hot topic. For the first time, a block of information regarding Sub-Saharan Africa, a market with vast potential, can be found within the „Investment Locations Forum". Hotel visitors to the Expo Real 2015 can also find most of these keywords once again. The „Hospitality Industry Dialogue" on Monday, October 5th from 10:30-17:30 in the „Special Real Estate Forum", Hall C2 will also follow the keywords „Change" and „Future" (you will find the detailed conference programme on the Page 10 in this issue).

Learning from other segments

The Expo Real „Masterminds" event will raise the question „Scenario 4.0": The office of the future is not an office". Laptops, tablets and smartphones already allow for flexible work today. This changes structures – likewise with the real estate. The „Planning & Partnership Forum" on all three fair days is about the digitisation of the real estate industry – under the most diverse of aspects.

The third special show „Intelligent Urbanization", in exhibitions, talks and discussions, is with regard to sustainable, intelligent urban development – as for example in Stockholm and Vienna – and in other forums around „City Brandings".

For all students, graduates and young professionals, the third fair day offers an exclusive platform in the „Meet & Retreat Lounge" during the „CareerDay". / kn

Claudia Boymanns,
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HOSPITALITYINSIDE:
A RELIABLE SOURCE FOR HOTEL
INSIDERS FOR 10 YEARS

Who Where What When and Why?

The HospitalityInside team 2015: Managing Director Michael Willems, (from left) Editor-in-Chief Maria Puetz-Willems, Anne-Laure Duval (Sales & Marketing), Anne Greisel (Administration, Fairs & Events), and (sitting) Christine Tassinger (Editorial office, conferences).

Dear Readers,

When we announced the start of hospitality-Inside.com in 2005, only very few believed in the success of a solely editorial online medium without any advertisements. The magazine is the heart of HospitalityInside Publishing, whose pulse has been quickened by many new activities in recent years. We hit the online button in March 2005 during the ITB, the world's largest tourism trade fair in Berlin. 10 years ago – just a few years after the dot.com bubble burst – such a clear focus on the internet was still not a matter of course.
Nobody has copied our model so far: hospitalityInside.com is – just as conceived from the beginning – „online only", published in two languages (German/English) and it refrains from advertisements. Top managers, who are frequent travellers, read our magazine any time at any place, we have readers in more than 20 countries and are able to criticise – objectively and constructively – as we are not controlled by advertising budgets. The readers pay for this sophisticated editorial online information service with their subscriptions.
Managing directors and board members, general managers of hotels, heads of staff departments, owners, investors and financiers appreciate the up-to-date variety and editing of topics and news. Even critical words rarely lead to disagreements as we have proved often enough in the meantime that we do not want to harm but convey an objective and constructive picture of the market, its participants and their opinions. Freedom of expression, independence of the press, and the responsibility of all for the community has been the basis for living and the economic activities in our society up to the present day. We are happy to see that a „community" has formed around hospitality-Inside in the past 10 years. It accompanies us, inspires us and participates in the development of joint projects, where appropriate.

Quality remains the yardstick

After just one year on the market, Messe Berlin charged us with content responsibility for the newly launched „ITB Hospitality Day", the hotel conference at the ITB. Over the ten conferences since then, we have attracted 245 speakers and panelists and almost 14,000 participants. Then, Messe Muenchen also soon asked us to come on board: In 2008, we assumed the existing „Hospitality Industry Dialogue" – and consequently internationalised the list of speakers and panelists. At both conferences, the quality of content is of utmost priority; both conferences are independent of sponsors which sets them apart from many others on the market today. The financial and economic crisis of 2008 destroyed confidence in many of the market's institutions overnight. The desire for reliable business contacts grew accordingly. In response, HospitalityInside and Expo Real created the networking event BRICKS & BRAINS in 2009. Interest was large with many hospitality insiders attracted for the very first time to a trade fair event.
The positive resonance of BRICKS & BRAINS became the initial spark for the hotel segment's further development at the Expo Real. In 2010, the first printed hospitalintyInside SPECIAL Edition appeared for the trade fair, and in 2011 the time was right for the first joint stand WORLD OF HOSPITALITY with 7 co-exhibitors. Today, the joint stand includes competent partners from 23 renowned companies, including large and well-known international chains as well as smaller and young hotel groups, investment companies, developers, funds and globally-active consultancy companies. With our magazine, the events and our activities, we will continue to bring this hospitality network closer together, online as well as offline, provide a platform for good ideas, and enable new co-operations and partnerships in future. HospitalityInside creates forums for influential market players and transparency with its editorial magazine.
In hospitalityInside.com we will continue each week to reduce the flood of information radically to the essential and broach subjects again as soon as there is a space. We are able to accomplish this with a set of clear rules for professional journalists, who take their readers seriously, listen to them and pick up on their issues. In future, we also wish to think value-oriented and act fairly towards our partners.
After 10 years in the market, we are all convinced in the team: it pays off to remain true to these principles.
The HospitalityInside team is available for questions on all trade fair days. You will find us at Expo Real, Stand 230 in Hall C2 and are welcome to take a look at our online magazine there.

Michael Willems & Maria Puetz-Willems
Publishing & Editorial


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Each assignment is a challenge, an exciting opportunity to demonstrate our entrepreneurial spirit and expertise. Our 140 passionate hotel experts based across our international business, provide a full range of services within the hotel spectrum including:
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THE CONFERENCE PROGRAMME

LIFESTYLE HOTELS, CHEAP MONEY, CHINA, PROPERTY VALUE AND CONTRACTS: THE HID 2015

Change shows its face

Munich (October 5, 2015). The „Hospitality Industry Dialogue" (HID) 2015 will reflect the continuing real estate hype, its dangers and opportunities; it will pose questions to CEOs and well-known hotel experts regarding the potential to increase property value, it will bring the new investors from the Far East (China) into the focus and indicate trends – e.g., the hybrid hotel room or changes in future contracts. The keynote will provide the „road map" for this year's conference day: With regard to the effects of the changes. 27 top-notch experts from hotel operations, development and financing will share their knowledge with the trade fair visitors on the first Expo Real day, Monday, October 5th from 10:30 to 17:30 at the „Special Real Estate Forum" in Hall C2.

10.30 - 10.50 h

Key note: The impact of change. What players and what trends will change the industry over the next few years? What investment and finance strategies will work?
Speaker: Dirk Bakker, Head of Hotels EMEA, Colliers Int. Real Estate, Amsterdam

11.00 - 11.50 h

What's the lifespan of a lifestyle hotel? Between individualisation and floor space calculation, classics and hybrid models.
Moderator: Wojciech Czaja, Journalist, Vienna
Panelists:
Vangelis Porikis, Director Central & Northern Europe, Adagio City Aparthotels and representative of the „Task Force Apartment Hotels", Paris
Marc Jongerius, Managing Director, Zoku, Amsterdam
Gonzalo Camara, Expansion Director, Room Mate/BeMate, Madrid
Thomas Willms, Senior Vice President / Regional Director East & Central Europe, Starwood Hotels & Resorts, Vienna

12.00 - 12.50 h

Does cheap money spoil the broth of respectable cooks? About the altered competition among hotel investors.
Moderator: Martina Fidlschuster, Managing Director, Hotour Hotel Consulting, Frankfurt
Panelists:
Andreas Loecher, Head of Investment Management Hotel, Union Investment Real Estate, Hamburg
Dr. Peter Ebertz, Partner/Head of Hotels, Art-Invest Real Estate Management, Cologne
Dirk Schuldes, Head of Hospitality, Commerz Real, Wiesbaden
Michael O'Hare, Managing Director, Horwath CEE & Russia, Moscow

13.00 - 14.00 h BREAK

14.00 -14.50 h

The Chinese are coming. Chinese investors are coming to Europe with differing strategies. Who is expecting what?
Moderator: Prof. Dr. Wolfgang Arlt, Director COTRI China Outbound Tourism Research Institute, Hamburg
Panelists:
Roland Paar, Regional Vice President Europe, Plateno Hotels, Berlin
Qun Huang, Lawyer, Taylor Wessing China Group, Frankfurt
Andreas Scriven, International Managing Director, Christie + Co London

15.00 - 16.20 h

Luxury, Budget, Services, IT: How do operators increase the property value?
Moderator: Maria Puetz-Willems, Editor-in-Chief, hospitalityInside.com & Max Luscher, Senior Manager Deal Advisory Real Estate, KPMG, Frankfurt
Panelists:
Alejandro Bernabé, Chief Executive Officer, Kempinski Hotels, Geneva
Hubert Viriot, Chief Executive Officer, Yotel, Dubai
Philipp Klohr, Vice President, Cedar Capital Partners, London
Mark Anderson, Managing Director Property, Commercial & Premier Inn Germany/Whitbread Hotels & Restaurants, London

16.30 - 17.20 h

Everything is changing, even the contracts? What factors must the parties take into account for the next 20 years?
Moderator: Martin Schaffer, MRP Hotels, Vienna
Panelists:
Cornelia Kausch, Vice President Development, Pandox, Berlin
Dr. Mathias Jung, Jung & Schleicher Rechtsanwaelte, Berlin
Dr. Joerg Frehse, Managing Director, Munich Hotel Partners, Munich
Ascan Kókai, Director Development & Asset Management, Central Europe, NH Hotel Group, Berlin

PORTRAITS PANELISTS


Dirk Bakker


Marc Jongerius


Dr. Peter Ebertz


Hubert Viriot


Roland Paar


Cornelia Kausch

Dirk Bakker is Head of Hotels for Colliers International EMEA region, based in Amsterdam. He started his career with a focus on customer loyalty programs and hotel consultancy with his company ICS. Dirk was a founding partner of Kayak Systems (later Kayak.com). Dirk incorporated the current Hotels division of Colliers Int. in the Netherlands in 2010 and took it to leadership in the Dutch market with a 40% market share.

Marc Jongerius is co-founder and managing director of Zoku, responsible for international roll-out (acquisition + development), strategic partnerships and asset management. He was a partner of a Netherland-based buy-out fund; he has been active in the private equity sector for more than 10 years. Prior to that, Marc worked for PriceWaterhouseCoopers (PWC) as auditor and M&A transaction services consultant.

Dr. Peter Ebertz is partner of Art-Invest. As Head of Hotels he has been in charge of all hotel activities since 2012, in particular for the Hotel-Manage to Core-Fund. He started his career in the operational hotel management, also focusing on strategic company development and investment banking to change to Cologne-based E&P Real Estate GmbH & Co. KG later. As Head of Projects he oversaw the project development and transaction management of a hotel portfolio of about 50 hotel with an asset volume of about 1.5 billion euros.

Hubert Viriot is the Chief Executive of Yotel, a hotel concept based on small smart spaces known as 'cabins'. Hubert joined Yotel in May 2014. He is also Chief Investment Officer and a member of the Executive Committee of IFA Hotels & Resorts, Kuwait, Yotel's largest shareholder. Prior to this appointment, Hubert was CEO of Raimon Land, a real estate developer in Thailand. Previously, Hubert spent 5 years with HVS, a global consulting firm focused on the hospitality and tourism. He has a BS degree in International Management from the University of Wales and a BS degree in Hospitality and Tourism Management from the Glion Hotel School in Switzerland.

Roland Paar left the Capella Hotel Group as VP Development EMEA after seven years and moved to the Chinese Plateno Hotels Group in 2015. In this, he leads the expansion into the European region as Regional Vice President Europe, based in Berlin. With 2,300 hotels, Plateno is one of the largest Chinese hotel groups. Prior to his time with Capella, Roland Paar had also been active for Ritz-Carlton, Amanresorts and Royal St Lucian.

Cornelia Kausch is Vice President Development for the Scandinavian owner operator Pandox. She was born into a historic hotel family business with Michelin star restaurant, high standards and values in focus. She has been in the business for over 30 years in different positions, gaining international, operational and functional experience in Development, Asset Management and Leadership.

THE 23 PARTNERS OF THE „WORLD OF HOSPITALITY" 2015

Who is Who?

THE 23 PARTNERS OF THE JOINT STAND „WORLD OF HOSPITALITY“ 2015 INTRODUCE THEMSELVES:

ACCORHOTELS is a Group united by a shared passion for hospitality and driven by a shared promise to make everyone Feel Welcome. Over 180,000 women and men in 3,700 AccorHotels establishments look after thousands of guests every day in 92 countries.
AccorHotels is the world's leading hotel operator and offers its customers, partners and employees:

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- a powerful marketplace and loyalty program Le Club AccorHotels
- almost half a century of commitment to corporate citizenship and solidarity with the PLANET 21 program

Accor SA shares are listed on the Euronext Paris exchange (ISIN code: FR0000120404) and traded in the USA on the OTC marketplace (Code: ACRFY).
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CARLSON REZIDOR HOTEL GROUP is one of the world's largest and most dynamic hotel groups. The Carlson Rezidor portfolio includes more than 1,350 hotels in operation and under development with a footprint spanning 110 countries and territories and a powerful set of global brands including Quorvus Collection, Radisson Blu (Europe's largest upper upscale brand), Radisson®, Radisson Red, Park Plaza, Park Inn by Radisson and Country Inns & Suites By Carlson. Carlson Rezidor plans to grow its portfolio to nearly 1,500 hotels in operation and under development by 2015.
In most hotels, guests can benefit from Club Carlson, one of the most rewarding loyalty programs in the world. Carlson Rezidor and its brands employ 100,000 people. Carlson Rezidor Hotel Group is headquartered in Minneapolis, USA, and Brussels, Belgium.
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CHOICE HOTELS EUROPE is an experienced hotel franchisor. Choice Hotels Europe is part of Choice Hotels International and offers five distinct brands to fit every market and property: Ascend, Clarion, Quality, Comfort and Sleep. Hotel owners with multiple properties can diversify their portfolios – capitalizing on our different brands to balance and optimize their offering.
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In a dynamic and fast-paced industry, we are among the global leaders, constantly introducing innovations that are welcomed by travelers.
As one of Europe's largest franchisors, Choice Hotels Europe enjoys an excellent reputation with travelers worldwide. Combining a proud heritage with effective distribution systems and hands-on support, as well as sophisticated marketing, revenue management, and sales, we can help enhance the performance of your hotel.Our plans for growth: Choice Hotels International has identified Europe as a key component to our overall growth. Our development team is actively seeking hoteliers and investors interested in the benefits of affiliating with one of the Choice Hotels brands. To support this expansion, we are making significant investments in our international infrastructure and support teams.
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CHRISTIE + CO is Europe's leading hotel property broker, valuer and adviser with 80 years of experience and around 540 transactions and 515 valuations per year. Our team of specialist hotel advisers and agents is part of a network with headquarters in London, including our new Asia Desk, and international offices in Germany, Austria, Poland, France, Spain, Finland, Sweden and Ireland. This network of 30 offices allows us to leverage intimate local knowledge with pan-European insight.
Christie + Co is regulated by RICS and employs registered valuers, specialist chartered surveyors and a sector leading consulting team. Our consultants have had operational experience, having graduated from major international hotel and/or real estate business schools – placing them in the best position to provide the advice and support clients need. We have built a strong team of industry professionals, from both the hotel and property worlds to provide market-leading commercial advice and support to clients. We are recognised as the most active hospitality sector adviser and agent in Europe.

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Furthermore a variety of services are available for guests: From cleaning or laundry service over breakfast roll delivery to shopping service – additional demands can be easily booked on top. Guests also appreciate the on-site fitness center. After a nice run, they can unwind in the relaxation area with sauna, steam bath and solarium.
Whether Berlin, Bonn, Dusseldorf, Frankfurt, Munich, Nuremberg, Weimar or Vienna – Derag Livinghotels can be found in eight cities. All the properties are centrally located and well connected to the public transport as well as the motorway network. The growing interest in serviced apartments confirms the striking concept of Derag Livinghotels. Until the end of 2015 there will be more hotels in Garching near Munich and Frankfurt with almost 250 rooms. Therefore a consistent expansion into other European countries is on the agenda.
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DREES & SOMMER

DREES & SOMMER: As an international player, Drees & Sommer has been supporting public- and private-sector owners and investors in all aspects of real estate for 45 years. Today, our range of services covers Development Consulting, Project Management, Engineering, Real Estate Consulting, Infrastructure Consulting and Strategic Process Consulting.
We deliver our services on the understanding that economy, functionality and process qual-ity are just as important as ecology, architecture and wellbeing. At Drees & Sommer, this holistic and sustainable approach is called 'the blue way'. With over 2,000 employees at 20 international offices and 18 German regional offices committed to our clients' success, we achieved sales of EUR 242 million in 2014.
Drees & Sommer has contributed in more than 200 hotel projects globally and has become an expert in hotel developments, conversions, new builds and refurbishments with its specific hospitality expertise.
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FALKENSTEINER
Hotels & Residences
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FALKENSTEINER HOTELS & RESIDENCES: Welcome Home! „The challenge lies not in building a hotel, but in creating a home" – Erich Falkensteiner. Falkensteiner Michaeler Tourism Group (FMTG) is among the leading

regional providers and developers of tourism products and services in Central Europe. FMTG is active in all areas of tourism development – from the planning and construction of hotels, residences, serviced apartments and mixed-use properties to the operational management and marketing of these. By integrating the entire value-creation chain, FMTG uses its experience in the operation, development and realization of tourism facilities to achieve an optimal internal transfer of knowledge. This results in numerous synergies and allows for the development of products tailored to future market demand. Currently the Group employs over 1,800 employees from 29 different countries.

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

The most prominent of these is the hotel management division, currently managing 32 hotels and residences under the Falkensteiner Hotels & Residences brand in six European countries (Austria, South Tyrol/Italy, Slovakia, the Czech Republic, Croatia and Serbia). Since the founding of Falkensteiner Hotels (now Falkensteiner Hotels & Residences, the most important part of FMTG) in 1957 as a family-owned company with a small hotel in Ehrenburg, South Tyrol, it has seen rapid growth.

As of 2014, Falkensteiner Hotels & Residences generated a managed turnover of EUR 145 million and with more than 4,500 rooms and 1.5 million bed nights per year, it provides hundreds of thousands of people from around the world the opportunity for holidays, recreation and relaxation in four-star, four-star superior and five star hotels.

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HORWATH HTL is the world's number one hospitality consulting group. We are the industry choice; a global network offering complete solutions across all markets.

We have a proven track record in providing first-class advice to a wide range of clients including banks, real estate and hotel owners and financial investors. Our reports are recognised as the industry standard, accepted by banks and other financial institutions and recommended to developers and constructors before commencing any project.

At Horwath HTL, we focus one hundred percent on hotels, tourism and leisure. With over two hundred and fifty professionals worldwide, our network can draw on a tremendous amount of international experience and local knowledge that gives us, and our clients, a unique advantage.

Over the last 20 years, Horwath HTL has gained extensive market knowledge through involvement in thousands of projects. We use this experience to bring the maximum value to any assignment. Horwath HTL has become synonymous with quality, service, impartial advice and expertise. We are known for always providing the highest level of service to our clients.

We offer a broad range of advisory solutions that covers the whole cycle of the hotel product, starting with planning and development, on to asset management and operational advice, to transactional and financial restructuring. At any stage, Horwath HTL will add value to your project and ensure that you receive the very best support every step of the way.

www.horwathhtl.de

hospitality INSIDE
WORLD OF HOSPITALITY INFORMATION

HOSPITALITYINSIDE is a trade focused information provider for the hotel industry and publishes weekly the online magazine hospitalityInside.com addressing the management of national and international hotel operators and related industries like real estate and investment. The bi-lingual online magazin, in German and English language, does not accept any advertisments to remain independent.
Furthermore, the company offers contact and presentation options for companies at hotel conventions, fairs, and own events. HospitalityInside based in Augsburg (Munich region) is the initiator of the joint stands „World of Hospitality" at EXPO REAL Munich and ITB Berlin. While EXPO REAL focuses on investment and real estate, ITB pushes operations, sales & marketing and IT. You find more details on page 8 of this SPECIAL.
www.hospitalityInside.com

Hotel Consulting
HOTOUR

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

HYATT™

HYATT INTERNATIONAL 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 Centric, Hyatt Regency, Hyatt Place, Hyatt House, Hyatt Zilara, and Hyatt Ziva brand names and have locations on six continents.
Hyatt Residential Group, Inc., a Hyatt Hotels Corporation subsidiary, develops, operates, markets or licenses Hyatt Residences and Hyatt Residence Club . As of March 31, 2015, the Company's worldwide portfolio consisted of 599 properties in 50 countries.
www.hyatt.com

IHG®
InterContinental Hotels Group

INTERCONTINENTAL HOTELS GROUP (IHG) is a global hotel company whose goal is to create Great Hotels Guests Love. IHG has more guest rooms than any other hotel company in the world – over 4,900 hotels in nearly 100 countries and territories around the world and over 1,200 hotels in its development pipeline. We operate nine hotel brands via management and franchise contracts – InterContinental, Crowne Plaza, Hotel Indigo, Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites, EVEN Hotels and HUALUXE Hotels and Resorts. IHG Rewards Club, the world's first hotel loyalty programme, has over 85 million members.
www.ihg.com/development

JUNG & SCHLEICHER
RECHTSANWÄLTE

JUNG & SCHLEICHER RECHTSANWÄLTE provides comprehensive legal advice to national and international clients particularly in real estate law – always focused on performance and solutions. We offer individual and personal service at the highest professional standards, and our services are tailored to the individual requirements of our clients.

Among our clients are world-wide market leaders, fast-growing investment groups and family offices which enjoy our commercial-minded approach as well as our long-term market experience. As a real estate boutique law firm the long-term and personal relationship with our clients is an important value for us.

J&S is specialized on complex and inter-disciplinary issues of real estate, hotel, banking, finance, corporate and commercial law and is well experienced in all kinds of national and cross-border transactions. In the last few years alone, we successfully accompanied complex
real estate transactions and developments of more than €7.5 billion. Furthermore, J&S provides legal services in all aspects of asset management related to commercial and residential real estate.

In addition to such major project work, J&S advises its clients in all questions of their day-to-day business operations such as developing and drafting contractual concepts (management, lease, franchise, building, service, licensing, cooperation, purchase, loan or outsourcing agreements), enforcing damage claims, achieving settlements, handling public law and license requirements with the competent authorities, negotiating loans and mortgages, etc.

Depending on the client's wishes all correspondence and documents are provided in bilingual versions or English only.

Each year J&S represent clients in more than 250 regional and appeal court proceedings nationwide. Clients describe our success quote as outstanding. J&S is also experienced in international arbitration proceedings.

www.js-law.de

Kempinski
HOTELIERS SINCE 1897

KEMPINSKI HOTELS: Created in 1897, Kempinski Hotels is Europe's oldest luxury hotel group. Since its foundation, the group has developed as a renowned and innovative provider of luxury hotels, dedicated to exceeding the expectations of even the most demanding guests. Kempinski's rich heritage of impeccable personal service and superb hospitality is complemented by the exclusivity and individuality of its properties around the world. Kempinski now manages a portfolio of more than 75 five-star hotels in 31 countries, grown from a portfolio of 21 properties in 1995. The group continues to add new properties in Europe, the Middle East, Africa and Asia, and aims to expand its presence to new gateway cities and major capitals, from Lisbon to Tokyo. As an operator, Kempinski lends properties decades of international luxury hospitality know-how, led by some of the industry's top experts, to ensure each property can thrive in its environment and achieve its full potential.

Kempinski's portfolio of hotels comprises historic landmark properties, award-winning urban lifestyle hotels, outstanding resorts, and prestigious residences. Each one is imbued with the quality guests have come to expect from Kempinski while embracing the culture and traditions of its location, blending international luxury hotel standards with unique signature concepts. Looking forward, to 2016 and beyond, Kempinski's strategy will be to focus on enhanced financial performance and selective growth, and on improving the company's brand value in the market.

www.kempinski.com

LETO MOTEL

LETOMOTEL: The first LetoMotel was opened in Munich/Moosach in November 2010. The hotel, which has since expanded to offer 99 rooms, established itself in the market in an outstanding fashion right from the start. Attractive overnight accommodation prices starting from 49.00 euros have continuously attracted business travellers, city tourists and families to the hotel from day one. The clearly designed and welcoming 16-square-metre rooms offer guests everything that they need: they can sleep comfortably in exceptionally high-quality box-spring beds and enjoy free Internet connection throughout the hotel. The lobby, which is staffed around the clock, offers vending machines for drinks and snacks. In addition, an in-house baker offers guests a wide breakfast choice from 6 am every morning. All these comfort features can also be enjoyed by guests at the second LetoMotel location in Munich/Trudering, which has offered accommodation in 140 rooms since April 2015.

All LetoMotel locations are conveniently located directly beside an „S-Bahn" or „U-Bahn" railway station. This will also apply to the additionally planned hotels because the LetoMotel brand is continuing to grow in Munich: a third hotel, which will offer 150 rooms, is currently under construction at the Olympia Shopping Centre in Munich and is scheduled to open in August 2016. The objective is to add a further two locations in Munich and expand into other cities in Germany. Among others, a LetoMotel is planned for Stuttgart, a project which is expected to be realised in 2018.

www.letomotel.de

lfpi
Hotels Management Deutschland

LFPI HOTELS MANAGEMENT DEUTSCHLAND: Paris-based LFPI Group (La Financière Patrimoniale d'Investissement) is one of the premier independent multi-strategy alternative asset managers in Europe with more than three billion Euros of assets under management. We invest in private equity (primary, secondary, co-investments, and funds), private debt (unitranche, mezzanine, senior), real estate (from core to opportunistic in both equity and debt) as well as asset management (fixed income and equity) in Europe, North America and Africa across seven offices and approximately 70 investment professionals with a long-term and prudent investment strategy. With respect to hotels, we are both owners and operators in France and Germany with

more than 60 hotels across the portfolio. The French portfolio of 52 budget hotels is primarily marketed under the Timhotel brand as well as other franchise brands of Louvre Hotels Group. The German portfolio of 10 hotels are operated by LFPI Hotels Management Deutschland GmbH: three Ibis hotels in Aachen, Erfurt and Augsburg, two Ibis Styles in Hamburg and Speyer, two Mercure in Berlin and Dusseldorf, a Best Western in Berlin, the Hotel Indigo in Dusseldorf and the Schlosshotel Karlsruhe. Specifically in Germany, we are looking to ramp-up to approximately 30 hotels over the next three to five years with a focus on midscale business traveller hotels in both primary and secondary city centre areas (50 to 150 rooms). Generally operated by LFPI Hotel Management Deutschland GmbH and marketed via franchise partnerships, certain leases can be taken over with short residual terms. Acquiring hotels in the target cities of Munich, Frankfurt, Stuttgart and Cologne will allow for positive growth of the LFPI portfolio over the near future.
www.lfpihotels.de / www.lfpi.fr

NOVUM GROUP HOTELS: Hotels with character in the center of German cities, high-yield investment properties with potential for capital appreciation as well as the professional supervision of our own real estate portfolio by our Flächenprofi – these are the three pillars of the Novum Group. Novum Hotels is a family-run hotel group in Germany. The foundation was established in 1988 with the first hotel by Nader Etmenan, in Hamburg. Following the handing over of management to his sons Mortesa and David, the acquisition of additional hotels in the Hanseatic city of Hamburg took place in 2004. Since 2010 the company is expanding nationwide, under the lead of David Etmenan. The hotels are 3 to 4-star properties in a central location, each with their individual character appealing to both tourists and business guests alike. We invest and make our hotels strong for the future. The Novum Flächenprofi, internal general contractor of the Novum Group, covers with qualified employees a wide range of services around the topic of construction, redevelopment and renovation projects. Through the work of professionals with years of experience, all our objects profit from a significant increase of value. The Novum Zinshaus is an owner-operated holder of residential and hotel real estate, which was founded in 2007, and since has investments thought out Germany. The focus is on the expansion of a high-yield real estate portfolio with a clear strategy on object appreciation. As end investors, we are always look for an optimal return on equity in combination with the lowest possible risk.
www.novum-hotels.de

PANDOX AB is a leading owner of hotel properties in Northern Europe with focus on sizeable hotels in key leisure and corporate destinations. As of 31 March, 2015, the market value of Pandox's hotel property portfolio was approximately 27,000 MSEK.
Pandox's vision – Pandox's vision is to be a world leading hotel property company with regard to specialist expertise in hotel and property operations.
Pandox's strategy and business model – Pandox's business concept, which is based on expertise within hotel properties, hotel operations and business development, is to actively own, develop and lease hotel properties. Pandox's strategy and business model have been consistently followed since the company was founded in 1995. The company has exclusively invested in one type of asset since inception: hotel properties. This type of asset has distinctive features that differ from other types of property and demands specialist expertise in order to maintain an active ownership business model.
Pandox's business segments – Pandox's hotel property portfolio comprises 104 hotels with approximately 22,000 hotel rooms across eight countries. Pandox's business is organised into two segments: Property management, which comprises 89 hotel properties leased on a long-term basis to market leading regional hotel operators and leading international operators, and Operator activities, which comprises hotel operations executed by Pandox in its 15 owner hotel properties. The segments Property management and Operator activities are further divided into the five geographic areas: Sweden, Norway, Finland, Denmark, and International. The latter comprises Pandox's business in Belgium, Germany, Switzerland and Canada.
Pandox's owners – Pandox was founded in 1995 and the company's B shares are, as of 18 June 2015, listed on Nasdaq Stockholm with a well-diversified ownership base. Pandox's majority shareholders are Eiendomsspar AS, CGS Holding AS and Helene Sundt AS.
www.pandox.se

PLAZA HOTELGROUP GMBH was founded in 2002 and currently operates 17 three and four-star business hotels with more than 2,000 rooms in Germany, Austria and the Czech Republic. At present, more than 500 employees work for the company. Our newest project is currently in the pre-opening phase: a 139 room-hotel at Amsterdam Schiphol Airport, a conversion of a former office building that has been extensively remodeled and extended.
Yonca and Ihsan Yalaz, the founder couple of Plaza Hotelgroup describe their core philosophy: Business travellers in particular will find all comfort in our hotels, the same comfort we ourselves expect as frequent travellers: friendly, helpful staff, large and comfortable beds, appealing, functional design, an adequate number of power sockets, free of charge wireless internet access with a high bandwidth.
In order to achieve these goals, Plaza Hotelgroup invested over 3 million euros in the interior design of its hotels in 2014.
Our core competence is the management of owned and leased business hotels in cities with a population of 50,000 and more. The headquarter with its efficient central administration is based in Heilbronn. Due to the central location and modern furnishing, our properties are interesting for business travellers as well for leisure guests and city hoppers. In order to meet our own,

high service standards most of our hotels are a member of the world´s largest hotel chain Best Western.
Our goal for the next 5 years is the healthy, economic increase of our portfolio to up to 30 hotels mainly in Germany. We are constantly looking for new and existing buildings in city locations, for purchase or lease.
New projects are the extension of BW Plazahotel Stuttgart Ditzingen from 124 to 224 rooms; hotels at Amsterdam Airport 10/2015 (139 rooms), Dresden Frauenkirche 7/2016 (103 rooms), and Aachen City Centre 2/2017 (200 rooms).
www.plazahotels.de

PRIMECITY INVESTMENT PLC is a specialized hotel investment company with main focus on investing in and repositioning of underperforming hotel properties in Germany. PCI is a publicly traded company at the Euronext Paris Stock Exchange and as of July 2015, PCI's portfolio includes 52 hotel assets with approximately 8,300 guestrooms. The hotels are flagged with leading and globally recognized and established franchise brands and are located in touristic and commercially attractive locations in Germany, which benefit from strong demand through tourism, business and exhibitions, such as Berlin, Munich, Hamburg, Frankfurt, Dresden, Düsseldorf and Leipzig. The Company is led by an experienced management team which is based in Berlin and which has a strong track-record in proactive asset management.
PCI's business strategy targets investments in hotel assets which are located in markets with strong demand generators, primarily in Germany. After the takeover stage, the Company repositions the asset, by selecting the ideal market position, the adequate brand and star category and implements the targeted Capex in property modernization. During the repositioning process PCI leases out the hotel to external operators through long term fixed lease agreements.
Having been active in the market for more than 10 years and with a track-record of more than 120 successful turnarounds, PCI has positioned itself as a preferred buyer in the market. The Company's perceived quality as counterparty stems from the key advantages it offers: certainty of execution guaranteed through a solid funding structure and extensive execution experience; fast decision making and execution due to lean management structure; rapid liquidity injections through strong liquidity profile and long standing relationships with major financing partners.
www.prime-city.com

PRIZEOTEL The budget design hotel brand prizeotel was founded in 2006. In 2009, the first prizeotel opened in Bremen – and has become a success story for the last six years. In June, 2014 prizeotel Hamburg City opened, in September 2015 prizeotel Hanover City followed.
The neologism „prizeotel" is based on the combination of creating a clear added value for guests with a well thought-out hotel concept. Along with the naming, a customer-oriented approach, credibility and the objective to create a consistent and an easy-to-understand brand have been in the center of attention. Thus prizeotel is an exclusive designer product with the charm of a private hotel. It does not focus on the mass market but on the quality-focused individual traveler searching for a hotel which offers a good value for money – for business and leisure.
For its hotel development in Germany, prizeotel and the New York star designer Karim Rashid agreed to an exclusive cooperation about the design of all prizeotel properties. Every hotel is designed individually, in terms of color and furnishings. Karim Rashid's style is found in the entire hotel making each property a „signature brand hotel". Furthermore, prizeotel is an innovative pioneer in the hotel industry, and one of the fastest hotel operators in developing and implementing technical innovations that underline the prizeotel experience being the most unconventional one.
Since 2013, prizeotel has been supported by a strategic investor for its expansion. The May & Co. business group acquired one third of the prizeotel Management Group by a capital increase. The May Group further provides equity to fund additional hotel projects. So prizeotel has taken the next step to its vision statement: to become the most unconventional budget design hotel chain and qualitative leader in the core markets of Germany and Europe.
www.prizeotel.com

TKS® GERMANY. PROFESSIONALS ON SITE

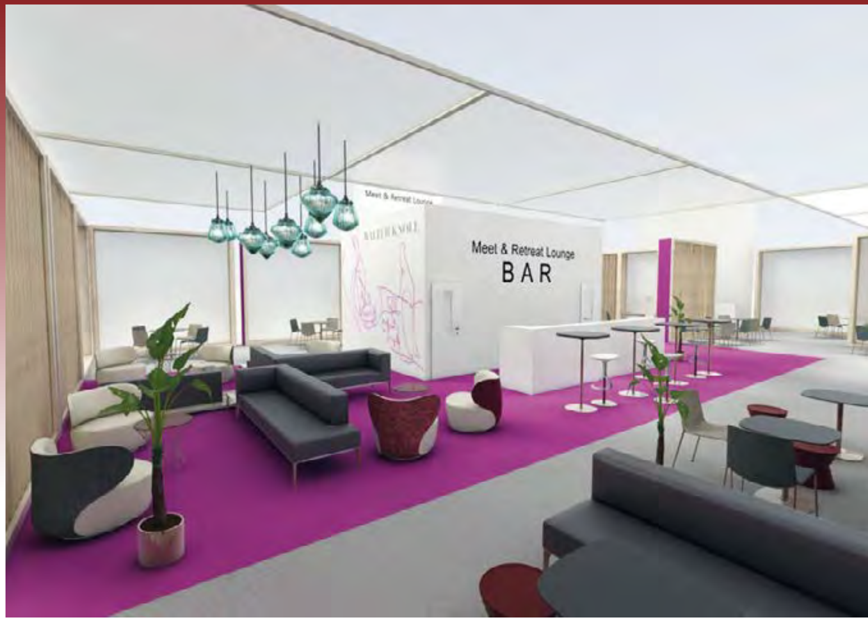
TKS: As general contractor, TKS offers the planning, organisation and implementation of various construction services including technical building installations „from one hand" for refurbishment and initial fit-outs of hotels as well as the re-use of office buildings into hotels. TKS delivers its services mainly as turnkey solutions.
TKS manages and coordinates the communication between all project participants and deployed trades. Due to its longstanding experience and competence, TKS is well equipped to manage the interests of all participants through all phases of the project to reach an optimal solution.
With its reliable project organization, its expert teams from all technical and business disciplines as well as its strong network of partners, TKS is capable of planning and realizing very complex renovations and reconstruction works with guaranteed pricing and timelines in all European countries – under compliance with all official regulatory requirements and with due regard to legal guidelines.
For 25 years, TKS has been realizing projects for international hotel chains such as Accor, Hilton, Holiday Inn, Hyatt, Marriott, Motel One, Le Méridien, Radisson, Steigenberger, Westmont Hospitality Group as well as for well-known individual hotels. In many cases, TKS has cooperated with international acclaimed architects and designers on a partnership basis.
The company operates in the European core markets with its subsidiaries TKS UK, TKS France, and TKS Swiss.
TKS' pioneering role is based on the continuous development of its service portfolio, including technical building installations (MEP) as well as the development of innovative service packages such as shortest time renovation (STR) and the CSM analysis for a project-based optimization of the budget and protection of the environment at the same time.
TKS realizes an annual sales volume of about 40 million euros. Manfred Terliesner and Uwe Christian Koehnen are the CEOs
www.TKS.net

TREUGAST | Solutions Group

TREUGAST SOLUTIONS GROUP: 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 has offices in Munich and Frankfurt. The three core business lines of TREUGAST – consulting, management and science – guarantee a unique blend of know-how and expertise in the field of hospitality.
Treugast Solutions Group is the first consulting company worldwide which has been awarded with the Five Star Diamond Award by the American Academy of Hospitality Sciences. Furthermore, due to the exceptional achievements within the industry Treugast founder Prof. Stephan Gerhard received the „Special Award Hotelier des Jahres 2011" from the dfv media group.
www.treugast.com

WYNDHAM
HOTEL GROUP

WYNDHAM HOTEL GROUP is the world's largest and most diverse hotel company, encompassing approximately 7,670 hotels and over 667,000 rooms in 70 countries. From the award-winning upscale offerings of its namesake Wyndham Hotels and Resorts brand, to the distinctly comfortable and familiar properties of its iconic Days Inn and Ramada 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 program, Wyndham Rewards, is the largest in the hotel industry based on number of participating hotels, with over 40 million members worldwide. The free-to-join program offers its members the opportunity to earn valuable points for their stays which may be redeemed for hundreds of reward options including free hotel stays, airline travel, gift cards for leading retailers and more.
Within Germany, Wyndham Hotel Group encompasses more than 100 hotels and over 14,000 rooms under five of the company's global hotel brands: Wyndham Hotels and Resorts, Dolce Hotels and Resorts, TRYP by Wyndham, Ramada and Days Inn.
Also in Germany, the footprint of Wyndham Hotel Group grew recently with the acquisition of Dolce Hotels and Resorts; two hotels of the upper upscale segment joined the group – Dolce Bad Nauheim and Dolce Munich Unterschleissheim, both offering the brand's signature meeting and events experience.
In 2016, the first Super 8 Hotel will be launched in Munich – the Super 8 hotel brand is one of the world's most well-known hotel chains with over 2,500 locations around the globe.
www.wyndhamworldwide.com



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

2015: Meet in the Retreat

Munich (October 5, 2015). The guests of the 7th networking event „BRICKS & BRAINS" will be able to establish and intensify contacts in a new and stylish atmosphere this year: at the redesigned „Meet & Retreat" lounge at Messe Muenchen. However, this still applies: admission will only be granted to people who present a confirmed invitation.

On Monday evening, a carefully selected group of guests from hotel groups, investment companies, private equity representatives, consultants, and project developers will meet shortly after the hotel conference. Far from the hustle of the trade fair, this event offers an exchange of experiences and initial business contacts in a relaxed atmosphere.

For the 7th time, Kempinski Hotels is the main sponsor of the event; the flying buffet in gourmet style will be provided by Hotel Vier Jahreszeiten Munich. The faithful gold sponsors of this top-class event continue to be bbg-Consulting and CBRE Hotels. Invitations for „BRICKS & BRAINS" are sent out to representatives of hospitalityInside's partner companies at EXPO REAL and the participants of the „Hospitality Industry Dialog". Traditionally, the remaining seats are reserved for new guests. This way, good opportunities arise each year to establish new contacts.

All guests will receive a personal invitation; only invited guests with confirmed registrations will be admitted. Accompanying persons will not be allowed to join the event.

Supported by:

BRICKS & BRAINS 2015

For the 7th time, the top-level hotel networking event is taking place at EXPO REAL. Again, and for the 7th time, Kempinski Hotels will act as the main sponsor. Also, bbg-Consulting with its two Managing Directors, Tina Froboese and Karlheinz Kreuzig, as well CBRE Hotels with Olivia Kaussen, Head of Hotels Germany & CEE, will repeatedly support the event as „Gold Sponsor". Without these strategic partnerships the development of the hospitality network at the fair would not become reality … Thank you very much to all event partners of BRICKS & BRAINS 2015 for their valuable support!

Once more, **BRICKS & BRAINS** will take place at a new location this year. Unchanged will be the catering created by Sven Buettner, head of the Taste Task Force at Vier Jahreszeiten Munich – and offered by the professional Kempinski service team.

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

SAVE THE DATE 2016

Would you like to become a partner for BRICKS & BRANS 2016 and benefit from the top contacts at this event? Please, send an eMail to office@hospitalityInside.com. EXPO REAL 2016 will take place from Tuesday to Thursday, 4-6 October 2016. Consequently, BRICKS & BRAINS 2016 will take place on Tuesday, 4 October 2016.

SAVE THE DATE!

KEMPINSKI HOTELS: Created in 1897, Kempinski Hotels is Europe's oldest luxury hotel group and is known as a renowned and innovative provider of luxury hotels, dedicated to exceeding the expectations of even the most demanding guests. Kempinski's rich heritage of impeccable personal service and superb hospitality is complemented by the exclusivity and individuality of its properties.
Kempinski now manages a portfolio of more than 76 five-star hotels in 31 countries, comprised of historic landmarks, award-winning urban lifestyle hotels, outstanding resorts, and prestigious residences. The group continues to add new properties which embrace the culture and traditions of their locations, expanding its presence to new gateway cities and major capitals. Looking forward, Kempinski's strategy will be to focus on enhanced financial performance and selective growth, and on improving the company's brand value in the market. **www.kempinski.com**

BBG-Consulting is Europe's first specialized consulting firm for the hospitality industry. Since 1962, BBG is the only consulting firm that combines design, operations and financial expertise to highly profitable solutions for developers, investors as well as operators. **www.bbg-consulting.de**

CBRE Hotels is a division of CBRE Group, Inc. (NYSE:CBG), 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 2014 revenue).
The Company has more than 52,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 370 offices (excluding affiliates) worldwide.
CBRE Hotels employs more than 150 hotel real estate specialists worldwide and offers hotel transaction services, operator search and contract negotiation, valuation, hotel asset management and consulting. **www.cbre.de**

+++ Ongoing hospitalityInside survey +++ Ongoing hospitalityInside survey +++ Ongoing hospitalityInside survey +++

GO FOR THE 5TH „HOSPITALITYINSIDE INVESTMENT BAROMETER": LOG IN!

How hot is the German competition?

Augsburg/Hamburg. Your opinion is important! Participate in the 5th hospitalityInside Investment BAROMETER, which started at the beginning of October. During the Expo Real 2015, a polling terminal will be installed at the joint booth „World of Hospitality" in Hall C2/230, where you will be able to participate in the survey live. Ask our team at the hospitality stand to assist you.

For the fifth time, hospitalityInside and Union Investment are inviting the decision makers from hotel industry and real estate/investment to give short and precise answers to a very interesting question. The answers, however, will remain anonymous. This time, it is about the increasing competition in the investment market Germany. What would be your answers to the following trend-related question?

How are investors reacting to the intensified competition within the German hotel investment market?

- Non-core products are moving into a sharper focus for investors.
- Objects with the need for revitalisation are experiencing an increased interest.
- The due diligence process during transactions has become significantly shortened.
- Investors are holding their real estate longer.
- The investors' risk behaviour has not changed.

We are looking forward to your opinion!

Of course, you can also participate in the survey in the Internet.
Go to the **online survey** by www.hospitalityInside.com – click on the banner „Investment Barometer" or at the „Market Check" button on the front page.

All survey participants will obtain all details and analyses as a PDF document in a personal eMail later on. Parts of the survey results will be published in hospitalityInside's magazine. People interested in the survey will be able to find a summarizing graph under „Market Check" on the website.

… And this was YOUR opinion in the last hospitalityInside INVESTMENT BAROMETER:

Spring 2015: The continuing pressure on demand in the hotel market most likely motivates hoteliers and hotel property experts to diversify regionally in secondary and tertiary markets.
Autum 2014: Brand hotels will happily announce a quick-paced expansion, but in reality, they rarely implement these plans as quickly.
Q1 2014: Currently, the rate-of-return considerations are driving the investments in hotels, more than diversification and security aspects
Q4 2013: the largest potential for developing into an investment product is being assigned to aparthotels and serviced apartments.

For more see www.hospitalityInside.com („Market Check").

Dear Readers,

In this SPECIAL, we focus on the hotel industry at EXPO REAL 2015 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.

THE NEW HOTEL STAFF ALREADY SMILES AND REPLIES

First humanoid robots at the front desk

Ghent/Nagasaki. Robots are coming – looking like human beings and behaving like humans. In July 2015, the Ghent Marriott Hotel in Belgium introduced a new employee. His name is Mario and he works at the front desk where he greets clients in 19 languages 24 hours a day, 7 days a week. Three weeks later, the first humanoid robots welcomed guests at the Henna-na Hotel in Nagasaki. There, robots already wear a uniform.

Mario, the new Marriott „associate" (photo above), is 48 cm tall, weighs 12 kg and costs the hotel 15,000 euros. Money well spent thinks General Manager Roger Langhout, who believes: „We haven't seen a more impactful change in our business since the introduction of smartphones."
Mario is assisting the staff during check-in but also works for other departments. It can welcome guest (in 19 languages) sometimes with a glass of champagne, can provide room keys and answer any question regarding availabilities. It is also able to accompany business guests to meetings rooms and even host a power point presentation.
As it is equipped with a face recognition software and two cameras, the „humanoid employee" is also able to detect, record and store customer faces for 6 months. Additionally, since it has a build in program to work safely with kids, Mario serves as well as a „baby sitter" at the hotel's kids corner. More functionalities will follow according to the GM who closely works with QBMT, a Belgian company from Oostende, which designed the software (the robot is produced in France). Next steps in development will allow Mario to call a taxi or read the news in the customer's language.

A 100-billion euro market

According to the European Commission, the humanoid robot market will weigh 100 billion euro by the end of 2020. Robots like Mario are already used in the medical world and even in schools, in Belgium, Switzerland, France and the Netherlands. The collaboration between the Ghent Marriott Hotel and QBMT is a first test run to see if more humanoid robots could join the hospitality sector.
The Japanese Henna-na Hotel (meaning „the weird hotel") close to Nagasaki is the world's first robot hotel with a human touch. Guests checking in are greeted by „actroid" androids – by a type of android (humanoid robots) with a strong visual human resemblance. These robots are able to welcome customers in several languages, carry luggage to the rooms, make a cup of coffee, and even interact with a smile.

The new receptionist in Nagasaki: a humanoid robot.

Developed by Osaka University and manufactured by Kokoro, a branch of the company that licences the famous „Hello Kitty" toy, these androids are robots that have been given the features of a young Japanese woman who is able to make hand gestures, reciprocate eye movements and answer customer requests in Japanese, Chinese, Korean and English.

Robots reduce operating costs

Those wearing a uniform serve at the reception desk (an animated dinosaur is part of this team), others are used as porter or cleaner robots. An industrial robot serves as a cloak room attendant, which is exactly the same technology used at the Yotel New York. In addition to the astroid staff, guests will have the option of using facial recognition software instead of room keys. Those who prefer this can also use a contactless key card.
Guests who need to interact with real people are able to do so since 10 humans are also part of the team. Many take care of security, guest and robot safety. Staying at Henna-na hotel costs a minimum of 60 euros per night. It's four to five times less expensive than staying at the two other hotels in the theme park. The cheaper rates are possible because the use of robots and power-saving equipment (LED lights, renewable energy) considerably reduces operating costs. / Sarah Douag

Extracts of two articles by hospitalityInside.com, July 3 and 24, 2015.

The Zoku Loft, a smart solution for today's nomades. And a new answer to boring hotel rooms and hotel apartments.

ZOKU AND BUDDY PRESENT NEW URBAN ROOM CONCEPTS

Hybrid or very small?

Amsterdam/Munich. A new player has entered the niche segments of the "lifestyle hotels" and "Serviced Apartments": Zoku. A hybrid between an apartment and a hotel room which gives room design a special flow. The first Zoku will open in Amsterdam during the last quarter of this year. In Munich, within eyeshot of the luxury hotel Koenigshof the new Buddy Hotel opened at the beginning of October – with rooms that have only 9 (!) sqm and which show how to obtain maximum comfort for the night in a mini room. New concepts for urban hotels.

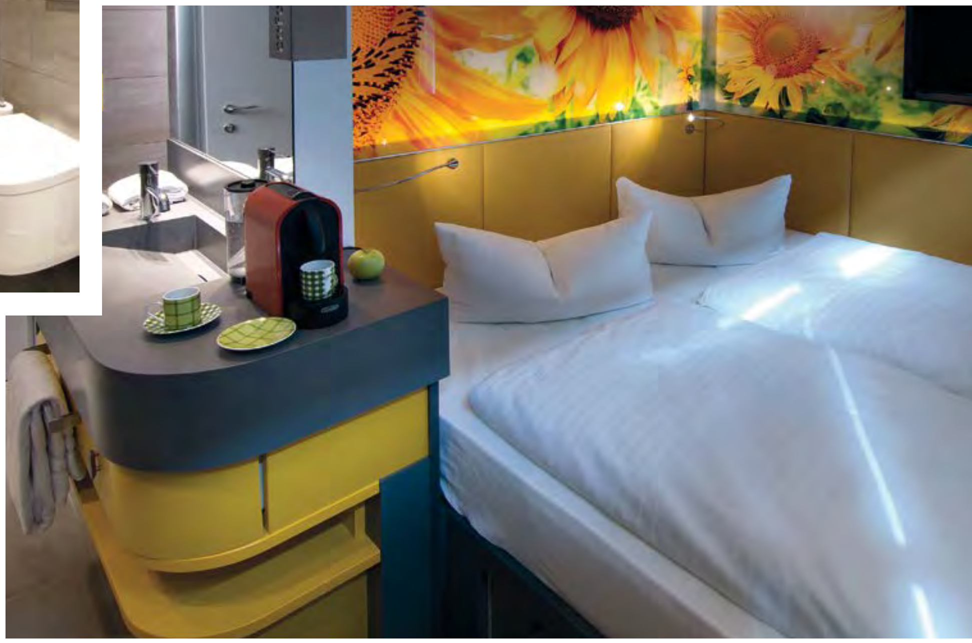
Two Dutchmen, Hans Meyer and Marc Jongerius invented Zoku. Meyer comes from hotel operations and was a founding partner of citizenM, Jongerius comes from the investment industry. A good combination for a new product with 25 sqm for the modern nomad that relegates the traditional hotel thinking to the conservative corner.
"Zoku" comes from Japanese and stands for "family, tribe or clan". Zoku is conceived as a home-office hybrid with the services of a hotel in the background and set before the charm of a nice neighborhood. The Zoku loft utilises its 25 square metres of room in a smart manner. The bathroom – toilet with shower – is quite small (the designers do not wish to name the exact number of square metres), but the king-size bed shielded with a slatted box can be reached with steps. During the day, these 6-step stairs can be pushed back under the box and into the mounted stowage under the steps.
With Zoku, the bed no longer dominates the room as a result, but rather the table that provides a stronger residential feeling when entering the room. The interior design of the Danish Muuto brand allows for some of the individual elements to be adapted to the investors' wishes; the guest should be able to individualize it through a selection of art.
In order to save the modern nomads from isolation, the Zoku lobby will be designed as an open living room. A fully equipped kitchen with a cooker, refrigerator, spice rack and cookbooks is hidden behind the "Dialogue Room". Eight people can find a seat at the culinary table. One can rent also rent this room privately.
In addition, there are three smaller rooms within the co-working area of the lobby that are available for six to eight people and are equipped with screens, tables, etc. And there is even a 3D-printer available! The rooms are rentable by the hour or the full day; including WiFi, of course.

F&B details in further planning

A restaurant exists in the form of a "Living Kitchen", an open area with communal tables in which the in-house guests as well as the external can order from a fixed-price, daily changing menu. In this, the emphasis lies on fresh, healthy and partly organic dishes. Moreover, Zoku wants to bring talented chefs onto the property in order to accelerate the multicultural atmosphere. The F&B concept details are currently still being fine-tuned. In addition, there is a bar in the lobby and a 24/7 "Grab & Go" station with snacks and meals is also planned. "The (Almost) Everything Store" also offers all of the little things that a traveller may have forgotten … Zoku will not have a fixed reception; but rather, a "Commu-

Buddy: 9 sqm with a kingsize bed, at its left the wash basin with space left for a coffee machine. The sunflower brings a warm light to shower and toilet.

Zoku's interpretation of a hotel lobby.



nity Manager" will be present 24 hours a day and will be the contact for all of the questions and difficulties of the guests.
The first Zoku in Amsterdam had been financed by three Dutch family offices. The location in the eastern canal district of the city, at Weesperstraat, had already been secured two years in advance. The two heads of the company felt that the launch with private capital in the beginning was ideal; but for further expansion, they hope to find a dependable real estate partner – and gladly for one region alone. "Our Zoku lofts are fit for new buildings and conversions," explained Jongerius. The Amsterdam project (133 rooms) is already the conversion of an office building.
Negotiations are already underway for locations in London, Paris and Frankfurt. The destinations of Barcelona, Hamburg, Berlin, Vienna, Zurich and Copenhagen are additionally on the wish list. The first major goal is to have a total of 750 units in operation in five locations (www.livezoku.com).
Switch to Munich: The man behind Buddy is Johannes Eckelmann, career changer and owner/operator of a small group of private hotels and of the budget brand Cocoon Hotels (www.eckelmann-hotels.de). Just on time for Oktoberfest in Munich 2015 he opened the first Buddy with rooms of only 9 (!) sqm and for an introductory price of 66 euros per night. Eckelmann wants to expand with this concept.
On four floors, guests find 74 rooms; there will be a maximum of 100 rooms as soon as the last tenants and doctors' offices have moved out. The future Buddy hotel has the perfect location: directly at the steps to the underground station, at the edge of the pedestrian zone and 500 metres away from the Central Station. This is a location, which is not only in demand among young urban travellers, but also among many price-conscious business travellers.
In future, the guests will find check-in machines on the ground floor and a small reception in one of the upper floors. The reception will be occupied only from six to twelve every morning. "In order to be able to offer a good price, we have to reduce the staff," says Johannes Eckelmann.

Unmanned but comfortable

There will always be a concierge present in the house, the guests can call a hotline if questions arise or they can contact the reception at the Cocoon Hotel Stachus, which is located only 200 metres away. With this limited staff concept (one staff member), Buddy is on the way to becoming an "unmanned" hotel. This means that guests will book and check in online – in a first step this happens via check-in machine, later they will be able to open their room doors directly with their codes.
Buddy will also offer breakfast: for 6.60 euros (initial price) the guests will be able to select among three breakfast options (sweet, savoury, fruity-healthy). The staff member managing the reception desk in the morning will have the respective boxes available and will provide a freshly made mug of coffee. The guests can then have their breakfasts in their rooms – and help themselves to a second coffee if they want: the room is equipped with a Nespresso coffeemaker.
The room provides everything you need – even a separate toilet with shower, equipped with a rain shower and a hand shower (the bathroom has a total of 1.7 to 4.2 sqm, depending on the room layout). An oblong, rounded washbasin virtually draws the guest into the room. He or she then finds various storage racks in the lower part of the washbasin and next to the water tap there is even room for a (free to use) Nespresso coffee maker. With one of its other rounded corners, the washbasin desk touches the 1.60-metre king-size bed in the corner; above it on the wall is a flexibly rotatable flat screen TV. A sofa seating two, with a length of 1.30 metres, is joined to the bed seamlessly, and includes a fold-out mini-table in the middle (for the breakfast box). And there is a chair – hanging folded above the sofa on the wall, which, with its bright yellow, almost seems to be part of the decoration.
The guest pushes the suitcase under the bed: there are 30 cms of space. In addition, the room has foldout coat hooks, leather slings for holding brochures and a mirror.
With space models like these, Johannes Eckelmann is in the middle of the trend and discussion about how to use the increasingly rare and expensive living space in the city sensibly and operate/lease it profitably. / map

Extracts of two articles by hospitalityInside.com, June 5 and 19, 2015.

DO FUTURE AGREEMENTS TAKE DISTRIBUTION COSTS AND FRANCHISE FEES?

Performance control on the horizon

Vienna. Everything is changing except for the agreements? Experts will shed light on this subject in a panel discussion at this year's hotel conference at Expo Real. Martin Schaffer, Managing Partner at the consultancy MRP Hotels in Vienna (and host in this talk), explains the topic of distribution costs, franchise fees and performance control in this guest contribution.

All chains have to expand in order to generate more revenue. Behind this growth, a large distribution engine is normally hidden away and with it, an enormous cost pool. Today, during negotiations between investors/owners and operators, questions concerning distribution usually arise after ten minutes, except in negotiations for fixed lease agreements. Distribution costs are increasing significantly; in some cases, commissions to OTAs amount to eight to ten percent of the revenue alone (without including discounts to tour operators); the summarised fees of the chains often amount to more than ten percent of the revenue in addition.

Consequently, the obvious question of an investor for a potential operator is: What does your brand offer me for ten percent? How much are the total distribution costs, as there are also savings on OTA commissions through global deals?

So far, the average daily rate (ADR) has been the right parameter for the comparison of hotels but it has to be some kind of ‚net ADR' in future – ADR minus distribution costs.

Fee structures are outdated

Through internet fees, distribution costs have changed considerably in the last few years resulting in far-reaching consequences for the hotel's profitability. This highly complex, difficult and very dynamic subject thus arouses increased alertness on both sides of the bargaining table. In order to keep up in the fast global growth competition, operators need simple agreements and distribution models (especially in franchise), which do not overtax anybody. The fast global growth of the chains is one of the reasons for the spreading of franchise. In reality, amongst others, this correlation becomes visible through the fact that even mega players have allocated their ‚core brands' (e.g. Hilton, Marriott, InterContinental, Sheraton) for franchising in individual cases. Most recent examples include Esplanade Hotel Berlin as Sheraton franchise or Le Méridien Hamburg as a franchise with the lessee Munich Hotel Partners.

The currently high demand on properties raises the buying prices and therefore increases the expectations of the lessee and franchise partner. Due to this, franchise will only be possible at locations with a high GOP in future. The fee structures of the mega chains are often unsuitable for B and C locations, which are in high demand among most of them at the moment. Nonetheless, the run on these locations continues!

Martin Schaffer: The Internet makes distribution costs increase drastically. In future, contracts could include controls for the brand performance.

Today, franchise agreement costs make up ten to 15 percent of the total revenue, depending on the strength of the brand. In reference to the described development, investors/owners also demand a performance orientation for franchise agreements, as has been the case with management or lease agreements for a long time now. They only want to pay what the chain delivers. However, they often forget that strong brands are able to achieve higher ADR and generate a higher loyalty among the guests. German Treugast Consulting concluded this July: Brands are driving rates. On average, brand hotels are able to obtain room rates that are 15 percent higher than those of individual hotels in Germany.

Performance tests increasingly discussed

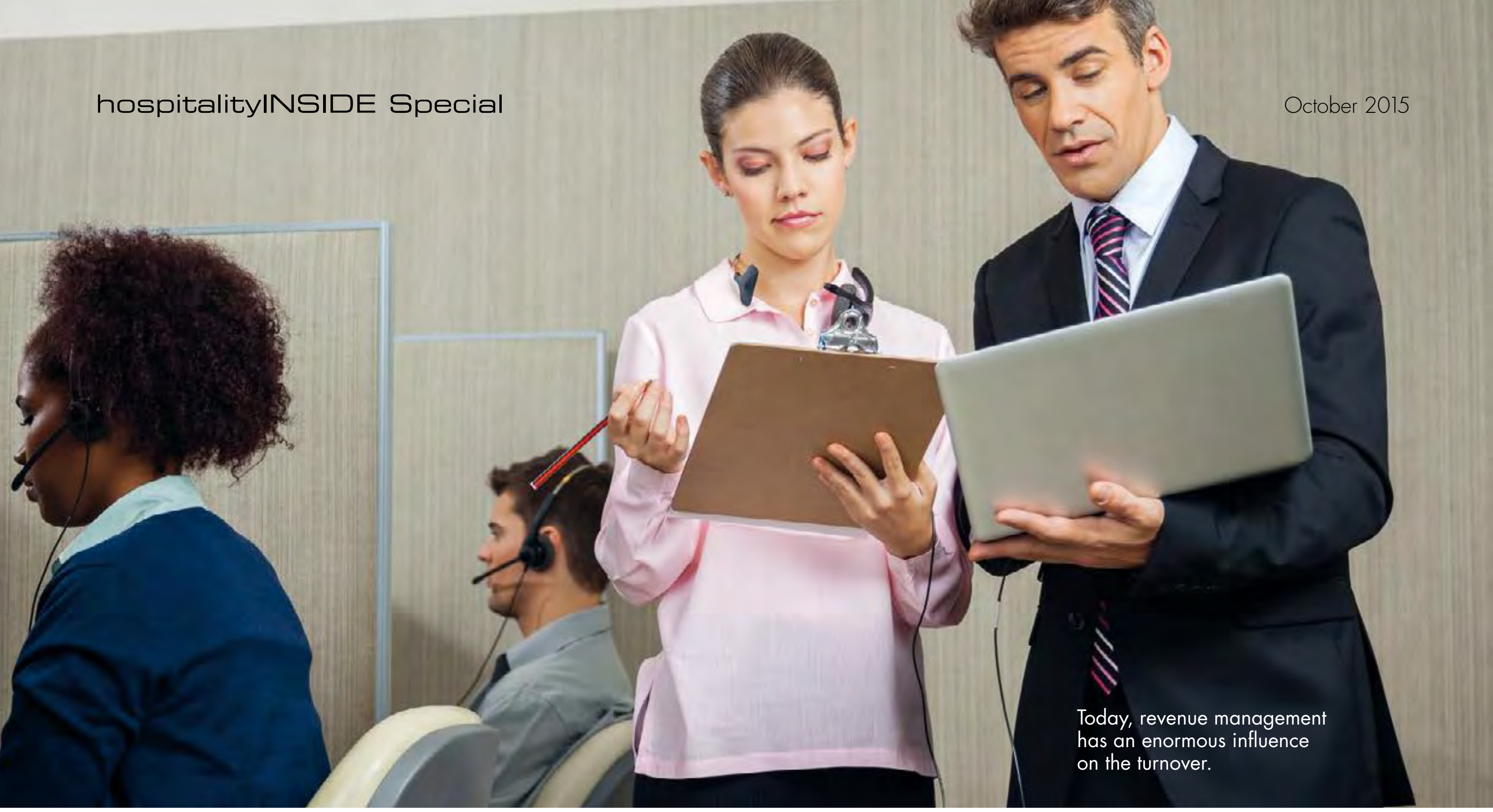
So far, there are only very few standardised ‚control lists' on the market for the brand performance concerning franchising. According to MRP Hotels, such systems should be developed. If no fixed lease agreements are concluded, owners will have to observe the performance vigilantly in future. Owners who conclude lease agreements based on revenue, NOI or GOP will have to deal with running business operations in detail to be able to estimate the performance, just like in a management agreement. If they are unable to do it themselves, they have to employ asset managers.

For some time now, the chains have been retracting from lease agreements in the German-speaking countries as well. Existing lease agreements expire, and then operations are transferred to lease companies with a franchise brand. The dilemma for the investor: with these new and in most cases still very small lease companies, no recoverable corporate guarantees can be achieved and they are dependable on the funding of the lease company or the individual ‚special project vehicles'.

Performance tests have to be initiated by the owner or investor during negotiations. There is a big discussion on this subject in the market. Which criteria or factors have to be taken into consideration during such tests? Definitely a comparison among competitors with so-called ‚competitive sets' based on ADR, occupancy or room revenue (RevPAR). However, distribution costs cannot be compared this way (especially as there are no published investigations à la STR) – the brand could have bought its business for a considerable amount (via high commissions). Conceivable could also be that owner and operator negotiate a fixed degree of performance in percent or orientate themselves towards pre-defined revenue, results or budget achievement threshold values, which they are not allowed to fall short of.

The conclusion from this distribution and performance issue can only be that increased sales performance has to be incentivised. Or chains have to substantially improve their own advantages from their deals with OTAs, especially with respect to globally better conditions. Then, the management would be able to re-earn its fees for the brand very fast. – The calculation begins."

Extract of an article by hospitalityInside.com, October 2, 2015.



Today, revenue management has an enormous influence on the turnover.

TREND: CHAINS SET UP INTERNAL AND EXTERNAL CENTRES FOR HIGHER REVENUES

The new power of the Revenue Managers

Wiesbaden. The demand for Revenue Managers has risen sharply across the sector. Hotel chains have meanwhile even set up external revenue management centres and stock them with highly-paid experts. The concerns of many a director that an in-house revenue manager may steal his thunder in the hotel itself therefore appear unfounded. In terms of responsibility for operations and for the wages of the Cluster Revenue Managers, things look different though. The power of the Revenue Manager is rising. International chains like Accor, Carlson Rezidor and the owner-operator Pandox describe their models and experiences.

Eike Kraft, Accors Vice President Corporate Communications for Central Europe, underlines the significance of good revenue management (RM) in the hotel. After all, the manager explains, accommodation revenues account for around 80 percent of all revenues generated by a hotel. Of course, the introduction of a professional revenue management scheme and the fact that further expertise has to be brought in from outside, will first require additional investment.

Yet results show that the investments pay off. „A hotel with revenue management at Accor achieves on average eight percent more sales than hotels which neither have a RM expert nor a RM system," Kraft says.

At Accor Germany, RM works as follows: Alongside central revenue management – and pricing teams at the Accor headquarters in Munich, RM is also implemented locally in the hotels. The central RM and Pricing Support team has a „multi-brand" structure and therefore supports all of the group's brands. For the daily implementation of RM, the hotels also have experts with experience in the region at their disposal.

Communication is key

This team of RM experts is comprised of multi-hotel revenue managers (supporting clusters of between 3 and 5 hotels „multi-brand"), of hotel revenue managers (supporting just one hotel where this makes sense in terms of size of the hotel, e.g. in the luxury segment) and of a team of revenue analysts (supporting a cluster of approx. 22 economy brand hotels – though with focus on daily management of public prices).

The RM expert team stands in direct contact with hotel directors and their staff responsible for accommodation (reservation manager, meetings manager, banquet manager). In all cases except the hotel revenue manager, the RM experts are not based in the hotels. Communication is either through regular strategy meetings on a weekly or fortnightly basis or by telephone conference. „This approach has proved itself to work, like the multi-brand approach, which ensures price coherence in our brands," Kraft says. Due to their high and ever increasing significance, Revenue Managers at Accor are settled at the level of a departmental head. „For us, the future trend is towards revenue management of all revenue which the customer makes through the course of his or her stay at the hotel, and not only on revenue management in respect of RevPar. That means that the revenue manager will presumably have to expand his activities to other revenue-generating areas in the hotel – such as F&B or MICE," Kraft continued.

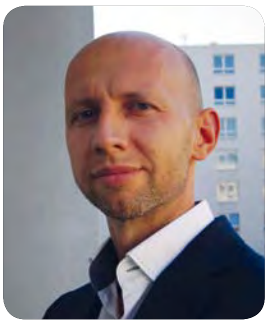
Carlson Rezidor too meanwhile concentrates revenue management for managed and leased hotels in revenue management centres. By concentrating these tasks in special purpose units, the company promises itself long-term revenue increases and market share gains for the individual businesses. For this special service, a Service Level Agreement is concluded individually with each hotel. In February of this year, the revenue management office for Central Europe was opened in Frankfurt/Main, further central offices are in Great Britain and Ireland and for the Nordic countries. In Frankfurt, 25 employees from nine countries steer processes for the 44 hotels in eleven different countries for which revenue management makes sense. Negotiations are still underway with other owners.

The strategy pays off

„Awareness that with a strategic approach revenues can be optimised has generally grown across the sector," Ralf Scheffler says, Area Director Revenue Optimisation Central Europe. „We do not accept reservations, but provide the strategy. Responsibility for revenues remains in the hotel. Our team in Frankfurt is in daily telephone contact with partners. We place special emphasis on personal cooperation and the exact product knowledge of our staff."
The staff also visit the hotels regularly – the larger the hotel or the higher the revenues, respectively the more dynamic the revenues performance, the more often we visit. Product knowledge is also provided through training sessions as well as through regional and international conferences.
The areas of responsibility of Scheffler's staff are divided into three groups: Data Analysts, Cluster Revenue Managers and Inventory Controllers. Whilst analysts collect data and statistics above the location, competitive situation, guest structure, length of stay and season dates for the respective hotels, the other two groups develop the corresponding strategies for the hotels and implement these. To do this, they have direct access to the reservation data held by the hotels.
In the analysis of data, Scheffler explains, personal data of individual guests is not drawn from the big data pool, but rather the focus is on findings for large target groups such as business travellers, leisure travellers and city visitors.
The Scandinavian investment company Pandox, which is both owner and operator of hotels, has taken another path. It's hotels are operated under international brand names such as Radisson Blu, Holiday Inn, Crowne Plaza or as own-brand hotels. Last July, it set up a Revenue Management Centre, though passed responsibility for the department to the external software specialist Vassilis Syropoulos in Belgium. Through his own company Juyoanalytics and with seven other revenue specialists, he sets down the revenue strategy for 12 Pandox hotels in Belgium, Germany and Scandinavia at present. And not only that: The tasks also include Distribution, eCommerce and Website Optimisation; the team is not involved in Sales.
„It's important to understand that the RM Centre is not about cost reduction, but it rather a revenues motor," he stresses once again. „It's positive that we see the data from various hotels, and can compare destinations." Data analysis allows a forecast to be made – and that across different brands. For instance, data analysis for Brussels revealed that Christmas business there is

Eike Kraft, Accor: 8 percent more revenue are realistic.

Ralf Scheffler: The hotel is still responsible for revenues.



Vassilis Syropoulos: Revenue Management is more Demand Management.

strong. Six months prior, the revenues strategy is defined – for all four Pandox hotels under several brands in the city. Since the RM Centre is part of Pandox, there is no problem with communication.
„A revenue management centre is really a demand management centre," Syropoulos says. „We act on the basis of demand analysis and don't wait for a reaction."
And are the RM specialists now more important than the software behind it? The software specialist says: They are at least as important! Perhaps the person is more important. Because a specialist always knows what to do.
Salaries on par with those of GMs possible
Whether revenue management or e-commerce: Whereas chains can bundle these fields, individual hotels must bear the costs of experienced specialists alone.
Headhunter Antje Maesse from Haystax Munich says of the services these experts provide in German-speaking Europe:
„The annual salary of a Revenue Manager for an individual hotel with 150 to 200 rooms is roughly between EUR 44,000 and EUR 50,000," she says. „Then there are the individual bonus payments. For chains, the annual salary in an individual hotel with 500 rooms is between EUR 50,400 and EUR 60,000 plus bonus.
A Cluster Revenue Manager, primarily employed in chains, draws an annual salary of between EUR 65,000 to EUR 70,000 per year. At the very top of the list are the salaries of Revenue Managers in the chain's headquarters which begin at EUR 80,000."
„Accordingly," Maesse went on, „a Revenue Manager can expect to earn a comparable salary to a GM from the corporate level."
„Here though, international size and employment with a chain are required if salaries are to be adjusted in line with Corporate Sales & Marketing and possibly with the Operations Manager salaries. Nevertheless, Revenue Managers remain below the Finance Director and board level."
Maesse was unable to identify savings in personnel costs in the companies she knows with professional revenue management. „Through the daily impact on room sales and the associated optimised average rate, this department pays for itself. Nothing is left to coincidence here," she says. / Susanne Stauss

Extract of an article in hospitalityInside.com, April 17, 2015.

A CURRENT LOOK AT THE FUNDS SCENE WITH THE OLD AND THE NEWCOMERS

Hotel funds popular

Munich. Earning money with hotels sounds good, and even a bit sexy. The appeal of the hotel as an asset class is high, especially as it's often subconsciously associated with the luxury, travel and holiday – positive terms to which office and residential properties can't lay claim. But this has little to do with reality. Investors' hunger for hotels is large. Especially popular are hotel funds. And it looks like the relationship between funds and hotels is becoming ever closer. A look at the funds scene with the old and the newcomers.

Scandic Hotel Hamburg, a Union Investment asset. But the investors' world becomes more international.

The hotel investment market is booming like never before. The persistent low-interest phase has fanned the hunger for real estate in general and for hotels as special investments with high yield promise in particular. The longer interest rates remain so extremely low, the greater the pressure on family offices, life insurance companies and pension funds becomes; pressure to generate a higher return than that possible with classic forms of investment or with office real estate at present.

Meanwhile though, prices have moved extremely high. The market is currently in a rapid state of flux. Yields (IRR/ internal rate of return and CoC/Cash on Cash, static method) which investors could still expect on their investments just two years ago are no longer conceivable. This applies not only to hotels, but to all commercial sectors. In order to spread risk, many investors do not choose the direct investment route and instead look to funds. The funds industry is as broad as the investors are numerous. Demand for hotels is dominated by institutional investors and hotel investment companies. „It doesn't come as a surprise that these continue to focus on European hotels. In this market, occupancy and therefore also earnings are strong. We are now seeing that buyers are no longer focusing on the large centres, but also looking to medium-sized cities and more rural regions," Christoph Haerle states, CEO EMEA of Hotels & Hospitality Group JLL.

At the large fund houses with banking background – Union Investment, Deka, Deutsche Bank / Deutsche AWM and Commerzbank / Commerz Real AG – there has long been an interest in hotels – both for open mutual funds as well as for special funds. Whilst special funds came through the crisis pretty much unscathed, open-ended funds were hit hard – with fund closures, resolutions and often substantial losses. With regulation, confidence slowly returned.

Union Investment looks towards the US

For investors, hotels have already shed their special real estate image and have meanwhile become a key earnings generator. „This also stands in connection with the establishment of expertise in this segment," Andreas Loecher says, Head of Investment Management Hotel at Union Investment. The internationalisation of hotel activities began as far back as „001 and the approach now is one of active deal structuring together with strategic investment partners. Of utmost importance here is reliability and continuity. With regards to project developments in particular, clear

structured processes are important as are well-functioning teams and reliable partners, Loecher states.
Up to now, Union Investment has focused on Germany and European key locations. „The leap to America is, however, only a matter of time," Loecher says. Of all the company investments, hotels account for around ten percent of the portfolio. The hotel special fund UII Hotel No. 1 is meanwhile around EUR 130 million heavy
Deutsche Bank / Deutsche AWM has also been active in hotel investment for its clients for the last ten years. „Now though, the strategic aspect is becoming more important, whereas most purchases in the past were rather opportunistic," Clemens Schaefer says, Chief Investment Officer Real Estate Europe. 3 to 4 star hotels remain the favourite, in particular where these are managed by established operators, respectively franchisees. With regards to contracts, investors are conservative. The focus remains on long-term lease contracts with terms of at least 15 years, Schaefer reports.

More interest in budget hotels

Deka is also committed to the hotel. „Our aim is that of all Deka real estate in our portfolio, hotel investments account for up to ten percent," Dr Malte-Maria Muenchow explained, Head of Purchases and Sales Retail, Hotel, Logistics. Despite rising competition, Deka has not made any significant alteration to its purchase criteria. It remains active as core investor with emphasis on quality. The only change, Muenchow went on, is that it no longer invests exclusively in the 4 and 5-star segment, but also in budget hotels.
Of course the market for investment properties, also in the hotel segment, as in all other asset classes, is very competitive. This is seen primarily in the very aggressive yields, Muenchow also reports. Nevertheless, or perhaps because of this, many good products have come on to the market, be these existing properties or development projects. In such a market environment, he sees the main task here in paying better attention to location quality.
With regards to the closed-ended funds, it's not yet all hunky-dory. But at least things appear to be improving – though from a very low level. The subsidiary of the Bayerische Landesbank, Real I.S. AG

Andreas Loecher, Union Investment: The leap to America is only a matter of time.

Clemens Schaefer: Deutsche Bank/ Deutsche AWM: Strategy is more important.

Dr. Malte-Maria Muenchow, Deka: Now investing in budget hotels.

Jochen Schenk, Real I.S.: The hotel sector offers opportunities.

Douglas Waibel, Patrizia: Various market segments secure a risk diversification.

has mastered the change into the new world of public alternative investment funds very well. They too see opportunities in the hotel sector. „For individual Real I.S funds, investments in budget hotels as an adjunct to the portfolio are an option. As investment properties, hotels in central locations with long-term lease contracts come into question," Jochen Schenk says, Chairman of Real I.S.

The young and the wild: On the up

Also very active in the hotel segment is the Augsburg-based company Patrizia AG. It meanwhile manages real estate assets of around EUR 300 million. Its Hotel-Invest Deutschland special fund invests in top quality hotel real estate in the „ to 4-star segment (80 to 1"0 rooms) in good locations in large cities and conurbations in Germany. Eleven properties have already been acquired in Stuttgart, Rhein-Main, Rhein-Ruhr and Hamburg. „The risk diversification is secured through investments in various market segments – hostel, budget, upscale – and brands," Douglas Waibel says, Associate Director in the hotel expert team at Patrizia. For legal reasons, the lease contract is the dominant contract form.
At Invesco Real Estate, they are already one major investor fund further. They focus primarily on European 3 and 4-star business hotels in cities and airport locations which are operated by established brands. The peculiarity here: hybrid contracts.
Art-Invest Real Estate, Cologne, is also well positioned. For its Hotel Manage to Core fund with EUR 300 million equity and EUR 600 million fund volume, it has just acquired a portfolio of three B&B hotels and three land parcels on which the fund plans to build B&B Hotels by „016 from the B&B Group. The lease agreements of the sale-and-lease-back deal run for 20 years. Dr Peter Ebertz, Head of Hotels, knows the problem of the high prices on the market. The focus is therefore increasingly on locations, on the exit in order to generate a good return and one trusts in the strength of the brand. A strong brand always generates a certain inflow of guests.
There are reasons enough to suppose that this asset will remain popular in the eyes of investors over the near future. / Beatrix Boutonnet

Extract of hospitalityInside.com, September 25, 2015.

PRIMECITY AND ITS PARENT COMPANY NOW LISTED: READY FOR RAPID EXPANSION

A new, financially strong investor

Larnaca/Paris. Since last autumn, one company on the German hotel finance landscape in particular has undergone a remarkable change. Until October 31, 2014, it was privately run. Then, Yakir Gabay quietly had his hotel holding company, Primecity Investment, listed on the Paris Stock Exchange. The move meant he immediately acquired a strong capital base from which to drive forward a lightening-quick cash-driven expansion. Over night, the investor had EUR 150 million at his disposal; EUR 100 million from the IPO in October 2014 and a further EUR 50 million from a convertible bond issued in February 2015. Philipp von Bodman, CEO of Primecity Investment Plc, on the new asset profile, the new investment drive and the more comprehensive operator strategy.

The only thing that hasn't changed with the IPO is the company's core philosophy: Primecity Investment (PCI) continues to look for problem assets of any category and of all brands, turns these around and re-positions them in the 3 and 4-star category. This scheme was a fixed component of development over the last decade. Primecity was founded in 2004 and domiciled in Larnaca, Cyprus.
Nine months ago, Primecity Investment then launched a listed company with 26 hotels. Now, there are twice as many (52), and all are in Germany. Though this is to change: „We are looking not only in Germany, but across the whole of Western Europe and will pick out the best properties at attractive prices," Philipp von Bodman says, who has been CEO of Primecity since 2011. In 2008, he came on board as Director of Operations at GCH Hotel Group. Previously, he was active as asset manager at Mountain Capital Ltd and HVS in London.
In order to be able to expand more quickly, PCI decided on Euronext in Paris for the IPO. The decision was taken on the basis that Euronext can react with greater flexibility on these short-term transactions than is the case at the Frankfurt Stock Exchange, for instance. PCI generated the capital pool of EUR 150 million through the IPO and with an additional convertible bond issue. According to the Annual Report 2014, PCI is financed by seven banks with 16 loans. The balance sheet for the full-year 2014 already shows the impact of the IPO: After the going-public, PCI immediately acquired 12 hotels and sold four before the end of the year. Revenues recorded in December 2014 exploded compared to those from December 2013, up 159% from EUR 9.8 million to EUR 25.5 million. Net profit rose by 247% from EUR 29.9 million to EUR 103.9 million.

Share capital drives speed

Criteria for the acquisition of assets remain a low purchase price, high upside potential, high cash flow opportunities and the potential for repositioning and branding. „Cherry picking" remains the strategic approach. And that's also true for the collaboration with international hotel operators. At the moment, the 52 hotels belong to 14 brands of various operators with whom PCI concludes 20-year fixed-lease contracts. The operator then brings the suitable international brand by way of franchise agreement.
„We want to buy real estate which gives us full flexibility in all areas," the owner and asset manager explains the general target. Where necessary, PCI also switches franchise brands or does without a franchise agreement altogether, depending on what fits best at the specific destination.
The real estate market is currently booming and offers interesting, but also overpriced deals. PCI focuses on speed here – and often participates in bidding procedures. The IPO has dramatically improved access to capital. Since the going-public nine months ago, investor Yakir Gabay has acquired over EUR 150 million in capital. That's enough mass to be able to move in quickly with equity on suitable deals. „We are also ready to buy portfolios," von Bodman says.

CEO Philipp von Bodman: Low purchase price, higher profit.

PCI watches the real estate market closely and despite the current hype, isn't drawn out quite so fast: Many portfolio deals which are made are often „only" stabilising deals with low yield, vpn Bodman claims. By contrast, PCI is prepared to acquire distressed assets. And there's no shortage of those. With the 150 million, 30 properties have been acquired up to now, and most could be bought cash. „We still have power to acquire more," von Bodman says.
But the PCI asset story doesn't end here. Primecity's parent company is Aroundtown Property Holdings (ATP), whose main shareholder is Yakir Gabay. ATP bundles various real estate types into three subsidiaries: Residential properties are collected together in Grand City Properties (ATP holds a 34% in this company), hotels are collected together in Primecity Investment (ATP holds 56% / remainder free float).
Aroundtown was listed on the Paris Stock Exchange on July 13, 2015 and has reached a market capitalisation of EUR 2 billion. / Maria Puetz-Willems

Extract of an article in hospitalityInside.com, August 7, 2015.

THE NEW KEMPINSKI CEO ALEJANDRO BERNABÉ ON NEW FINE DETAILS

No rumours please and more quality

Geneva. He wants to put an end to the rumours surrounding Kempinski Hotels and to increase the hotel quality massively accepting that this might mean that the expansion has to slow down. Part of Kempinski headquarters in Geneva will probably move to Bangkok this year – close to the owner, the Thai Crown Property Bureau. The move points to a new style of leadership. Since October 29, 2014, the Spaniard Alejandro Bernabé has been Chief Executive Officer of Kempinski Hotels and so succeeded Reto Wittwer.

The Kempinski Siam Bangkok, run by Alejandro Bernabé in his last GM position before being promoted to CEO. The glamorous lobby stands for the 5-star quality the hotel group should purely focus on again in the future.

After nearly 20 years of service, Reto Wittwer left overnight. Till today, there has been only rumours of the management switch at Kempinski's Geneva headquarters. In this situation, the 44-year-old Spaniard Alejandro Bernabé now finds himself as CEO. Also new on the Board of Directors is Marcus van der Wal who replaces former COO Duncan O'Rourke. Chief Financial Officer Colin Lubbe survived the management change, as well as Board Member Markus Semer who was promoted to Deputy Board Chairman.
All are experienced long-term Kempinski managers. Bernabé has been with Kempinski since 1998. That he of all people became Wittwer's successor was foreseen by none of the Kempinski directors to which hospitalityInside spoke, neither past nor present. The fact that Bernabé comes from the Kempinski Bangkok – and therefore spent 16 months close to the influential Supervisory Board Member Michael Selby is for most people the most plausible explanation. Yet this too is nothing more than a rumour too.
Alejandro Bernabé knows what's being said in the background. And he answers all questions politely and openly. The word Bangkok takes us to the next rumour: Will Kempinski headoffice soon leave Geneva for Bangkok to be nearer to Michael Selby, the Chairman of Kempinski's Supervisory Board and bridge to Kempinski's owner, the Thai Crown Property Bureau? Bernabé elaborates: „The headquarters in Geneva will stay. Towards the end of the year though, we will also open an office in Bangkok and this will include the Sales, Revenue and Distribution departments. It makes strategic sense to be close to the shareholder." Bernabé will also move to Bangkok, for him it's only of secondary importance where he lives. Of his first six months in office, he perhaps spent only 30 days in Geneva.

Move, sharpen profile, rethink

The decision creates an unusual constellation at Kempinski Hotels as the rest of the Board of Directors, including the CFO, will remain in Geneva – for the time being at least. On the one hand, the SNB decision in January to come off the euro peg pushed up the costs in Geneva. On the other hand, the decision weighed on the foreign exchange business of the hotels which are distributed across 31 countries. This makes a decision to leave Switzerland sensible. In theory, a move to Germany would be conceivable, Kempinski's (currently considerably cheaper) home country. Whether and when this can happen; whether the company will set itself up in Berlin, Frankfurt or Munich, remains open. Before then, Alejandro Bernabé has more important things to sort out.
„We don't know what the future holds. We must therefore remain dynamic. And learn from other companies, both in our own sector as well as outside," he explains.
His goal is to sharpen Kempinski's profile at the very top of the international 5-star hotel industry. This means establishing hotels like the Adlon in Berlin as the Grand Hotel jewel in Germany, it means eliminating

The new board after the era of Reto Wittwer: (from left) Markus Semer, Marcus van der Wal, Colin Lubbe, and Alejandro Bernabé.

weak 5-star hotels in individual markets like China and Africa, and it means finding owners and general managers who share Kempinski's views on quality.
„In spite of everything though, Kempinski will remain a European group with European basis and push in its European portfolio," Bernabé continued, setting out his commitment. „And that is possible because we now have a healthy management team. The leadership style has moved away from the pyramid," he adds in subtle reference to „King Reto" at the top of this pyramid.

Probing markets, staying credible

Adjusting the portfolio has long been an issue behind the scenes at Kempinski. Reto Wittwer already began with the project. The new CEO obviously wants to push on with things in a clearer, sharper and quicker way. On April 31, 2015, for instance, Kempinski left Sofia. Kempinski will also leave the Grand Hotel Djibloho (Equatorial Guinea, Africa): „This isn't a destination for the majority of Kempinski guests," Bernabé says. The group has also left the second Kempinski hotel in Moscow, opposite the Baltschug Hotel, after just two months in operation. Starwood will now take on the hotel under its St. Regis brand. Here, the differences of opinion with the owner Rutsog Invest, a large Russian investment and construction holding, were just too great.
„We were in the past perhaps too well-wishing with owners," Bernabé says. At present, Kempinski is therefore also in intensive negotiations with Octavian Holding, the owners of the Bristol Berlin, with respect to a longer-term operations agreement. The outcome of these negotiations has been open up to now. Though Bernabé now reports: „Corresponding agreements have been concluded this week."
It also took a long while before the Abu Dhabi Investment Authority released the budget for the urgently necessary renovation of the Ciragan Palace in Istanbul. Now, the owner is set to invest over EUR 230 million in the facelift of the pearl of the Bosphorus, significantly more than the EUR 120 million originally planned.
Bernabé wants more success stories like that in Gravenbruch. The new owners, the Mashali family based in London, acquired the neglected property in December 2011 and have meanwhile turned it into a first-class grand hotel in the Frankfurt region. Their vision of creating an urban retreat between airport and city will presumably be fulfilled.
„Kempinski must remain exclusive and credible. The largest part of our portfolio is top, but we need more hotels," the new CEO insisted. „We need quality growth, even if we lose some speed in the expansion here. Owners need a long-term perspective. And Kempinski can do better."/
Maria Puetz-Willems

Extract of an article in hospitalityInside.com, May 15, 2015.

CHINESE PLATENO HOTELS PREPARE DIRECT MARKET ENTRANCE IN EUROPE

Success story with hot shower

Berlin. A hot shower in 10 seconds?! Ten years ago, this was the quality promise with which the Chinese hotel group launched – today it counts 2,300 hotels in China. Its main brand is the budget brand 7DaysInn which was able to deliver on this quality promise. Now, Plateno plans its market entrance in Europe, specifically through the budget door. As the first Chinese chain, it plans to move into Europe directly through Germany. Up to now, Chinese chains have only ventured into Europe through the joint venture (Jin Jang + Meliá; HNA + NH; Huazhu + Accor). Plateno's European development team currently forms up in Berlin. Maria Puetz-Willems met Roland Paar, Regional Vice President Europe for Plateno Hotels.

In Berlin, Roland Paar didn't make much of a fuss about himself and Plateno Hotels. At the end of the investment conference, he simply took out a pack of business cards from his jacket: The freshly-baked Europe VP is exploring the market. He has the task of preparing the expansion in Europe. The focus here is Germany where, in its first step, the chain is looking to lease and operate properties in the budget and midscale segment. Plateno is present with 2,300 hotels in the budget and midscale segment in over 300 Chinese cities, spread over twelve brands. Plateno's Chinese pipeline also includes a further 700 hotels for this year. With 80 million loyalty members, Plateno claims to hold the record among all Chinese hotel companies. By way of comparison: Huazhu, with over 1,850 hotels, counts together with Accor 47 million members in its loyalty programme. By 2018, Plateno wants to have 6,000 hotels – and 95 million loyalty members.

Hot shower in 10 seconds

Alex Zheng established Plateno Hotels in 2005. Previously, he was responsible for the leading Chinese online travel portal Ctrip.com in marketing as well as as Vice President (the portal is roughly comparable in terms of significance to Booking.com in central Europe). Here, Zheng saw that many hotels in China didn't have an online presence. To entice them, he made a quality promise in 2005. At Plateno, you get a hot shower in 10 seconds! Also a good mattress and effective online distribution! It worked.

CEO Alex Zheng – the online specialist became a hotel manager.

At Zheng's side is Eric Wu as Chief Financial Officer. He came to the company in 2007, has an MBA from Michigan State University and worked for Pricewaterhouse-Coopers in the US and China for nine years. As Certified Public Accountant (CPA), Internal Controls, Risk Management, Corporate Governance and Audit Support are his specialty.

Two years after founding the company, Plateno already counted 300 hotels and went public on the New York Stock Exchange – though without the anticipated success. In 2013, Plateno delisted and expanded from then on with the help of private equity. The Carlyle Investment Group (also main shareholder of B&B Hotels), the Asian-American investment company Sequoia Capital and the British Investment fund Actis Capital are today the main providers of capital. The website (www.platenohotelsgroup.com) says: In eight years, gross revenues stood at USD 1.6 billion.

Lifestyle as brand driver

Twelve brands are meanwhile listed on Plateno's website. The biggest is 7DaysInn as budget brand. Lavande, James Joyce Coffeetel and ZMax Hotels belong (by Chinese standards) to the midscale segment with trend towards upscale. Portofino is a luxury resort brand for the urban Chinese – „interesting for investors", the developer Roland Paar says. He points to a Chinese idiosyncrasy: Brand standards are important, more important for success though is the message that can be put across by the brand. For instance, James Joyce Coffeetel: As the name suggests, a lifestyle concept is included here, a mix of traditional coffee shop and hotel with library. „Everything with lifestyle sells well in China," Roland Paar says, though at the same time says: Investors are less interested by lifestyle, more by revenues and sales figures.

Because Plateno focuses on the current and persistent coffee trend in China, the group has meanwhile also created its own coffee brand. „Mora" can be found in hotels without breakfast or F&B offer, in book shops and cinemas. Roland Paar: „300 of 700 franchise hotels of the 7DaysInn brand will now offer Mora."

The mega market China with its million cities including endless food-outlets on the streets sets its own standards, which for Europeans

without experience of China are difficult to understand: A hotel than only offers breakfast, for instance, can have a 3 or 4-star rating.

No Chinese strongholds in Europe

All that doesn't mean that the Chinese would like to transfer ideas one-to-one to Europe. „The Chinese are very analytical in their market analysis and are completely unbiased," Roland Paar reports. „German structures are very transparent for them, also in contracts. They understand that and they like it." 500 of the Chinese Plateno Hotels are operated in China under lease contract. Accordingly, a certain fundamental understanding of this means of expansion is already present.

For Germany, various scenarios are currently being evaluated in parallel. Options for rapid expansion are conversions and/or joint ventures. If it comes to this, then a cluster strategy would be used to move forward more quickly. „We are flexible in every respect though," Paar says openly. And one thing he rejects right from the outset: Plateno Hotels in Germany and Europe are not to become Chinese strongholds, but international hotels with an international mix of guests. Plateno is prepared to adjust to the respective market in all cases: with respect to investors, in its development model and in its brand. Nothing has to be a copy of an existing brand. For instance 7DaysInn: A standard room in China measures on average 16 sq.m. including shower/WC, and furnished with TV, air conditioning, telephone (is required in Chinese rooms), but without F&B/possibly only with Grab&Go stations. A 7DaysInn counts on average 80 to 120 rooms.

The budget brand achieves an average occupancy of 82 percent across the whole of China, Paar reports. The room rates are not based on strict yield management, but essentially on season and on member status in the loyalty programme. In China, a night in a 7DaysInn costs roughly between EUR 20 and EUR 40.

Roland Paar: The Chinese are very analytical and unbiased.

„We'll make every brand fit for Europe!"

The rapid expansion in China works – roughly stated – with conversions and by using a simple formula: A building envelope is purchased, its core removed and new internal walls added. Only this way was it possible to establish 300 /DaysInn hotels within a few years in a region like Guanghzu. Of course, in Europe, such a rapid start cannot be assumed, alone because of construction and fire protection provisions. Nevertheless, the target appears to be to top more than 6 hotels per year or even 12 per year (à la B&B)... 7DaysInn is the budget brand for the Chinese market, Roland Paar makes clear – for Europe, its structure will at best serve as basis. Consequently, Plateno does not insist on having its European budget hotels operate under this brand: „We will make every brand fit for Europe!"

That the Chinese operate in different dimensions altogether is also made clear by the Plateno's 50.50 joint venture with Hilton, announced in November 2014. Accordingly, Hampton plans over 400 contracts in China, with the first hotel opening expected for the end of 2015.

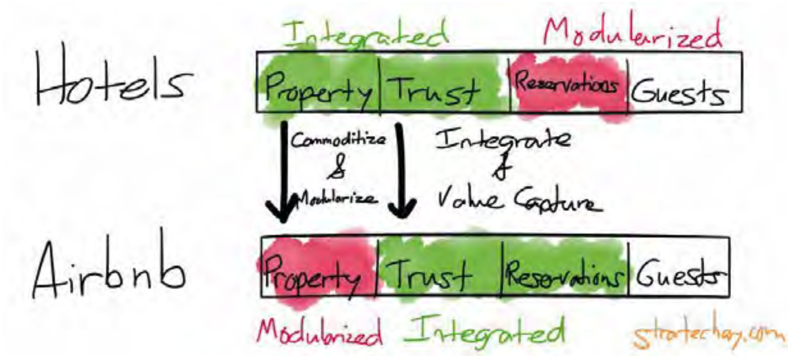
Zheng loves need and purpose-oriented brands and treats new creations like experimental platforms. For instance, the Plateno portfolio includes a „women's hotel" brand by the name of Xana. Launched eight months ago, the concept is still very much in the project stage. And is obviously being treated like a start-up – as a story with an open end. The reason for establishing this women's brand meanwhile has its justification in China. In patriarchal China, businesswomen travelling alone are a growing target group. / Maria Puetz-Willems

Extract of an article in hospitalityInside.com, March 20, 2015.

ABOUT THE UNFAIR COMPARISON OF HOTEL CHAINS AND THE SHARING ECONOMY PIONEER

What is the value of Airbnb?

Amsterdam (August 28, 2015). Is it fair to compare Airbnb with hotel chains? Hoteliers are risks takers, huge job providers, taxpayers and most of them are responsible entrepreneurs. Airbnb is none of these. However, hoteliers accept the comparison with Airbnb even in public and in the media! The industry does not rise and object loudly; thus, the public believes in the comparison with which they are provided, namely that of apples to pears and does not keep apples and apples in mind. With the support of experts from the hotel industry and the distribution sector, hospitalityInside.com will explain this week and in next week's issue why Airbnb cannot be compared to a hotel chain, where the weaknesses of this argumentation are, why hoteliers initially missed the opportunity of „collaborative economy", and why it might not be too late.



Airbnb markets vacant properties by building a system for trust. Hotel groups work completely different. Only the brand value of both might be comparable. / Graphic: stratechery.com

Last June, once again, Airbnb made the headlines. Not because another city was complaining about its „uncontrollable" activity, but simply because the company has held talks to raise a round of financing with a 24-billion-dollar valuation. According to the „Financial Times", the financing is set to be led by US private equity firm General Atlantic, Beijing-based investment management firm Hillhouse Capital and investment firm Tiger Global. „That would make the seven-year-old company more valuable than Marriott International or Starwood Hotels & Resorts currently valued at 21 billion dollars," concluded many newspapers quickly. But is it really fair to compare them?
Many American media like to present Airbnb as the new prophet of the hospitality industry, the guru of the „sharing economy", pointing their finger at established hotels chains for being too old, too slow, not fresh and innovative enough. Some of this is true, but it is not quite that simple. Hoteliers are risk takers, huge job providers, important taxpayers and most of them are responsible entrepreneurs. For the Australian Hotels Association, „Airbnb is not sharing much but taking a lot". Local professionals want the platform's hosts to be taxed and licensed. Many of the media clearly don't make the difference between Airbnb's marketplace, OTAs and hotel groups.
One may wonder why hoteliers themselves tolerate being compared to Airbnb. Why don't they take an opportunity to speak up and set the record straight, starting with the cost structure, which is completely different.

Valuation comparison not correct

This summer, not a single newspaper wrote about the Airbnb 24-billion-dollar valuation without showing the short rental company overtaking major hotel chains. In most of these rankings or graphics, only Hilton Worldwide remains in front of Airbnb with a valuation of 38 billion dollars. Marriott follows in third position with 21 billion, Starwood 16 billion, Wyndham 15 billion, AccorHotels 14 billion, IHG 12 billion and Choice 4.5 billion.
Astonishingly, these comparisons occur as many media mention in the same article that hotel chains own substantial physical assets and have thousands of employees and rooms available around the globe, while Airbnb owns…data.
„Alone for this reason, they should not be compared with one another," sums Christian Buer the unfair media comparisons up. The professor for hotel management at Heilbronn University in Germany says: „One should first establish the difference between market capitalization and company valuation. Hotels have assets and virtual values, which are achieved by capitalizing management contracts and the brand value. Airbnb's major asset is its

Prof. Dr. Christian Buer, University Heilbronn: „Airbnb will disappear again. Like Nokia."

WHAT'S A ROOM OR A LISTING WORTH?**

Hospitality Brand	Number of rooms/ listings 2015	Market cap/ valuation 2015	Value of room 2015	Number of rooms/ listings 2014	Market cap/ valuation 2014	Value of room 2014
Hyatt	156.875	8,14 bn $	51.888 $	147.388	8,42 bn $	57.128 $
Starwood	348.117	14,05 bn $	40.359 $	346.063	14,97 bn $	43.258 $
Hilton	715.000	27,68 bn $	38.713 $	678.630	21,86 bn $	32.211 $
Airbnb (adj.)*	720.000	24,00 bn $	33.333 $	330.000	10,00 bn $	30.303 $
Marriott	715.000	21,10 bn $	29.510 $	675.623	16,15 bn $	23.903 $
Accor	480.000	12,60 bn $	26.250 $	455.985	8,55 bn $	18.759 $
Airbnb	1.200.000	24,00 bn $	20.000 $	550.000	10,00 bn $	18.181 $

*Company filings for all except Airbnb, which is self-reported.
** Source: Skift.com, June 19, 2015.

database – the knowledge of apartment providers (resp. their profile) and users (resp. user profiles). They don't own anything, not a single room. It reminds me of WhatsApp whose 40-million-dollar valuation is only based on users and their profiles."
It would be good to know how many users Airbnb has, wishes the professor. Then you could split this figure/value between providers (= beds) and registered users. You might also be able to compare overnight stays of Airbnb and hotels. As this will remain a dream, we guess, Christian Buer's conclusion is: „The value of Airbnb is not what they are doing but what they can get hold of (like WhatsApp)."

Regarding the fresh capital, Airbnb obviously attracts the counters: „Why is it that easy? Because of the greed of all these people." WhatsApp never earned a penny but the sale made some its shareholders substantially richer… The professor sees a second dot.com bubble coming up. He also expects companies such as Airbnb to disappear again. Like Nokia.

Airbnb is to become a brand

Talking about the brand value: Previously, hotels integrated vacant rooms and trust (via the brand). Airbnb has modularized vacant properties by building a reputation system for trust between hosts and guests. It integrates property management and customer management, enabling it to scale worldwide (see drawing from stratechery.com above). The only factor that can really be compared is the brand value.

On that point, Airbnb has a serious advantage since they smartly base their concept and communication on the sharing economy, a trend, which talks to many people, especially the Millennials. Many of them already say „just Airbnb it" when looking for their next holiday accommodation. In terms of brand awareness, the rental market place is scoring points.
For instance, for next year's summer Olympics Games in Brazil, Airbnb will provide 20,000 rooms and is likely to become an official sponsor and partner for the games. It will be the first time a major global sporting event has turned to the public to find extra rooms and solve a short-term spike in demand for accommodation. All hotel chains dream of such media exposure. „They are extremely good and generous when it comes to mass communication and marketing.
However, Airbnb is not a hotelier,"
reminds Frédéric Dimanche, Director of the

School of Hospitality and Tourism Management at Ryerson University, Toronto, Canada. „The only common ground is that both entities offer accommodation and target the same customers. They haven't got the same cost structure which makes them incomparable."

Airbnb – all financially a big bluff?

Many hoteliers and analysts would love to know about top-line revenues, customer volume, margins, repeat purchase rate etc… but Airbnb always declines to share numbers, which makes it even more difficult to compare it with public listed hotel chains. However, according to the „Wall Street Journal", Airbnb representatives told investors that they expect more than 900 million dollars in revenue in 2015. It will be three times more than in 2013, which roughly totalled 250 million. Airbnb's expected revenue by 2020 is 10 billion dollars, which is ambitious… or a bluff.

As an American analyst mentioned to the newspaper, „for these projections to happen, Airbnb will have to take considerable share of the hospitality industry from leading OTAs such as Priceline Group (Booking.com) or Expedia, but also from leading hotel chains such as Hilton or Marriott". One can be sure that none of them will go down without a fight. „Airbnb would have to grow its current share of the lodging market from 1% to 10%, a considerable feat," he adds. Sean Hennessey, a Consultant with Lodging Advisors LLC, explains that in the upcoming years, Airbnb's growth will not only rely on a considerable increase in homeowners willing to list and rent on their website, but equally on the conversion of travellers to their website in substantial numbers. „That traveller awareness is still low, and they can reach their targets only if the market and awareness both grow."

Legal actions ongoing in many cities

This is not the only uncertainty for Airbnb's future. There are still legal battles ongoing against the platform. And it costs money. Airbnb faces regulatory restrictions in many cities which consider a high percentage of its accommodations portfolio as „illegal hotels". Short term renting (under 30 days) violates local laws in various cities around the world. In New York, Airbnb had to remove roughly 2,000 listings after the attorney general proved 72 % of its rentals in the Big Apple to be illegal. In Barcelona, the city council issued a 30,000 euros fine against the platform for violating their tourism laws as well as several 15,000 euros fines against owners listed on the platform. Ada Colau, Barcelona's new mayor is now requesting from Airbnb to share information about all listed but not officially registered units.

Frédéric Dimanche, Ryerson University Toronto: „Airbnb and hotels are incomparable."

Berlin city officials also passed a new housing law requiring homeowners to obtain permission from the authorities before enrolling. Same thing in Hamburg, Amsterdam and Paris where hosts need to register, pay city tax and can't rent more than 90 days per year. In the French capital, a special task force of 20 people employed by the city council, tracks illegal renters online and on the ground.
Despite Airbnb's CEO „seduction" visit last February in Paris during the company annual convention and Brian Chesky's promise to soon collect the tourist tax on behalf of the city, the mayor, Anne Hidalgo keeps on chasing hosts renting out properties at a professional level. According to her, „they take apartments out of the long term housing market which is unacceptable and illegal".
Will last Tuesday's Airbnb announcement calm her down? From October 1, 2015 the platform will start collecting and remitting tourist taxes from guests on behalf of rental apartments in the capital. Airbnb, whose most popular city is Paris with more than 50,000 listings, said it would collect 0.83 euro per person and per night. The tax process would gradually be extended to other cities across France.

Airbnb's intransparent tax collection

Airbnb has already been collecting hotel and tourist taxes from guests on behalf of hosts in U.S. cities: San Francisco, Portland, Philadelphia, Chicago, Malibu, San José, San Diego and Washington D.C. as well as in Amsterdam (Netherlands). However, since the company refuses to share any name or address with the local authorities – so that they can potentially transfer any amount they find acceptable. Airbnb has a lot of plans, but fighting regulators globally cost a lot of money. The company projects an operating loss for this year.
In a recent study, the „Wall Street Journal" revealed that in summer, there are more „Airbnbists" (travelers using Airbnb) than Parisian people in the picturesque and gay district of Le Marais. If Airbnb doesn't take action to encourage its hosts to comply with local laws, the French government certainly will. Local newspaper „La Tribune" revealed that the ministry of economics and finances intends to pass new regulations in September. Airbnb hosts will then be obliged to declare their rental revenues and pay taxes on them.
Like many cities which share this „schizophrenic" relationship with Airbnb, Paris still sees an opportunity in welcoming the platform guests as they spend millions of euros in restaurants, city tours, souvenirs, shopping etc.. Airbnb emphasizes that it brings extra funds to cities via guests who wouldn't otherwise travel. „The 760,000 people who stayed in Airbnb's New York properties last year generated 1.15 billion dollars in economic activity in the city," said a representative. There is however no proof as there are no statistics telling how much 760,000 hotel guests might have spent in the city…

Hotline in Amsterdam: Neighbours shall report

In Amsterdam, where Airbnb now lists over 10,000 addresses, authorities don't know neither how to manage the phenomenon. Since last February, Airbnb agreed to start

The new Internet kids, sharing (social) experiences online.

This unprofessional behaviour led to stricter rules being implemented in many cities such as Berlin or New Orleans where authorities want to protect the neighbouring community and maintain safety standards. They have no choice sometimes but to enforce regulations in order to protect consumers from their own naivety. Many travellers only see the price and forget about security, safety, customer service, product quality and responsibility in case of problems.
In answer to all that, Brussels recently passed a bill, which compels renters to be registered as „guest houses" at the regional council; therefore they cannot offer more than 5 rooms per property. They also must obtain a permission from the city and one from the building co-owners; they must install anti-fire systems and even put a visible logo on the door. All this will be effective next January 2016. Airbnb will obviously lobby against it and will continue to fight similar legal battles across the world.
In the company's recent business report projections for the year, they estimated an operating loss of about 150 million dollars to expand their services (Cuba and Africa) and to fight regulators globally over taxes and lodging laws. / Sarah Douag

Extract of an article in hospitalityInside.com, August 28, 2015.

collecting the city tax in an effort to meet council rules on sub-letting property. However, the rental platform will not reveal how many hosts are paying and who they are; therefore no checks are possible.
The city answered to that by opening a hotline available all summer for neighbours to report any Airbnb guests or hosts spotted in their area. Summer is almost over and a total of 85 calls were received by a special team at the city council. They checked 71 properties, 27 of them were illegal hotels. Eight units were shut down immediately for fire safety reasons. The rest received a simple warning. Next time they will be fined up to 12,000 euros.
These are extreme measures which could have been avoided if Airbnb showed more responsibility. But one knows this is not the company's strength. Patrick Robinson, head of Airbnb's European Operations told the Dutch newspaper „Het Parool" that „it is up to people themselves to make sure they obey the rules. It is not our responsibility".
In this case, the platform simply informed its guests (who will pay for the city tax) and advised hosts via email to register. One bets most of them won't do it, unless Airbnb requires it. If the company were the true partner it pretends to be to the 34,000 cities present on its platform, the Californian start-up would only list officially registered hosts or those in possession of a city licence. But this could weaken its portfolio and have a ricochet effect on the company's value. Therefore, it is not going to happen.

STUDY ABOUT DIFFERENCES BETWEEN HOTEL INDUSTRY AND SHARING ECONOMY

Sharing is social control

Berlin. The new sharing market has revolutionised market standards, so much is clear. The model used by Airbnb & Co works because providers satisfy client emotions in a targeted and uncomplicated way. Will the hotel industry be on the losing side? It looks like it, but it isn't, as a current study by the Berlin-based marketing consultancy DICON shows. The hotel industry and sharing economy contradict and supplement each other, Managing Director Robert Wissmath says. In the recent study, he looks for the second time at the sharing trend. In 2013, he looked at the new movement under the aspect of „social tourists". Now, he takes the subject further.

The DICON analysis looks at the technological approach of Airbnb & Co: Just like Amazon, they claim to know their clientele well enough to be able to put together the perfect offer (with right price, location and individual wishes etc.)... The peer-to-peer (P2P) platforms focus in on their target group through clever big-data analysis and offer their service via technology. But does somebody want to be restricted in their freedom of choice? Will he or she accept this „pre-selection"? This is currently an open question. Due to the sharing boom of recent years, the following is undisputed: The desire of the traveller for proximity to his/her host (realised through „private" rooms) and for personal tips binds both parties socially to each other. This new motivation revolutionises the logic of product individualisation used up to now, Robert Wissmath says, and gives rise to a new conflict situation: Travel offers for the mass market have up to now focused good prices, but relatively rigid products; despite this, the traveller had a feeling of choice given the immense selection. In contrast to this, today's individualised products are automatically driven and therefore relatively inflexible. Robots select the product for the person – and the price with it.

Freedom of choice or snap decision

According to DICON then, there will in future be two types of tourist product; that for the mass market under the motto „like this and not different" and the individualised market under the motto „we think that you're like this". Both products will no longer be comparable with each other. This customer will therefore have to decide – for more personal space to make decisions or for rapid need satisfaction.

Robert Wissmath: In future, tourism will only offer product for the mass market and the individualised market.

For this reason, the Berlin hotel consultants and market researchers believes that structured automated tours will be easier to implement in the world of business travel whilst in the leisure segment, it could be counterproductive. One thing is clear: Distribution will in future be entirely big-data driven, that is, hoteliers must record their guests in accordance with their educational status, income class, networks, preferences etc. and combine these with their accommodation formats and service processes as well as classic information such as holiday times... And „that will become a new challenge for many segments of the German hotel industry," the analysis concludes. The ‚social holiday apartment' satisfies these conditions relatively well."

Lifestyle hotel on social paths

Of all accommodation structures, serviced apartments come closest to the „social holiday apartment". Lifestyle hotels in the boutique or chain format also exude fresh social impulses in the hotel because their open, flowing lobbies correspond to the private lifestyles which Airbnb & Co convey. „An increase in originality and individuality in furnishings, in services and the room design of public spaces can be observed," the market researchers say. „These concepts create a sense of community as well as new situations of real and digital networking."

The first steps towards P2P have therefore been made in the hotel industry. Yet the most difficult step of all has yet to come; the translation of these findings into social media and the creation of a new personal relationship between guest and hotel operator. The latter therefore receives enormous significance if the hotel operator changes, for instance if the word Marriott instead of Maritim suddenly adorns the roof. With the new concept and new positioning, ratings and comments then also change on the internet. The significance of social media is driven, quite surprisingly, by a defect: from the lack of staff in the hotel industry. If an „Apple Watch" in future operates as door key in the hotel and robots provide initial services, qualified staff will ultimately be replaced. The budget hotel industry has already accustomed its guests to low-service processes so that over the medium term contact between staff and guest has been considerably reduced.

Airbnb remains a web technology company

Who is then surprised by the success of socially-oriented providers such as Airbnb? Why then does an entire sector see new market participants as „enemies" if it itself fails to provide elementary components for success? And isn't it just as understandable that companies such as Airbnb describe themselves confidently as ‚accommodation companies'? The IT approach taken by Airbnb allowing it to predict future accommodation requirements of its customers puts salt on exactly these wounds. Robert Wissmath writes: „Airbnb works... on similar analysis systems for customer preference as Amazon... in order to avoid more comprehensive and time-consuming searches. The technical implementation will presumably be via an app, both via a real-time booking app with Airbnb as well as an app on site through which guests can network with guests with similar interests. The hotel industry, on the other hand, is a long way from such an IT push.

As a result, the differences between P2P providers and hotels will become ever greater. „The difference exists in the complete focus on data accumulation and digital networking of individual persons instead of on classic services related to products and their reverse integration into distribution," DICON finds.

Increasing power of the agent

At the same time, there is comfort: „It appears that even if competition with the hotel industry is intensifying, Airbnb is not a hotel group, but a classic web technology company. .... The difference between hotel company and Airbnb can be seen in areas which are typical for modern digital companies and are meanwhile increasingly subject to criticism. It is the monopolisation and economisation of the data produced by the users (providers and buyers) of the platform and linked with their social behaviour." Sharing companies therefore ultimately focus on data management together with managed mutual social control of the sharing partners. Individualisation therefore leads to social control. Or put differently: The sharing economy is a „... description of something which results in the successive rise in power of the intermediary."

At least the large hotel chains and their groups have similar possibilities to Airbnb & Co, namely analysing big data, precise recording of customer profiles, to revive social media and to create new target group specific hotel products. They should simply do it (www.dicon-beratung.de). / map

Extract of an article in hospitalityInside.com, March 10, 2015.

Room Mate Oscar in Madrid: lobby with style.

HOW SPANISH ROOM MATE HOTELS FIND SYNERGIES WITH P2P PLATFORM BEMATE

When hotels feed the Sharing Economy

Madrid. The Olympic rider Kike Sarasola has been revolutionizing Spanish hospitality for years. In 2005, he founded Room Mate Hotels, a hotel chain based on design, location and service, which he chairs as President. It counts 27 hotels today. In 2014, he created BeMate.com, the first international combined offer of hotels and tourist apartments with additional hospitality services that led to the acquisition of Alterkeys, another peer-to-peer property rental model. Sarasola strongly believes in the sharing economy and that it is here to stay. His hotel and apartment network is growing and overcoming Spanish borders meanwhile.

How did the idea evolve to create your second company BeMate which already has 2,500 apartments in 10 cities today in Spain and 5 countries abroad (Netherlands, Turkey, Italy, USA and Mexico)? How do you assign apartments to each Room Mate Hotel or its partners, in those cities in which you are not yet present?

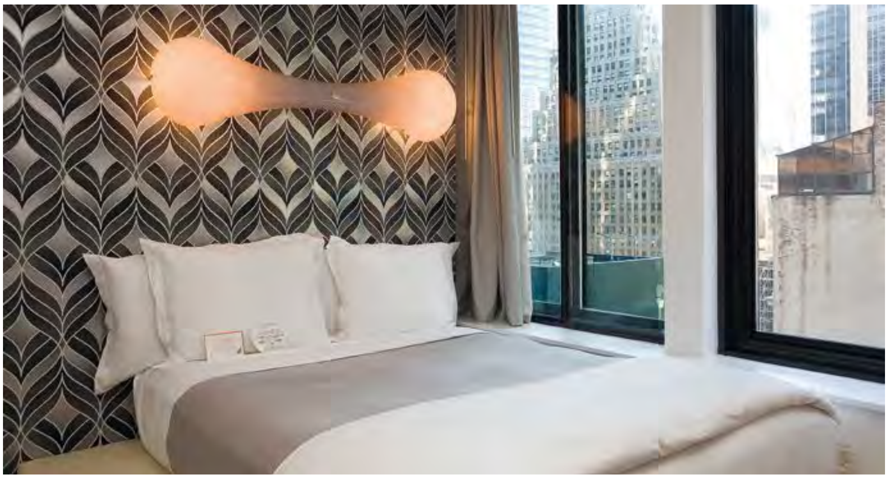
Kike Sarasola: Driven by our first company Room Mate Hotels, we already saw early that the demand for more and more family rooms was increasing. At the same time, we did a market study and discovered that there were more than 300 apartments around Room Mate Oscar that were advertising in other platforms (*editor's note: a hotel located in Madrid; all Room Mate hotels carry names of persons because they believe that nothing is better than staying at a friend's house*). We realized the travellers' new needs and that we would be able to meet these needs by improving the existing offer. The criterion is basically being close to a hotel.

Please give us some more details about BeMate: Which type of apartment do you prefer? How do you select them? Which is the average rental price? What about quality guarantee and services to be paid extra?
The apartments are touristic flats always located in the best areas of the city. The owner sets the price, the length of stay and the booking conditions; there are places that cater to all budgets and preferences. What we do is to adapt our offer to the city laws, e.g. procure licences in case they are needed. All the properties offered by BeMate have been visited and verified (by their commercial team) to be sure that the photos truly reflect what the travellers will find. We offer, unlike others, guarantees and security. One of the guarantees we assure for guests is that the apartments look like what they see on the photos. In fact, we have our own photography team. Unlike others, we also offer various types of guarantees and security for guests, such as a butler who will welcome them in the apartments to hand out the keys and help with all the services and queries they have about the city, tickets, etc. And there is a 24 hour-customer service. Some of the services, cleaning for example, have to be paid separately. We believe, for both parts, it is very important to have a Room Mate hotel nearby where guests will get answers to their questions at all times.
There are also securities for the owners. One of our important innovations is an insurance of 500,000 euros in case of damages; this insurance comes at no extra cost for owners. BeMate also takes care of payments, transactions and offers.
The collaborative economy generates products and services more reasonable in price than traditional systems, at least in theory. Is this the case with your apartments? How competitive are the prices of BeMate flats compared to Room Mate Hotels or other hotels in the same urban area?
I don't like to compete by price. I believe that the main difference of BeMate is to offer a place different to a hotel. Families with children, senior travellers, kids with food allergies, travellers with pets, long-term stays – we offer a safe net with the support of a hotel that can help you with everything.
We believe that having Room Mate (as a well-known hotel chain) supporting the apartment offer is a guarantee for the guests. You don't rent an apartment with someone you don't know or from a suspicious company.

The social net and WiFi connection are really important for you, to the point that you have been the first Spanish chain to provide, free high-speed WiFi in the city since July 2013, a service inside and outside the hotel. Do all apartments offer WiFi?
We call this service WiMate and we offer it in the Room Mate hotels. However, we must not forget that we are not the owners of the apartments. BeMate connects home-owners with travellers and gives the hospitality support, but we don't intercede in the services of the flats.
Trust and safety are the Achilles' heel of the collaborative economy and the value that the Room Mate brand gives to BeMate.com. Who manages claims, complaints or misunderstandings between owners and renters?
This is exactly the main difference between BeMate and other platforms. On one hand, we have a commercial department that visits each apartment and maintains a close relationship with the owners. On the other hand, we have a department that attends to the guests and manages all kinds of issues, doubts or complaints they may have. Which qualification do these people have? They describe themselves as „a young and multidisciplinary team and advocates of good service, tourism and travel".

What can traditional hotels learn from the experience of Room Mate Hotels and of the collaborative economy in general?
Oddly enough, I think that common sense lacks. It is not logical to have to pay for WiFi in a 5-star hotel. Nor is it logical to get up early for breakfast if you are on holiday because the restaurant closes at 10. These are themes that you can interpret just by looking at a guest's face or simply from personal experience.
You acquired Alterkeys in September 2014 from its founders Patricia and Chema González for an undisclosed amount of money. The company was only three years old at the time; both founders are part of the BeMate team today. How do their 102,000 apartments all over Europe supplement your portfolio?
BeMate differs from Alterkeys inasmuch as Alterkeys only offers design apartments in the most central areas of cities. Their most important standard quality is design and a good location, in the city centre and close to a Room Mate hotel or to any other city hotel they can collaborate with in a place where there is no Room Mate hotel.
Thank you very much for the interview.

Interview by Beatriz de Lucas.
Extract of an article in hospitalityInside.com, May 22, 2015.



Room Mate Grace New York. Each hotel carrys a name as you stay with friends.

BeMate flats are always located in top city locations.

Lateral thinker Kike Sarasola combines classical hotels with Sharing Economy.

Is money still descending the stairs today?
Revenue reserves are hidden somewhere else.
/photo: Westin Grand Berlin

BBG-CONSULTING ABOUT REVENUE CONTROL AND CROSS-SUBSIDIES

Performance oriented, please!

Duesseldorf. Whenever large hotel groups present their half-year or annual results, the phone rings more often than usual at consultants: „This is when comprehension questions and questions about intercompany comparisons pile up," says Karl-Heinz Kreuzig, Managing Director at bbg-Consulting in Duesseldorf. The callers are not only family hotels, but mainly chain hotels. In this guest contribution for hospitalityInside.com, the consultant with more than 50 years experience in the hotel industry and gastronomy explains how the revenue of hotels can be analysed and controlled via cost accounting. „Hidden cross-subsidies often burden the hotels' results for decades. They are extraordinary revenue reserves if they are identified early enough."

How can the economic success of a hotel be measured?

- By comparison to the previous year?
- By personal satisfaction?
- By best practice examples?

What makes evaluation difficult is the fact that often several parts of a business are necessary to guarantee the standard and to maintain and increase rates and occupancy. As if this were not enough, these aspects vary distinctly in every hotel, which makes comparability even more difficult. In practice, there aren't any two completely identically structured full-service hotels.
In addition, not every part of a business contributes equally to the profit. In general, cross-subsidies are tolerated as a necessary evil. Due to conceptual practical constraints, more profound analytical and control mechanisms are done away with.
A full-service hotel is the sum of individual business operations that are mostly dependent on each other, but differ in their characteristics. Depending on how you look at things economically, there are two views: Either, you regard each performer individually and treat it as a cost centre (horizontal view) or you orientate yourself towards the individual performance drivers such as lodging, kitchen, service, wellness, etc. (vertical view) and use the cost area calculation. To divide operating costs among the individual revenue drivers normally results in individual parts making an apparent loss, no matter whether restaurant, coffee shop, banquet or wellness. However, you should ask yourself, whether the telephone and marketing costs allocated via a pre-defined key have really been generated by the bar or banquet?
Independently of some questionable allocation formulas, this method, due to its appropriation, leads to seemingly loss-making business areas without questioning the costs themselves. Often, it questions the entire operational concept.
As respective measures usually have negative effects on occupancy and price level, these steps are avoided where possible.
Why is a cost centre calculation necessary when the business concept has a symbiotic nature anyway? In addition, the cost centre calculation does not provide any productivity figures and therefore, it is not an essential control mechanism.

Directly comparable regarding cost areas

In many cases, a classic among cross-subsidies is the restaurant. When asking managers about their staff costs in the kitchen, they often state a value of about 30 percent. The costs of goods are equally high as a rule. When adding the staff costs for service, a rough estimate clearly shows that this business area burdens the operative result considerably when taking other costs into account.
The cost area calculation is much more suitable for the assessment of operational performance and productivity. Here, the differentiation is made according to the performers of lodging, kitchen, service, wellness etc. and their productivity and profit contribution is determined without questioning the respective entrepreneurial concept. This method considers the necessary and usual flexibility in the company as well as between the performers.
Therefore, it is irrelevant at first whether a waiter works in the restaurant, in room service or on the terrace. The same applies for the job of a cook working á la carte, at breakfast service or a banquet. In a cost centre calculation, a precise and expensive division would be necessary.
The performance or productivity of the respective performer is decisive. There are productivity figures and comparisons in the form of best-practice examples.
When the department's result (concerning costs) is at an average level or higher, a cost centre consideration and potential analysis is requested. The latter reveals which savings are feasible for which periods.
Here, the approach to solving problems is of organisational or technical nature and very often both.
However, the structuring of figures often causes different opinions. Some rely on the tried and tested German special account system called Sonderkontenrahmen (SKR) of the hospitality industry; others favour the Uniform System of Accounts for the Lodging Industry (USALI) from the US.
Both systems are nearly identical and equally suitable for cost calculations. The usual comparative cost groups for hospitality (see key figures) are nearly the same.

In both systems, the allocation to accounts can be chosen freely according to the operational requirements.
The sole exception is the fact that maintenance costs are assigned to the facility costs using SKR while they are regarded as operational costs in the case of USALI. Respectively, GOP or the first operational results differ by this value.
In the discourse about the suitable methodology, people often ignore the fact that USALI was conceived as a cost area calculation from the very beginning while the cost centre calculation was developed by RKW (Rationalisierungs- und Innovationszentrum der Deutschen Wirtschaft), a rationalisation and innovation centre for the German economy.
Accounting following USALI has gained ground distinctly through the reporting of international hotel chains, but it does not offer more transparency according to bbg experience. Groups are normally viewed with respect to their „overall" performance without going into details.
The effort for more transparency becomes especially confusing when people use the USALI system and create a segmentation according to department results first (lodging, F&B, management, marketing & sales, maintenance, etc.) and then – as this allocation is not very conclusive – try to develop a cost centre calculation based on these values. Values generated this way provide no benchmarks at all. Unfortunately, such data graveyards – created with good intentions – are often the basis for decisive entrepreneurial decisions. People fail to see that any accounting, independently from the system, has to be developed into an individual internal cost area calculation and control mechanism first.
Whether cost centre calculation or cost area calculation: both approaches are not worth the effort if they do not provide distinct comparable figures and productivity parameters. Depending on the selected key, department results may vary, wrong decisions might be taken or no decisions at all.

Go for Cockpit management

This approach explains the economic success of so-called economy hotels. Through the reduction to the performance area of lodging, necessary cross-subsidies are sometimes excluded and the management is reduced to administrative tasks. Why should a full-service hotel not be able to survive economically with a restaurant, bar or café? The budget hotels are showing how it works – they have renounced old views such as „money is descending the stairs" or „gastronomy is only a means to an end".
As financial accounting has demarcation problems with its business assessment and only partly qualifies as a control mechanism the most important cost factors, i.e. staff (by departments) and goods (by calculation groups) should be subject to object-specific controlling (cockpit management). Cockpit management ensures that all important data, including their deviations from the target figures, are available in short on a DIN A4 page on the 5th working day of the subsequent month for department discussions.
Neither SKR nor USALI offer suitable instruments as such. They can only be used as a basis for such an instrument.

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Benjamin Franklin