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The Global Serviced Apartments Industry Report 2013-14

in association with



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The Global Serviced Apartments Industry Report 2013/14

In association with Adagio, Frasers Hospitality & Quest Apartments

4th edition

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Whilst every effort has been made to ensure accuracy, The Apartment Service, Travel Intelligence Network nor Creativo can be held responsible for any errors or omissions.

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Report methodology

The 2013/14 edition of the Global Serviced Apartments Industry Report has been compiled from primary and secondary sources. Primary sources include survey undertaken by The Apartment Service and TIN amongst serviced apartment operators worldwide.

The other primary sources used in this report included articles contributed by, and interviews with commentators from around the globe, together with other research.

Acknowledgements & Sources

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| Steve Thorne, Jumeirah Living | HVS International | World Travel & Tourism Council – Business travel, a catalyst for economic performance |

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Definitions - what is a serviced apartment?

The term 'serviced apartment' is traditionally used to describe an apartment alternative to hotel accommodation for long stay leisure or business travellers. However there are three types of accommodation to which the description serviced apartment applies, with an ever-growing list of sub-categories.



Extended stay hotels

Extended stay hotels are mainly studios, one bedroom with a few two bedroom apartments typically found in urban locations, ranging in standard from budget to deluxe. All are fully furnished and include:

- En-suite bathrooms
- Fitted kitchen or kitchenette
- Lounge/dining area sometimes including a sofa bed or pull down bed.
- Working area, desk, office chair, internet access & direct telephone line.

The hotel services usually available from extended stay hotels include:

- Reception desks – some manned 24hrs, others on limited hours (e.g. Candelwood Suites)
- Daily or weekly cleaning & laundry service. (Most properties have either a shared laundry facility or an in-apartment washing machine)

There are typically no restaurants, bar or lounge areas, although the level of services is generally higher than those found in hybrids 'Aparthotels or Apartotels', which are usually a leisure or resort based product, and also come in standards of accommodation and range of services from budget to deluxe.



Corporate housing

Corporate housing is typically residential apartments up-graded for stays of 30 days or more and packaged together with services such as:

- Furnishings
- Weekly Cleaning
- Utility charges
- Local municipal taxes
- Telephone, WiFi and TV channels
- Guest Services - telephone support for maintenance issues etc

This type of product - also referred to as suite living and residence living - works as company apartments for either regular visitors or for those on extended projects. There are two main types of corporate housing services offered:

- Apartments rented and maintained by the operator on an on-going basis
- Those rented specifically for a particular housing requirement and length of time, after which they are handed back to the owner. This is also referred to as virtual housing.

Condo-hotels

Predominately found in South America, a condo hotel, also known as a hotel-condo or a Condotel, is a building used as both a condominium and a hotel. Condo hotels are typically high-rise buildings developed and operated as luxury hotels.

These hotels have condominium units which allow someone to own a full-service vacation home which, when not in use, can be rented out and managed by the hotel chain as it would any other hotel room.

Serviced apartments vs. Hotels

For business users in particular, serviced apartments offer tangible, quantifiable benefits over traditional hotels. These competitive advantages can be summarised as follows.

1. Cost – for stays of a week or more, serviced apartments can be significantly cheaper than hotels because their costs are lower and extra's such as room service, hotel restaurants and bars do not apply in the serviced apartment model. Many corporates will measure these savings as 'total cost of stay' including car parking, WiFi, food, beverage and so on.
2. Environment – a secure, home-like environment whilst away on business – especially for long periods – makes the traveller relaxed, and more productive. This is part of corporates' statutory Duty of Care to their employees.
3. Cooking – although hotel rooms are often equipped with microwaves and coffee makers, apartments are usually equipped with fully-functioning kitchens, enabling the traveller to entertain and the company to control food budgets.
4. Personalised – serviced apartments allow guests to customise the service they require, e.g. laundry and so on.



Corporate housing vs. extended stay

Travel managers or relocation agents selecting serviced apartments for their project, assignment or long-stay business travel needs can choose between the extended stay and corporate housing product types. The pros and cons of each category can be summarized as follows.

1. Availability – Preferred options are not always available in some regions, or at the required quality level.
2. Cost – Luxury or ‘upscale’ extended stay hotels will typically cost 20% more than corporate housing apartments based on a 30-day stay (with monthly discount rates). The higher cost reflects the range of services available to the guest in-house. However budget extended stay brands such as Studio 6 have more limited amenities and services and are therefore cheaper.
3. Minimum Stay - Most corporate housing providers require a minimum stay of 30 days or more, although there are some exceptions. Extended stay usually has no minimum stay requirement because, unlike corporate housing, a lease is not being signed.
4. Lease Agreements – Whilst extended stay does not require a lease, the negotiated rate could carry a penalty if a stay is cut short. Different countries and cities also have varying regulations governing taxes for temporary residence.
5. Guest expectations – Corporate housing can be provided in conventional apartments, condominiums, family homes or town houses. The variations between these different types of corporate housing allow the traveller to match his or her needs in terms of facilities, furnishings and location. Corporate housing is highly ‘customisable’.
6. Space – Corporate housing usually provides much more space and offers a full kitchen, laundry facility in the apartment space, separate bedroom, living room and dining room.
7. Location – The comparative savings from extended stay, corporate housing or hotels can vary from location to location. For example, whilst corporate housing in a city centre should be cheaper than either of the alternatives, the same might not be the case in a secondary or more rural location.
8. Rates - Furnished rental rates are typically all inclusive whereas hotel tariffs can often contain hidden extras.
9. Amenities – These can range tremendously between locations and operators. It’s a matter of selecting what the traveler needs, and where the required amenities are located. This is what a traveler can typically expect from either corporate housing compared to up-scale extended stay.

| Feature | Corporate Housing | Upscale Extended Stay Hotel |
|---------------------------------------|-------------------------------------|--|
| Washer/Dryer | Onsite, and often in unit | Onsite, but not in the suite |
| Laundry/Valet Service | Sometimes | Yes |
| Garage Parking | Often available | Available only in urban high-rise hotels |
| Choice of Furnishings | Yes – but mainly in the USA | No |
| Free Breakfast Buffet | No | Daily |
| Free Evening Manager's Reception | No | Monday - Thursday |
| Housekeeping | Varies; usually weekly or biweekly | Daily |
| Grocery Shopping Service | Occasionally but at extra cost | Often available, and usually free |
| Swimming Pool | Sometimes | Sometimes |
| Fitness Centre | Sometimes | Yes, but usually quite small |
| Tennis Courts | Sometimes | No |
| Basketball Court | Sometimes | Yes ("Sport Court") |
| Racquetball Courts | Sometimes | No |
| 24-Hour Reception (i.e. "Front Desk") | No | Yes |
| Private Mailbox | Yes | No |
| Loyalty Program | Sometimes | Yes |
| High-Speed Internet Access | Usually available, and usually free | Always available, and usually free |
| Pets Allowed | Sometimes | Usually |
| Housewares Included | Yes, and customizable | Yes |
| Utilities Included | Yes | Yes |
| Free Local Telephone Calls | Sometimes | Sometimes |
| Tax-Free | Usually (for stays of 30+ days) | No |
| Minimum Stay | Usually 30 days | None |
| City centre locations | Lots | Lots |
| Suburban locations | Lots | Lots |

Source: www.bizstay.com

Glossary of terms

A number of acronyms or abbreviations are used in this report. These are as follows.

| | |
|-----------|--|
| GDS | Global Distribution Systems |
| HBA | Hotel Booking Agent (e.g. Expotel) |
| Occupancy | The percentage of occupied bedrooms in a hotel during a set period |
| OTA | Online Travel Agent (e.g. Expedia, Hotels.com) |
| RevPAR | Revenue per available (hotel) bedroom |
| RMC | Relocation Management Company |
| TMC | Travel Management Company (e.g. CWT, HRG etc) |
| USP | Unique selling point |

Commentary

by Charles McCrow



Welcome to the Global Serviced Apartments Industry Report 2013-14. This is the fourth edition of our survey of worldwide industry supply and demand trends in this sector.

We have reviewed many surveys, statistics and market intelligence sources for this report. Sometimes it seemed that there was too much information, a lot of which was contradictory, so in this publication we have tried to present a clear and up to date picture of the serviced apartment market in each of the world's principal regions.

By approaching this latest report in the same way as we did in the previous three Global Serviced Apartments Industry Reports and by posing the same questions to corporates, agents and operators we have been able to track new and existing trends. There is a lot of data in this report which I hope will be relevant to your business.

The Mobility Revolution

Our world is steadily evolving, with the balance of economic & industrial power tipping from the Western to the emerging economies – especially in the Far East.

Though long-predicted, this change in axis has caught many by surprise, with some markets continuing to behave as though the reality remains a far-off scenario. The increasing globalisation of business is both cause and effect, creating a more mobile global workforce working on short to medium term contracts and projects.

Whilst this also means a secure and bright future for everyone in the serviced

apartments sector, the key to sharing in this success will lie in understanding the new processes, how they facilitate greater employee mobility, and supporting these drivers with services and products to meet customers' needs.

The serviced apartment industry has old and new issues to address. From the operator's side, the market needs greater clarity of product and services, as well as branding. In the corporate camp, company policies on traveller safety, travel policy compliance, environmental and social responsibility issues need to be consolidated into programmes that work for both the employer and employee.

Both ends of the supply chain need to pay attention to sovereign state interests in monitoring work and immigration. Despite growing concern over unemployment, a worldwide shortage of talent is predicted. As a result we will see closer government scrutiny of cross border mobility, especially in regions without free trade agreements such as the EU and NAFTA.

I recently attended two conferences that focused on the issues mentioned above. One focussed on business travel, whilst the other dealt with issues such as home search, schools, country familiarisation and settling in, their themes were the same – company policy focus on compliance, the enforcement thereof and the role of procurement systems.

The latter is of major concern, not only to companies looking to cut costs but also to countries facing economic crises and making efforts to catch stealth perpetrators. Increased cost cutting can cause an increasing 'frizz' factor for the



Capri by Fraser, Changi

traveller, in turn reducing their effectiveness at work because they don't have such a pleasant trip and feel undervalued. Other journey-related costs such as breakfast and WiFi can wind up making these cost cutting initiatives counter-productive.

This is also true in the relocation markets where there has been much discussion over the years regarding assignee care and making sure the assignee feels valued, or alternatively offering a lump sum package that enables the assignee to do their own thing. This has a big impact on the settling-in process and demands specialist destination knowledge to be executed correctly.

This is a growing trend for the future as Generation Y (those born after 1980), happily uses and depends on technology to manage their arrangements. They are willing participants in the mobile revolution.

The task of balancing cost with staff efficiency and wellbeing varies according to company size, culture and circumstance but good, efficient service delivered by specialist suppliers will never be easily replaced. Advice cannot easily be delivered online, even if the

mechanics of the transaction are, so people will continue to rely on human interaction when it comes to specialist knowledge.

The flipside of the mobile technology debate is that of policy enforcement, whether with corporate rules, local work and immigration laws or anti-bribery legislation. Increasingly the adoption of mobile technology will force companies to empower their staff to find their own options within set rules which will be monitored by intelligent software applications that detect and report non-compliance. Governments will also use these systems in order to keep an eye on temporary workers and visitors on extended business trips.

The world is changing at an unprecedented rate and there is definitely a structural change in the way business is done and how, with innovation and talent (now known as 'human capital') the new drivers.

Looking ahead, The Apartment Service will continue to work with the Corporate Housing Providers Association (CHPA) in the USA and the Association of Serviced Apartment Providers (ASAP) in the UK as well as other interested groups to

encourage a concerted effort in agreeing common ground for operators' services and products.

Our 2013 survey for this report re-affirmed that the standardisation of service levels and industry practice is essential to address corporates and agencies' concerns and help them to make the right travel or relocation choices with confidence.

The evolution of serviced apartment sector has varied between regions, with local flavours and styles forged by local demand and regulation. But whilst this 'regionalism' is a vital ingredient for matching supply with demand, this does not mean that greater homogenisation process is either impractical or undesirable.

Standardisation should be the clarification of minimum service levels and quality thresholds that can be expected from different categories of product. The emergence of strong brands will also go a long way to enable this but with such a large percentage of independent providers and systems, clarity on these issues is universally required.





Global Industry Overview

by Mark Harris

Introduction

The global serviced apartments industry is continuing to mature, albeit at different rates in different places across the regions.

The wider hospitality industry is now showing real signs of post-recession recovery, evidenced by growing investor activity, especially in the serviced apartments sector. This recovery was originally driven by hoteliers dropping their rates to attract business, but the emphasis is now on driving rate and revenue per available room (RevPAR). As a result, demand is still growing – but not as quickly as it was two years ago.

International travel is on the up, and many of the world's major cities are investing in infrastructure projects that will attract and facilitate the project work and associated business travel that drives demand for both traditional hotels and serviced apartments. However raising finance to build and refurbish new apartments remains tough, and this has significantly reduced the flow of new supply coming on-stream in the two years since the last edition of this report.

The 2013 hospitality industry has been described as “big, beautiful and branded.” Whilst the hotel chains launch new brands, more independent hoteliers are turning to consortia such as Best Western to benefit from their brand recognition. Internationally, the major chains are expanding their portfolios into

the emerging markets, customising their products and brand standards to local market needs in a process dubbed ‘Glocalization.’

Demand for serviced apartments is outstripping supply in many territories, due in part to greater adoption of serviced apartments in corporate travel policies, but also to more apartment operators taking short-stay business (i.e. less than a week) away from traditional hotels.

But despite the growth in awareness and understanding of the serviced apartment model, there is still a long way to go before the sector is fully embraced by business - users. To a degree this has been self-inflicted; the terminology used varies from country to country, as does the consistency of the product itself, whilst the GDS distribution channels through which TMCs in particular book travel do not work so well for serviced apartments.

Serviced apartment operators, corporate buyers and agents alike agree that greater standardisation is the key to driving the greater understanding of serviced apartments that will ultimately realise the potential of the sector. They also agree that a Code of Conduct for operators is essential for the same reason. And yet neither initiative seems to be any nearer to fruition than at the time of our last report.

2013 survey

As with each of the three previous editions of this report, The Apartment Service has again researched the key demand and supply trends in the sector.

Wherever possible we have compared the results of this year's survey with previous years before presenting them to serviced apartment professionals from around the world for their comments and reactions.

In this year's report, we have widened the net to collate responses from corporates and agents, as well as operators. Whilst the corporates and agents surveyed were largely UK-based (but with international travel profiles), operators were once again surveyed worldwide.

As with our 2011 report, the highest percentage of serviced apartment operators who took part in the survey were European, followed by Asia (15%) the Americas (12.5%), the Middle East (7.5%) and Australasia (6.3%).

Global travel trends

Despite the continuing worldwide economic recession, global tourism hit

record levels in 2012 and, thanks to the emerging markets in Brazil, Russia, India and China (the BRIC nations), international travel in particular will grow in 2013 (source: ITB World Travel Trends Report 2012/13).

IPK International's World Travel Monitor estimates that 1.08 billion business travel trips took place in 2012, with IPK and the World Tourism Organisation both predicting 3 - 4% growth in international trips during 2013.

The internet is now the world's preferred booking channel, accounting for 54% of all travel bookings, with travel agents now handling just 24% of bookings. Both the Asian and South American markets are fast catching up with their US and European counterparts in booking travel on-line (source: World Travel Monitor).

The fastest-growing regions in terms of outbound travel are South America (trips up 12% on 2011), Africa (up 9%) and the Asia Pacific region (up 7%), although the latter is still regarded as the powerhouse of world travel with the IMF's World Economic Outlook predicting a 5.4% increase in Asia's Gross Domestic Product (GDP) in 2013.

Global accommodation industry

Overall, the global accommodation industry (including hotels) enjoyed a good 2012 with demand driving up occupancy and room rates in most world regions (source: STR Global).

Demand is outstripping supply in the US, Asia and Middle East, as well as the BRIC countries, but whilst hotel occupancy rates in Africa have improved, rates have fallen back.

There is a mixed picture in Europe. Major events such as the Olympics in the UK recently have driven both occupancy and rate, but hotels in Western Europe have seen relatively low growth and hoteliers in Southern European hoteliers are struggling (source: STR Global).

The UK's Guild of Travel Management Companies (GTMC) and JP Morgan Card Services independently estimate that accommodation accounts for 24.6% of business travel expenditure by companies in the UK and US. This suggests companies worldwide are spending up to £140 billion on accommodation for business; so how much of that is being allocated to serviced apartments?



Serviced apartments - supply

The serviced apartments sector has expanded significantly over the last 30 years, although the rate of that expansion has varied from region to region, city to city, and from year to year. However the impact of the recession and difficulties faced by developers when raising finance have seen the overall supply of extended stay apartments decline in the last two years.

In 2011, our research put the number of extended stay apartment units worldwide at 599,187 in 8,362 locations, increasing inventory by 34% and locations served by 17.5% over 2010 levels. Today, we estimate that there are 698,592 units in 9,242 locations. This suggests that supply has therefore increased by 16.9%, however the picture in individual regions, or even destinations, inevitably varies.

This rate of growth is not reflected amongst the inventory of the 15 top global suppliers, whose supply has grown by just 1.7%, suggesting that the overall increase in supply is due to

independent apartment operators joining the market. Figure 2 shows that the global supplier rankings have not changed much since 2011, with just one new entrant – Sun Suites – to the top 15 in 2013.



Sun Suites, Hattiesburg, MS, USA

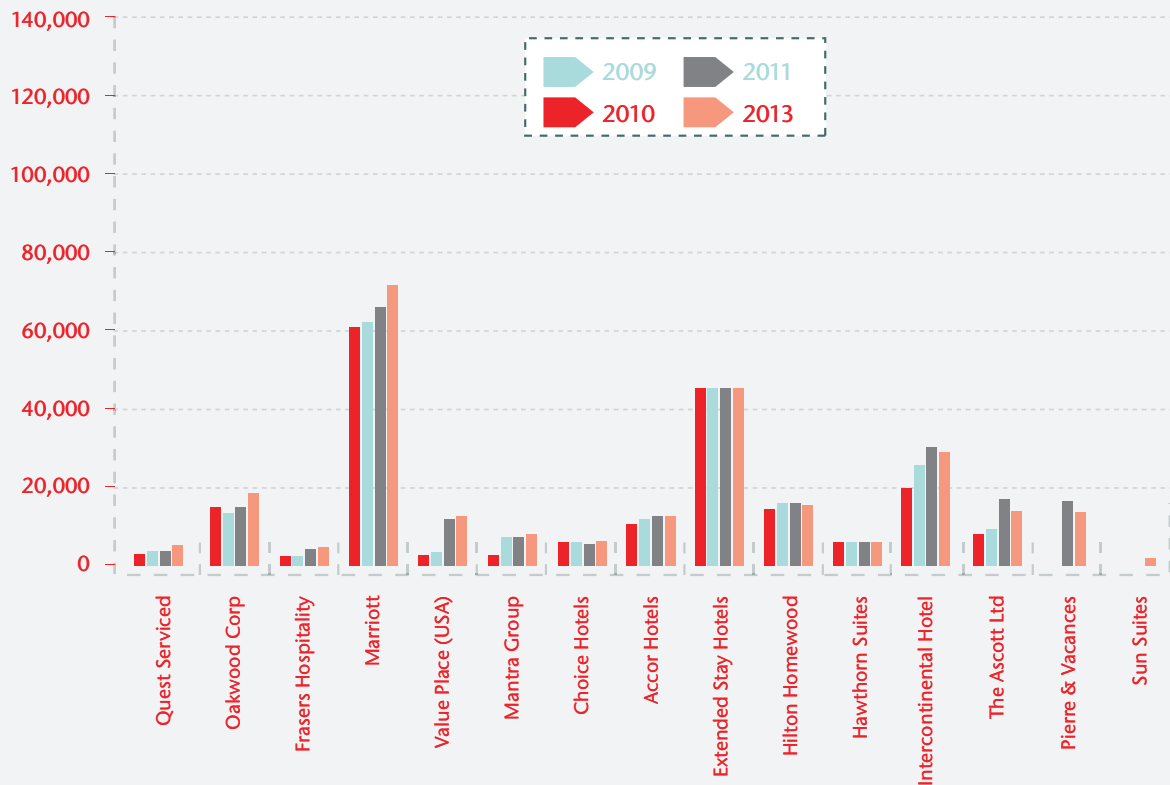


Fig 2 Top 15 global operators 2009 - 2013 (Source: The Apartment Service)

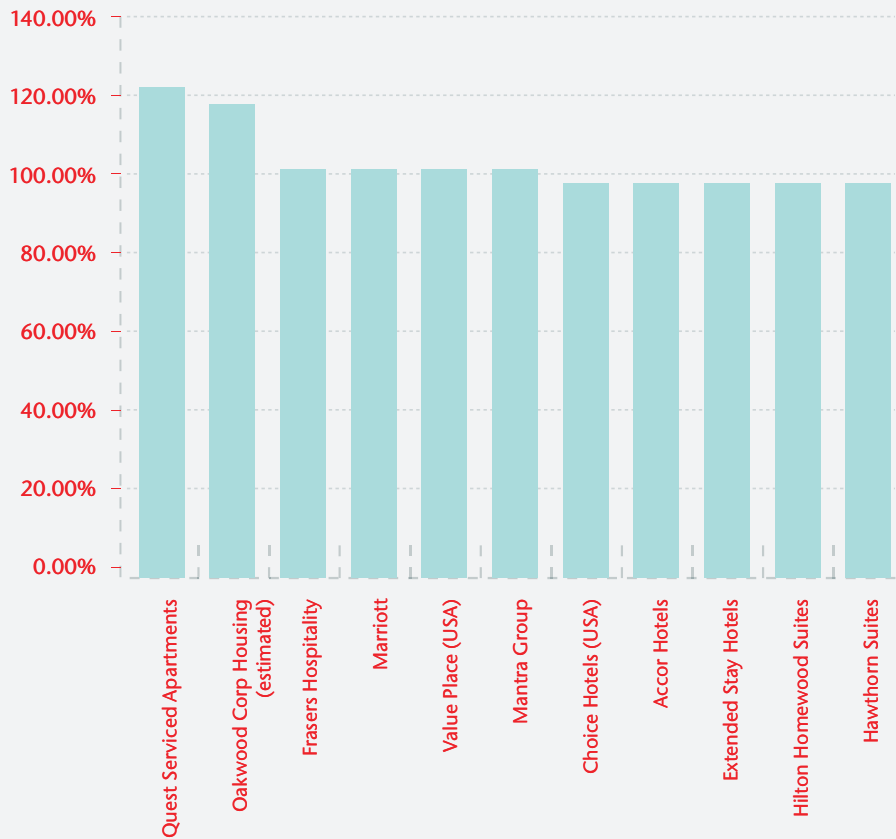


Fig 3 **Top global suppliers increasing supply 2013 vs. 2011** (Source: The Apartment Service)

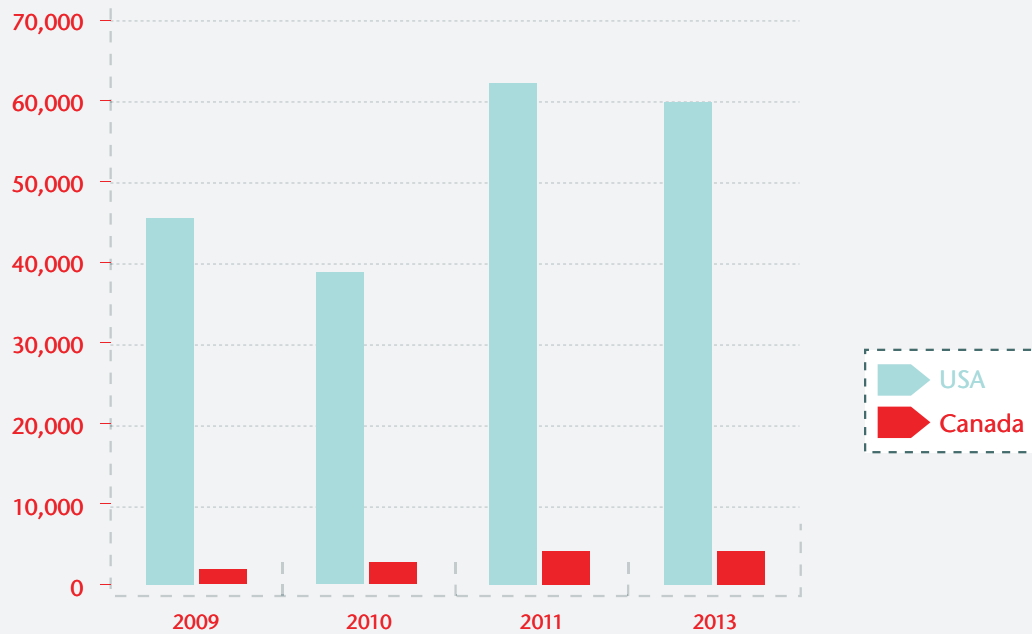


Fig 4 **Corporate housing – global estimates** (Source: The Apartment Service)

As figure 3 shows, 11 of the top 15 have increased their supply, with Quest Apartments in Australia showing the biggest rise (28%), followed by Oakwood (21.3%) and Frasers (9.2%).

By comparison, supply of corporate housing in the primary US and Canadian markets has remained almost static. As Figure 4 shows, 2013's 2.2% reduction (65,396 to 63,911) was not as severe as the 13.9% fall in corporate housing supply in 2010 over 2009.

This reflects corporate housing operators' ability to withdraw inventory from the market during tough times and the consequently fluctuating level of supply.

Confirming the picture of increasing supply, serviced apartment operators report that their local markets are becoming more competitive. Figure 5 shows that 77.4% of operators said that local supply was increasing.

The spread of supply of serviced apartments across the world's regions reflects the roots of the sector, with the US and Asia Pacific's vast domestic travel distances driving extended stays, as the most mature.



Quest

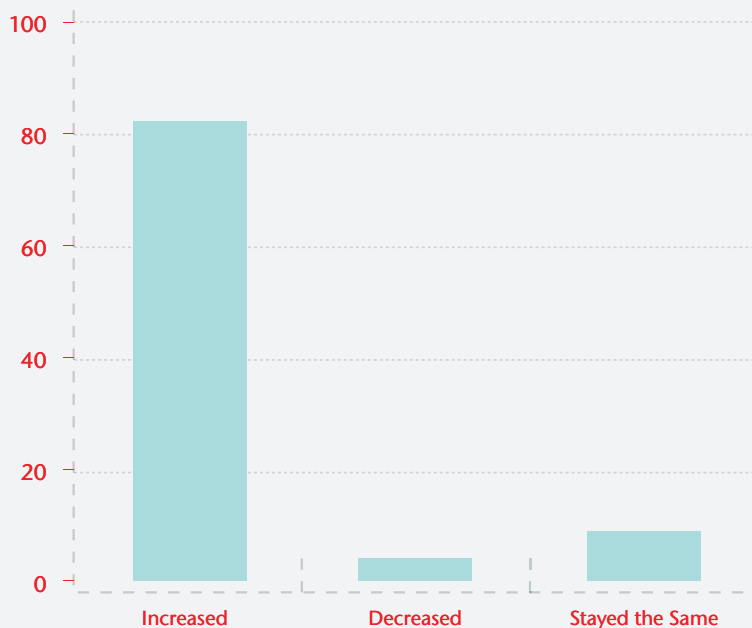


Fig 5 Is the number of apartment operators growing in your region? (Source: The Apartment Service)

Europe remains relatively under-developed. As Figure 6 shows, London has just 1.2 apartments per 1,000 business visitors compared to Singapore (1.8), Sydney (2.6), New York (5.2) and Hong Kong (5.3). However there are a number of factors restricting further growth in supply.

Development opportunities are often limited, with strong competition from residential developers. Financiers do not yet fully understand the commercial potential of the serviced apartment sector which can make it harder for developers to raise the money to build new apartments.

Our research shows that there has been a significant increase – 11% - in the locations being served by serviced apartments (see Figure 7), so what influences operators’ choices of new locations?

Oakwood Worldwide’s Jill Chapman provides an insight. “We’ve seen a significant increase in demand for housing in Canada. Many cities throughout the Alberta province are attracting businesses who want to explore the region’s untapped natural resources. Companies involved in the industries of oil, gas, energy, mining and potash have begun sending employees and contractors to the area in greater numbers over the past two years.”

Ricky Kapoor of the UK’s Hotel Booking Agents Association (HBAA) provides another, arguing that new supply comes online “because of the old adage ‘location, location, location’. The clever bit is identifying what makes that location, the corporate offices or the amenities.”

And whilst economic factors may have previously limited growth in supply, the pipeline is starting to flow once more, as figure 8 shows.

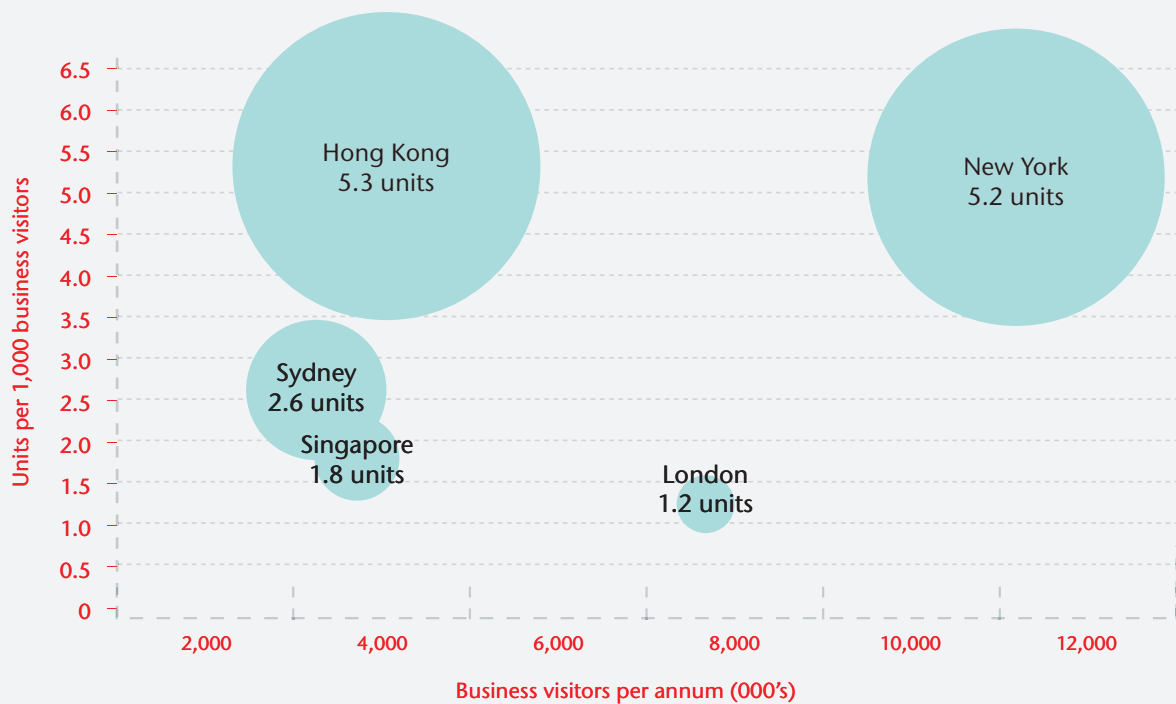


Fig 6 International serviced apartment supply comparison (Source: Savills, ASAP, STR, ABS, STB)

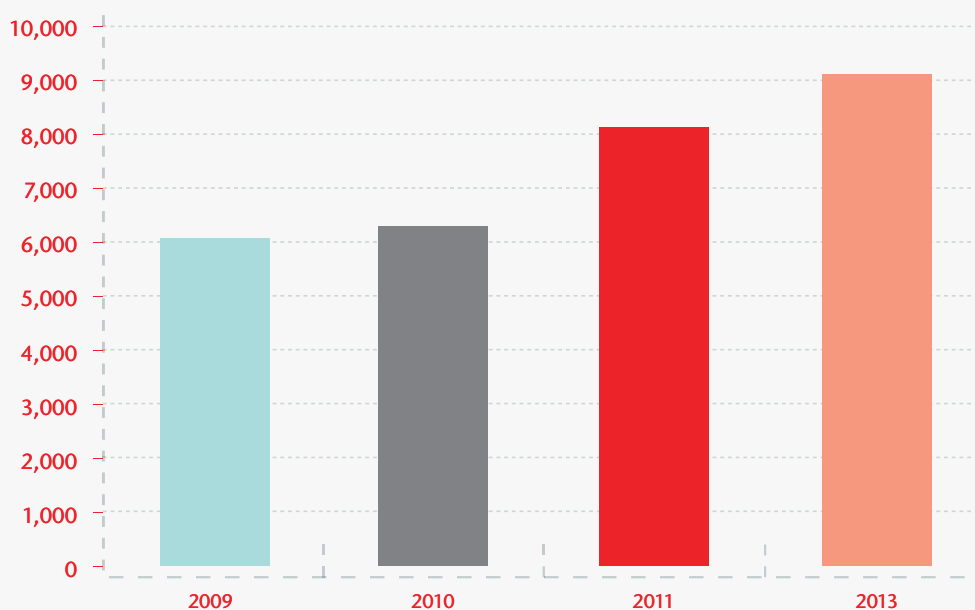


Fig 7 Locations served by serviced apartments 2009 – 2013 (Source: The Apartment Service)

| Chain | Location | Brand | Apartments | Opening |
|------------------------|-----------------|---------------------|------------|---------|
| Hilton | Iraq | Doubletree | 200 | 2013 |
| Hilton | Philadelphia | Home2Suites | 246 | 2013 |
| Fraser Hospitality | Gurgaon | Fraser Place | | 2013 |
| Fraser Hospitality | Tianjin | Fraser Place | 186 | 2013 |
| Fraser Hospitality | Kuala Lumpur | Fraser Residence | | 2013 |
| Fraser Hospitality | Bangalore | Fraser Suites | | 2013 |
| Fraser Hospitality | Bahrain | Fraser Suites | | 2013 |
| Fraser Hospitality | Wuhan | Modena by Fraser | | 2013 |
| The Ascott Ltd. | Malaysia | Somerset Residences | 204 | 2013 |
| CHI Residences | Singapore | CHI | 45 | 2013 |
| Marriott | Edinburgh | Residence Inn | 107 | 2013 |
| Jumeirah | London | Jumeirah Living | 133 | 2013 |
| World Hotels | Makati | World Hotels | 149 | 2013 |
| Adina Apartment Hotels | Baulkham Hills | Toga Hospitality | 106 | 2013 |
| Fraser Hospitality | Frankfurt | Capri by Fraser | | 2014 |
| Fraser Hospitality | Chennai | Fraser Residence | | 2014 |
| Fraser Hospitality | Wuxi | Modena | | 2014 |
| The Ascott Ltd. | Paris | Citadines | 51 | 2013 |
| The Ascott Ltd. | Muscat (Oman) | Somerset Residences | 220 | 2014 |
| Hyatt | Shanghai | Hyatt Place | | 2014 |
| Hyatt | Shanghai | Hyatt House | | 2014 |
| Damac Properties | Dubai | | 1400 | 2014 |
| Fraser Hospitality | Setiabudi | Capri by Fraser | | 2015 |
| Fraser Hospitality | Al Jadaf, Dubai | Fraser Residence | | 2015 |
| Fraser Hospitality | Riyadh | Fraser Suites | | 2015 |
| Rezidor | Doha | | 70 | 2015 |
| Emaar Properties | Dubai | | 542 | 2015 |
| Fraser Hospitality | Kuningan | Fraser Suirtes | | 2016 |
| Swissotel | Dubai | | | 2016 |
| Fraser Hospitality | Johor, Malaysia | Capri by Fraser | | 2017 |



Oakwood Worldwide, Marsham Street, London

Serviced Apartments - demand

Demand for serviced apartments has grown dramatically in the last 10 years, fuelled by gradually improving product knowledge, understanding of the benefits of serviced apartments amongst corporates, improving standards of apartment and the arrival of major brands into the sector.

The gradual easing of the impact of the worldwide recession is illustrated by improving occupancy figures – up year-on-year for 65% of operators during 2012 and un-changed for 23% over 2011, compared to 59% and 22% respectively in 2010.

94% of operators report that demand for serviced apartments in their regions is increasing. This compares to 77% in 2011, whilst Figure 9 shows how demand for one apartment operator - Oakwood Worldwide - has grown. Further evidence of optimism comes from a 2013 survey of the Association of Serviced Apartment Providers which revealed that 74% of operators in the UK and Ireland expect their business to increase during 2013. Of those, 50% expect an increase of up to 10% whilst 20% expect an increase of over 10%.

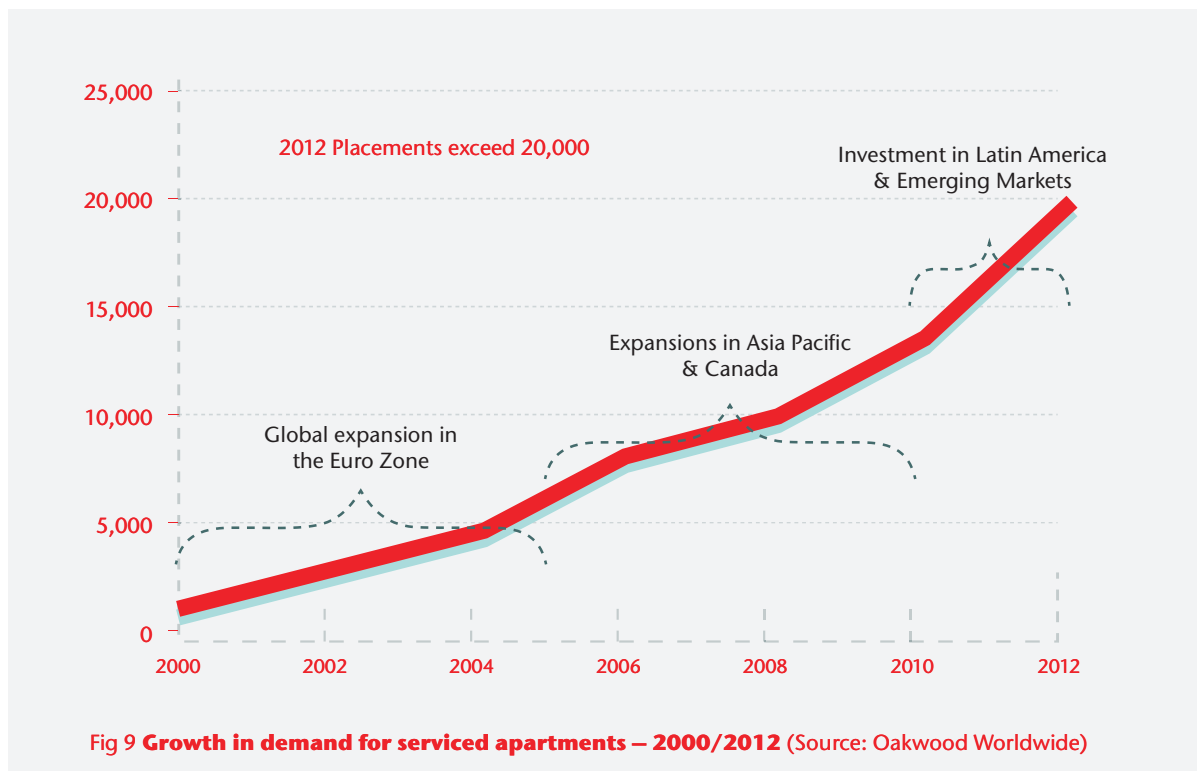


Fig 9 Growth in demand for serviced apartments – 2000/2012 (Source: Oakwood Worldwide)

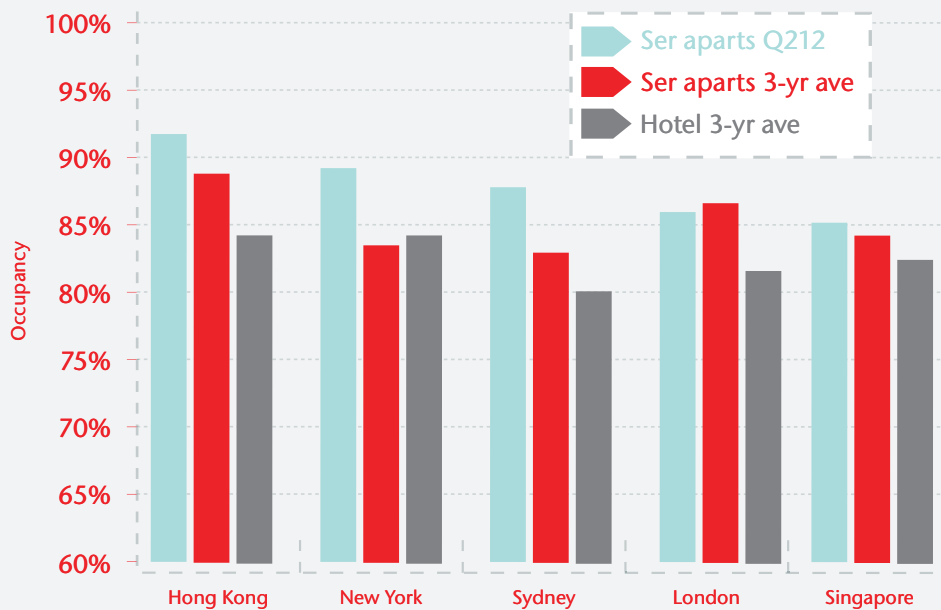


Fig 10 **Occupancy trends Serviced Apartments vs. Hotels 2009 – 2012** (Source: Savills, ASAP, STR, ABS, STB)

2012 occupancy figures collated by Savills show that, over the three years period to the end of 2012, serviced apartment occupancy exceeded that of hotels in four of the five main global cities, with an average differential of 3.5% (see Fig 10).

This growth in demand has been fuelled by the global economic recession, particularly amongst corporates who have turned to serviced apartments as a cost-effective alternative to long-term hotel stays, although in some cities

where demand is particularly high (e.g. London), hotels can sometimes work out cheaper.

Demand is being further fuelled by the growth in project and assignment work. Ernst & Young's 2012 Global Mobility Study predicts that long term and short term assignments will increase by 11% and 20% respectively over the next two years. Just under half of the companies surveyed are increasing the number of people sent to the BRIC countries.

The UK Institute of Travel and Meetings has found that serviced apartment usage is growing in 86% of British companies. Our research shows that 60% of UK corporates' travel policies now include serviced apartments, rising to 77% for travel policies managed by TMCs.

77% of British business travellers now stay in serviced apartments up to 5 times a year for trips of up to 7 nights. Of those who have stayed in a serviced apartment, 79% prefer them to hotels. This trend is reflected in the UK's Hotel Booking Agents' sector (see panel below).

Hotel Booking Agents Association 2013 member survey



- Usage growing – 56.5% of HBA clients used apartments more in 2012 than in 2011
- Large domestic usage (65% of clients), with Europe (43.5%) and the US (21.7%) the most popular international destinations in which serviced apartments are preferred
- 23.8% of HBA clients have average stays of 7 – 29 nights
- Price, duration of stay and total cost of stay are primary purchasing factors

Source: Hotel Booking Agents Association

57% of corporates reported that average length of stay increased in 2012 over 2011, although 40% operators reported this to be the case and 38% reported no change in the last 12 months. In our 2010 survey, 30% of operators reported average length of stay and 52% no change over the previous year, providing further evidence of growing market share.

The serviced apartment experience is also driving demand as corporate travellers become advocates. “There’s a definite increase in requests from people who actually stay in apartments rather than those who book them on their behalf” says Charlie McCrow of The Apartment Service. “They know the true value of the comfort and space apartments provide, so focussing purely on rate is not the way to calculate the real return on investment to the corporate.”

The global regions in which British business travellers stay in serviced apartments are Europe, Asia, the Middle East, North America and Australasia (see Fig 11). The top 4 cities for serviced apartment usage by British-based companies are London, New York, Paris and Barcelona.

The same applies to those companies considering serviced apartments in the future with Europe and Asia topping the lists (see Figure 12) amongst British corporates. However demand is also growing in Africa and Latin America - both up 10 points for ‘considering’ to ‘current’ use of apartments - and Canada.

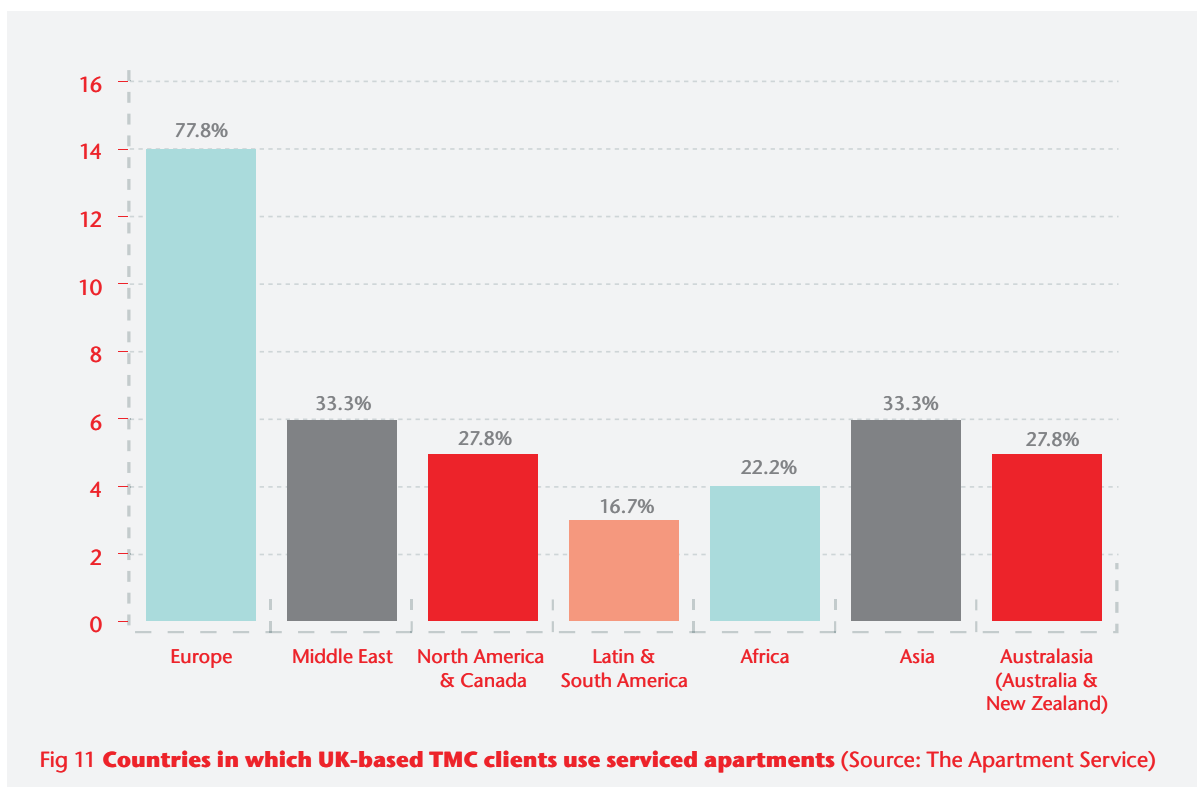
The relocation market is another primary source market for serviced apartments, with business picking up again during 2012 and expected to grow during 2013.

According to Weichert Relocation Resources’ 2012 Employee Mobility Survey, 40% of companies expect their relocation activity to rise in 2013, whilst global relocation firm Cartus predicts a 57% increase in relocations as skills gaps widen and recruitment becomes increasingly competitive.

However relocations are also taking longer to complete, leading companies to allow their employees to stay in temporary accommodation – often serviced apartments – for longer as part of extended overall relocation periods.

The main challenges of relocation include family adjustment, children’s education and location difficulties. As a result, relocation companies recommend serviced apartments over hotels because they offer relocating individuals and family’s space, freedom and flexibility, allowing them to concentrate on adjusting to new surroundings, cultures and jobs.

“Easy access to facilities with a choice of recreation amenities on the doorstep are all important considerations that go towards promoting a happier and healthier lifestyle for business executives” says Cherie Tan of Frasers Hospitality.



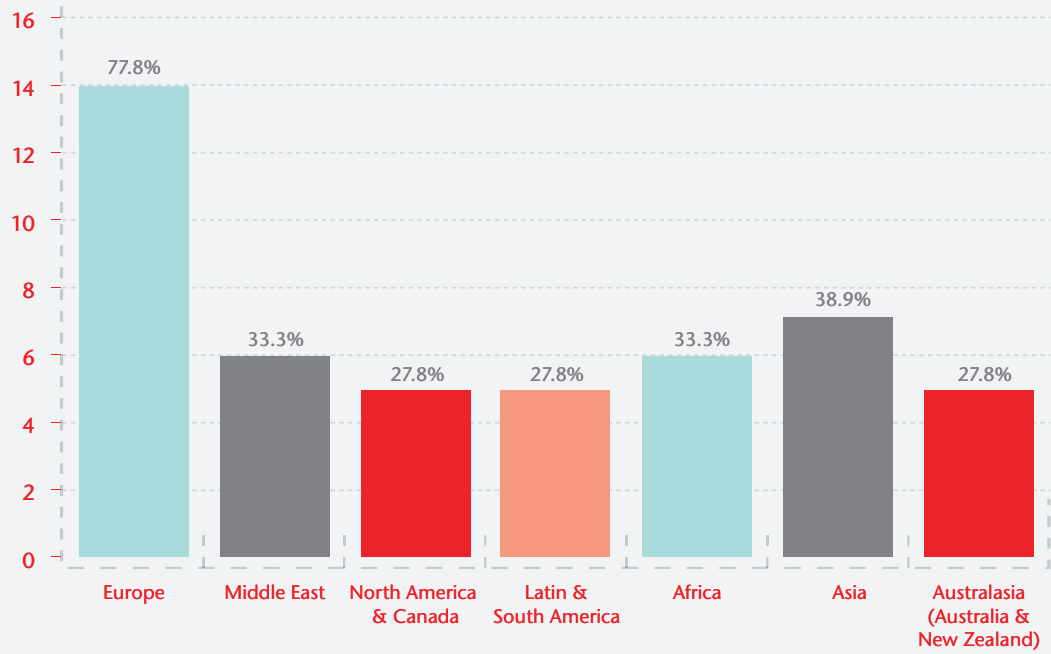
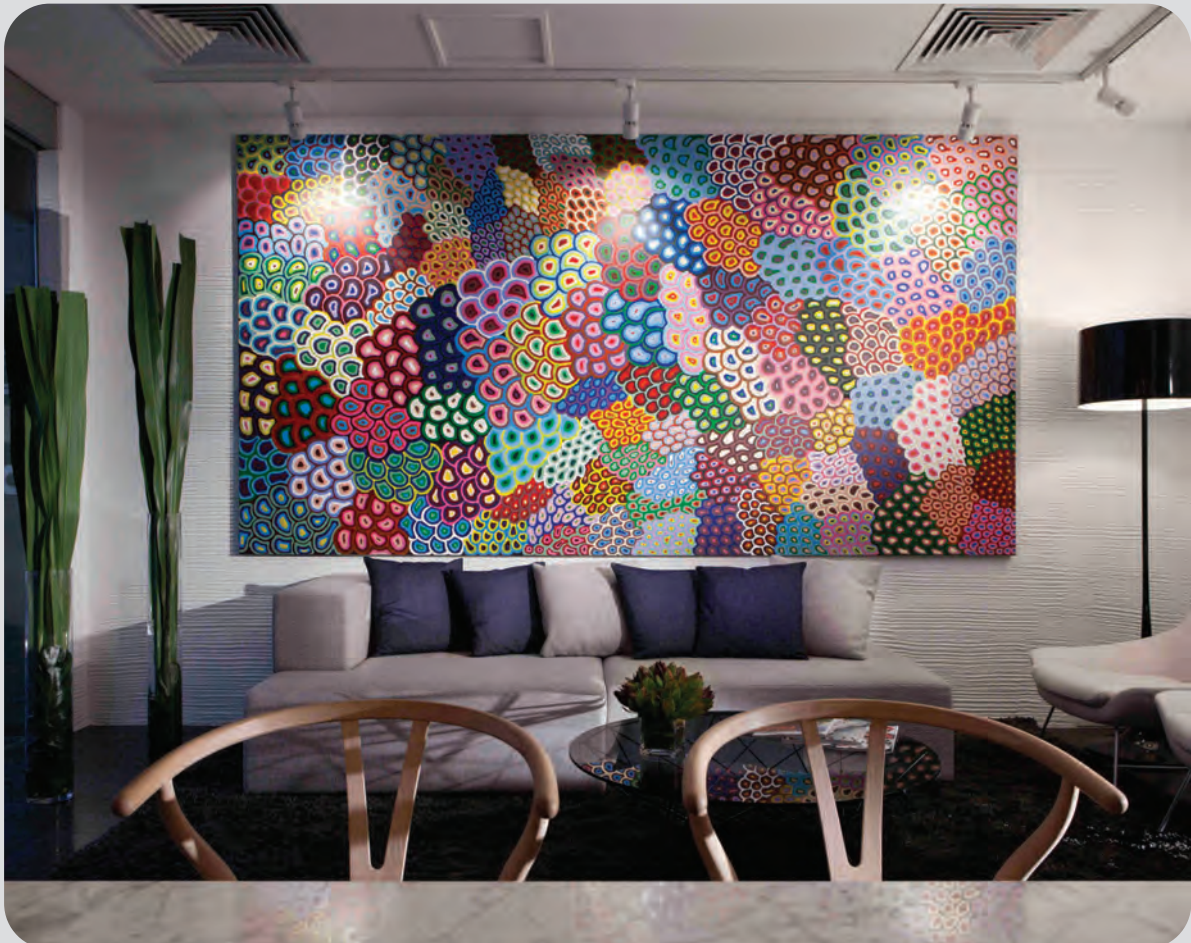


Fig 12 Countries in which UK-based TMC clients are considering using serviced apartments
 (Source: The Apartment Service)



Fraser Place, Melbourne

Serviced apartments vs. hotels

Our research shows that apartment usage is growing as a percentage of total hotel nights amongst 60% of UK corporates, but the reasons offered by corporates, TMCs and operators vary considerably.

The key drivers of corporate apartment usage are cost per night, length of stay and location (see Figures 13 and 14). Overall trip cost and ease of booking are secondary factors. TMCs report length of stay, location and price to be the key drivers, but also highlight ease of booking as a major priority for 33% of their clients.

According to serviced apartment operators surveyed, their clients' decisions to book are based on convenience (72%), price/quality comparison (69%), cost (64%) and location (53%). In 2010, the priorities were space (81%), the opportunity to cook (74%) and price (66%).

Steve Thorne of Jumeirah Living explains why. "As serviced apartments of any grade start to become more assimilated into corporate hotel programmes, the intrinsic benefits, such as the ability to cook, begin to have less importance in the buying process."

Corporates and TMCs alike assess the return on investment on serviced apartments using three main criteria. Most popular is rental paid (used by 43% of corporates and 40% of TMCs), followed by total cost of stay including F&B (29% of corporates, 22% of TMCs) and traveller feedback (29% of corporates, 11% of TMCs). 39% of companies don't measure ROI on serviced apartment usage at all.



Jumeirah Living World Trade Centre Residence, Dubai

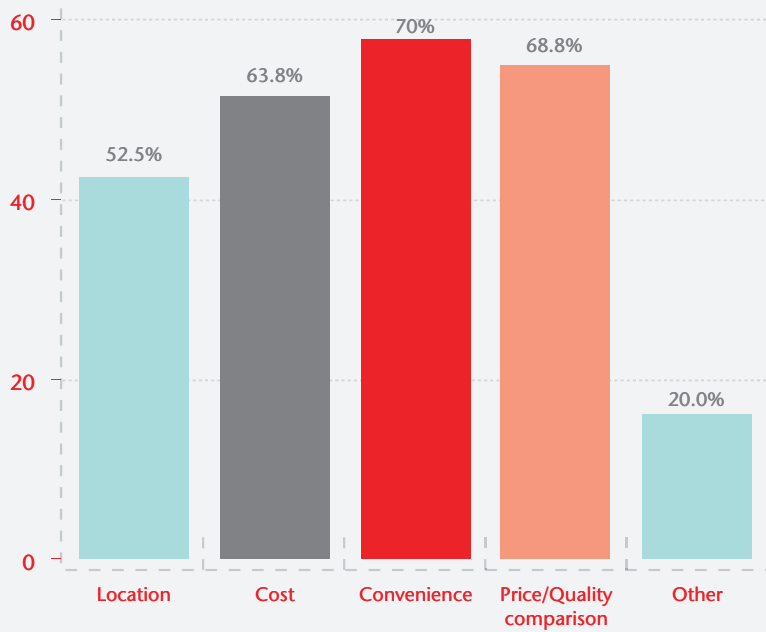


Fig 13 Influences on choices of accommodation - Corporates responses (Source: The Apartment Service)

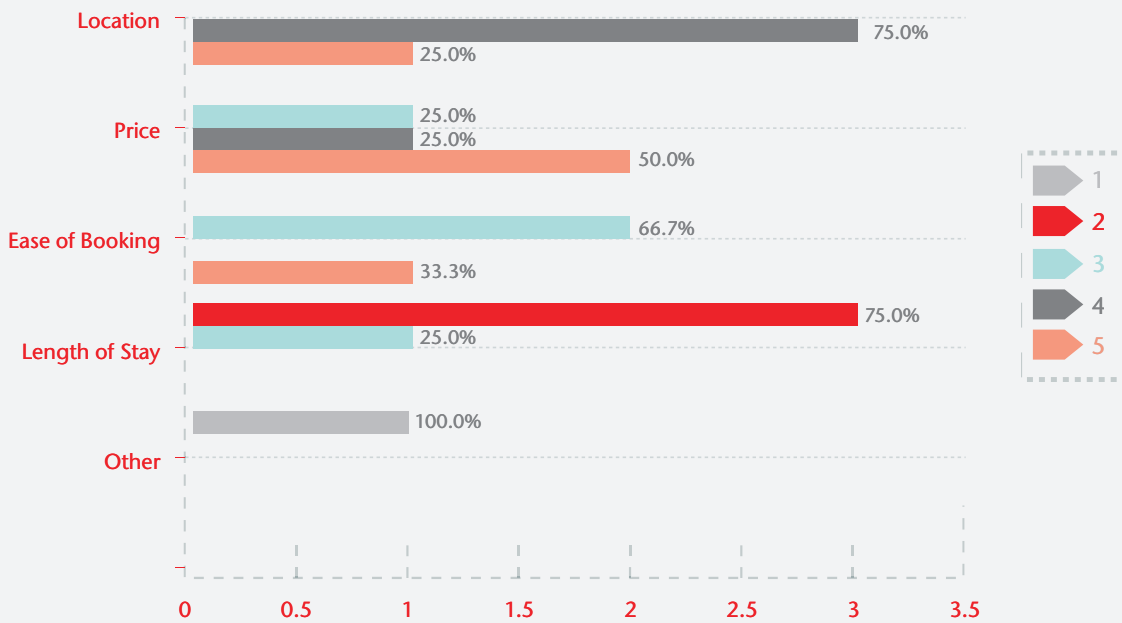
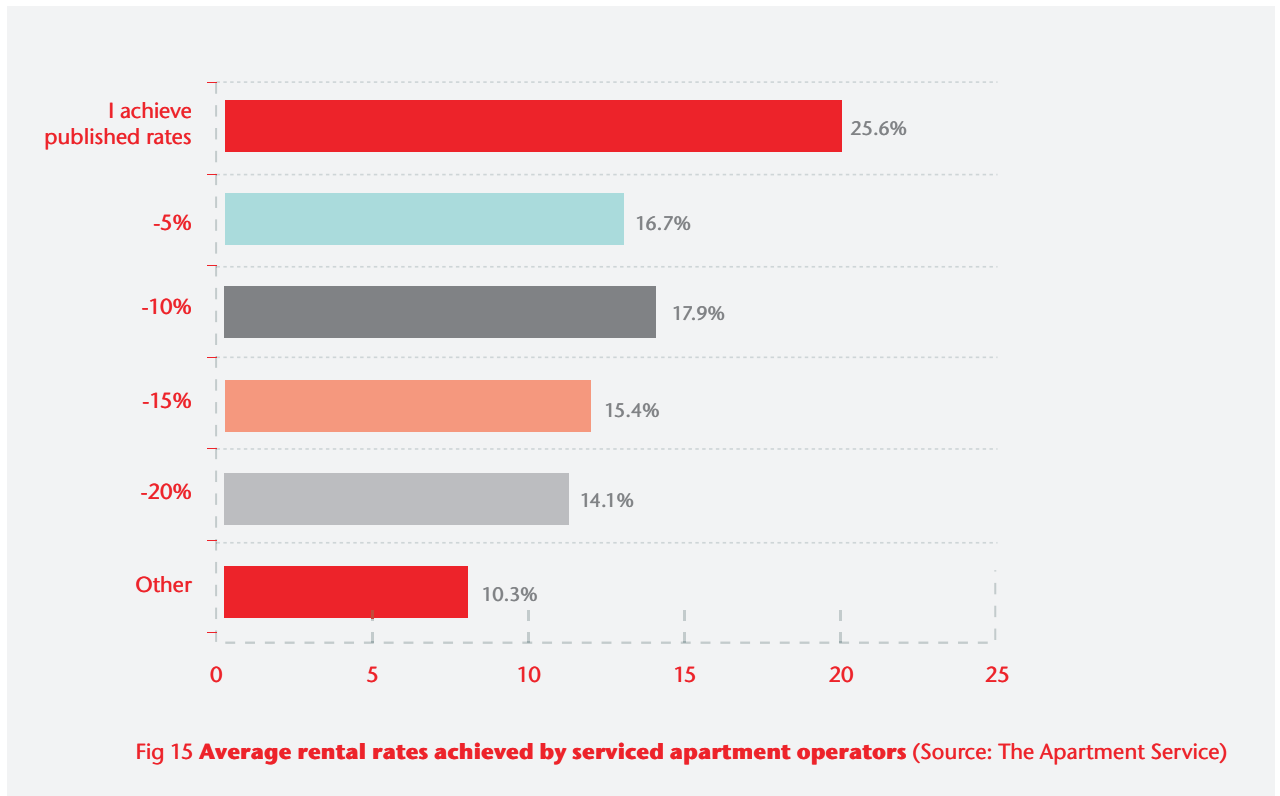


Fig 14 Influences on choice of accommodation - TMC responses (Source: The Apartment Service)



Achieved vs. published rental rates

Serviced apartment rental rates are under increasing pressure with discounts becoming commonplace, although the size of discounts on offer can vary.

According to our research, 43% of corporates booking direct with apartments, and 56% of those booking via TMCs are achieving discounted rates, with 74% of operators say that achieved rental rates are lower than their 2011 equivalents.

As Figure 15 shows, discounts average between 10 - 20%, so is the apartment market harder or softer on rate than hotels? Steve Thorne believes that some apartment operators have increased their nightly rates to levels comparable with hotel competitors, but without matching service levels or convenience.

“Apartment size becomes irrelevant for a 1-2 night stay when same-day laundry is not possible and there are no dining options in-house. What was once a well-priced option that could be forgiven for its hotel shortcomings is now, in some cases, perceived as an under-performing hotel alternative. However most serviced

apartment operators still offer discounted pricing structures for those who commit to longer-stays and this is something that still doesn’t form a core part of a conventional hotel’s pricing structure.”

“When the UK apartment market first took off in the late 1990’s our biggest USP against hotels was initially the lower rate which grabbed the buyer’s attention, followed by the space that was offered. This worked well for a time but with more extended stay operators entering the market in the mid 2000’s, particularly in regional markets, service became the new battleground and one the buyers gravitated towards, perhaps after having service issues at less service-focused operators.”

Global deals

Global deals between Relocation Management Companies (RMCs), TMCs, corporates and serviced apartment operators remain the exception to the rule. This is due in part to TMCs and specialist HBAs favouring hotel suppliers able to offer coverage for transient stays either globally or in the locations

required by their clients, bookable via the GDS systems used by TMC front line staff.

This means that new preferred partners are only added where new demand or specific requests arise. “Relocation and travel management companies tend to work with specialist apartment providers like us rather than try to accommodate apartments within their own service delivery teams” says Charlie McCrow. “As well as the lack of product knowledge there’s also a different mindset required to source, negotiate and manage compliance issues in serviced apartments.”

TMCs are not geared to managing high volumes of relationships with independent hotel (or apartment) operators and therefore prefer to have one regional or global serviced apartment option in their required markets, or establish an alliance with a specialist serviced apartments provider like The Apartment Service.

This is a major challenge for independent apartment operators because, as Steve Thorne points out, “there is still not one

global apartment operator to match the coverage of a major hotel chain. Whilst every operator would love to have direct relationships with corporate clients it's important to recognise the client's buying process and the reason they need the agent. No matter how big your apartment brand, unless you are in every single major international city, you will never fully bypass the TMC."

Distribution

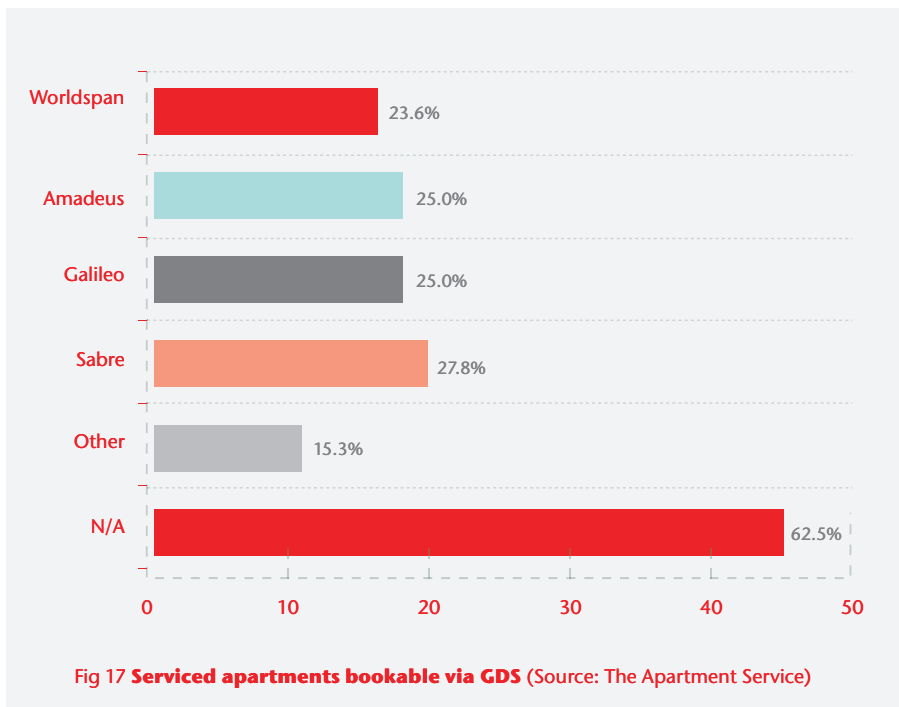
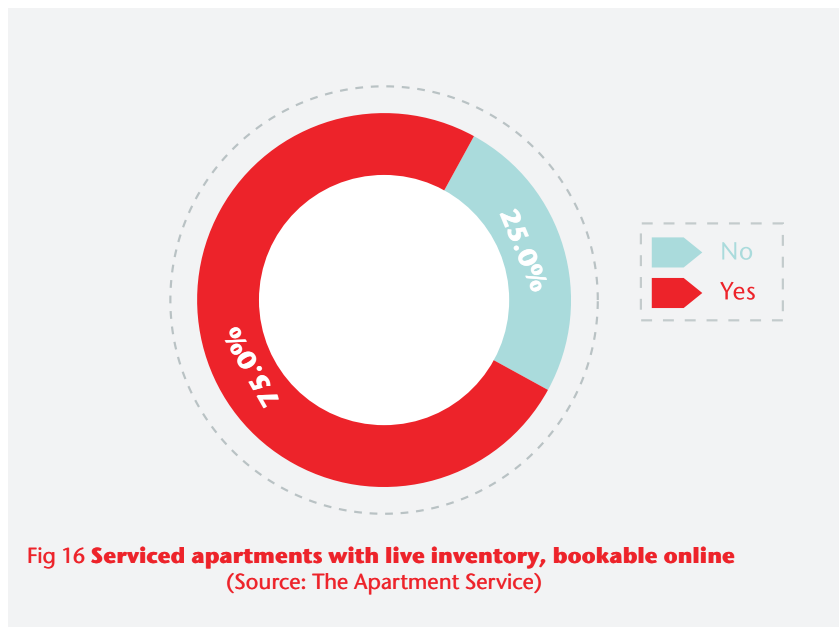
The internet is the principal booking channel for serviced apartments. 80% of corporate bookings are made online, of which 27% are via a self booking tool. 75% of operators claim to be bookable online with live inventory (see Fig 16).

Although the dominance of the web as a booking channel is reflective of global travel trends, both business and consumer, this also reflects the waning power of GDS.

Operators are increasingly frustrated by the fundamental issues of identifying a serviced apartment within GDS, having sufficient inventory to offer through the channel, and the short-stay nature of GDS bookings. As Figure 17 shows, 62% of operators are not represented on any GDS platform, the same figure reported in our 2010 survey.

Of the remaining 38%, representation is spread equally amongst Sabre (28%), Galileo and Amadeus (both 25%) and Worldspan (24%). These results also mirror those of the 2010 survey, although Sabre has increased market share.

Serviced apartment operators continue to feel pressured to adopt conventional hotel-centric booking processes to attract transient corporate travellers via corporate programmes or online channels. However the fees inherent in both GDS and online travel agencies (OTAs) are often prohibitive for smaller serviced apartment operators.



“There are too many myths about apartments. That you have to sign a long lease, the security aspect, or whether there is someone at reception. There is such an array of different kinds of apartments, I’m not surprised corporates are often confused.”

Ricky Kapoor, HBAA

By contrast, the influence of social media is growing. According to a 2012 TripAdvisor survey, over 40% of travellers use social media channels for travel planning. A separate study by PhoCusWright showed that over 75% of travellers turn to social networks to shop for deals, and 30% specifically seek out travel-related deals.

With the number of social network users worldwide predicted to increase by more than 50% to 1.8 billion by 2014 (source: eMarketer), social media’s impact on the travel and hospitality industry is already profound. No surprise then that serviced apartment operators are increasing their presence in the social media space.

Barriers – extended stay

Corporates who took part in our latest survey cited three principal barriers to greater use of serviced apartments for transient business travel, assignment or relocation purposes.

The first is a shortage of apartments in required locations, second the sector’s limited online booking capability, and third a lack of understanding about the serviced apartment product itself.

Jumeirah Living’s Steve Thorne believes that the latter is a perception rather than reality. “The fundamental reason the sector developed was to accommodate the extended-stay traveller wanting a

temporary home with all the benefits that a hotel could not offer. An increasing shift in the level of relocation contracts offering shorter periods of housing, or contracts requiring accommodation a few days at a time has encouraged more European operators to target the shorter-stay traveller and in doing so, forcing them to compete head to head with conventional hotels.”

“The disparity of service offering in the market has made it difficult for the corporate buyer to truly be sure of what they are contracting and so may have avoided including apartment operators as a result unless, as the report concurs, that location of the operator played a part, particularly in locations where hotel accommodation remains under-supplied.”

Thorne believes that the biggest barrier to acceptance is trying to persuade corporate hotel programme to accept apartment operators. “Often the RFP process instigated by the corporate buyer is not flexible enough to allow the apartment concept to shine, but if you talk to the right corporate buyers in HR or relocation the vast majority are already dealing with apartments on a regular basis and understand the benefits.”

The HBAA’s Ricky Kapoor says that there is still a major education task facing the serviced apartment sector. “There are too many myths about apartments. That you



Premier Apartments Limehouse Docks London

have to sign a long lease, the security aspect, or whether there is someone at reception. There is such an array of different kinds of apartments, I'm not surprised corporates are often confused."

Product consistency is another issue, which is why we need a grading scheme to define what an apartment includes. For example, does it have a full kitchen? Some say they've got a kitchenette, but all they have is a microwave; others will have a fridge freezer, microwave, washing machine and dishwasher."

Barriers – corporate housing

In the USA's corporate housing sector, the barriers are a little different. Driven by the economic and US housing crisis, demand for apartments has increased dramatically whilst new supply has dried up due to the construction industry coming to a virtual standstill.

Securing inventory has become more challenging, with operators charging premiums of 10%+ on short-term leases. Some properties have declined to work with corporate housing providers or accept short term leases.

There has been continued pressure on rental rates within EMEA, APAC and the Americas, with destinations such as London, Beijing, Shanghai, New York and Washington D.C. seeing substantial rises in the rents being quoted.

Availability is particularly limited in the BRIC markets such as Delhi, Mumbai, Bangalore and across Brazil for apartments with more than two bedrooms /bathrooms. Meanwhile what new build is taking place lies in popular urban destinations where demand is driving up prices. Seasonality and major events such as the Olympic Games also affect corporate housing in terms of pricing and availability.

Global code of conduct for operators

A recurring theme of each edition of this report has been the need (or otherwise) for a global code of conduct for serviced apartment operators.

In this year's survey 86% of business travellers and 72% of agents said that

there should be a global Code of Conduct for serviced apartment operators. But whilst 74% of operators agree, 52% believe that this is not feasible. These results mirror those of the 2010 survey.

There is also a feeling amongst larger operators that a global code of conduct is not necessary, arguing that if the aim is to ensure a professional approach by the operator, this is open to interpretation and should be governed by normal business ethics of that country.

Whilst some serviced apartment operators want to be seen as independent of the hotel sector (but still encroaching on it), any benchmarking needs to encompass all forms of the accommodation industry. As Steve Thorne puts it, "with such diversity in our sector – and rightly so – such a universal point of reference I feel is a long way off."

Biggest challenges

Serviced apartment operators identified a number of challenges in their businesses during 2013/14. Apart from the Eurozone financial crisis and ever-rising utility costs, the biggest challenge facing operators is that of big hotel brands coming into serviced apartments sector, especially in the extended stay segment.

Here their experience, brand awareness and access to transient booking channels combine to deliver new business and maintain market share that might otherwise be lost to local apartment operators.

This is most obvious in the established North American markets, some hub Asian cities and European cities where planning regulations together with market demand have enabled brands to establish themselves in new locations. In London the major hotel brands have yet to make an impact on the established mid-range serviced apartment operators.

Increasing average length of stay and attracting more corporate guests is the third-biggest challenge facing operators after a couple of years in which operators have sought the higher average daily rates from short stays or to fill gaps in occupancy.

Whilst it is relatively easy to turn on the taps of the transient market with higher rates but also higher commissions, in underperforming markets it can be very hard indeed to turn them off, thereby shifting the market mix for the operator for the long-term to a far shorter stay.

Online Travel Agents (OTAs) commission rates are a relatively new challenge facing operators. The channel – which demands commission levels of up to twice that of conventional TMCs/HBAs – can deliver high volumes of business, but is geared towards hotels. The threat here is to apartment pricing models, and the inherent dangers of raising expectations in terms of guest services.



Business optimism

As Figures 18 & 19 show, the air of optimism that has pervaded the serviced apartments sector over the past five years shows little signs of abating.

Only a quarter of operators are less optimistic about occupancy levels than they were two years ago, and even fewer are pessimistic about achieved rental rates. However this is in stark contrast to three years ago, when 90% of operators were optimistic for the future. But how much headroom remains for serviced apartments to take market share from hotels?

According to Savills' there are an estimated 110,000 bedrooms across London's hotels, B&Bs and serviced apartments of which 7,000 are serviced apartments – 6% of the available accommodation in London.

The question is what type of business will grow that market share. If operators seek to grow their volumes with transient corporate business, they will have to accept a higher level of head-on competition with hotels, including market conditions, commission levels, market regulation and customer expectations.

One solution could lie in exploiting the leisure market, which accounts for 30% of customers using serviced apartments, according to the Association of Serviced Apartment Providers (ASAP). To achieve this, however, the sector needs to address the fundamental issues of customer understanding, product consistency and matching supply in locations with the appropriate demand.

Settling on a single set of definitions and terminology for serviced apartments would be a good way to help clarify for everyone's benefit.

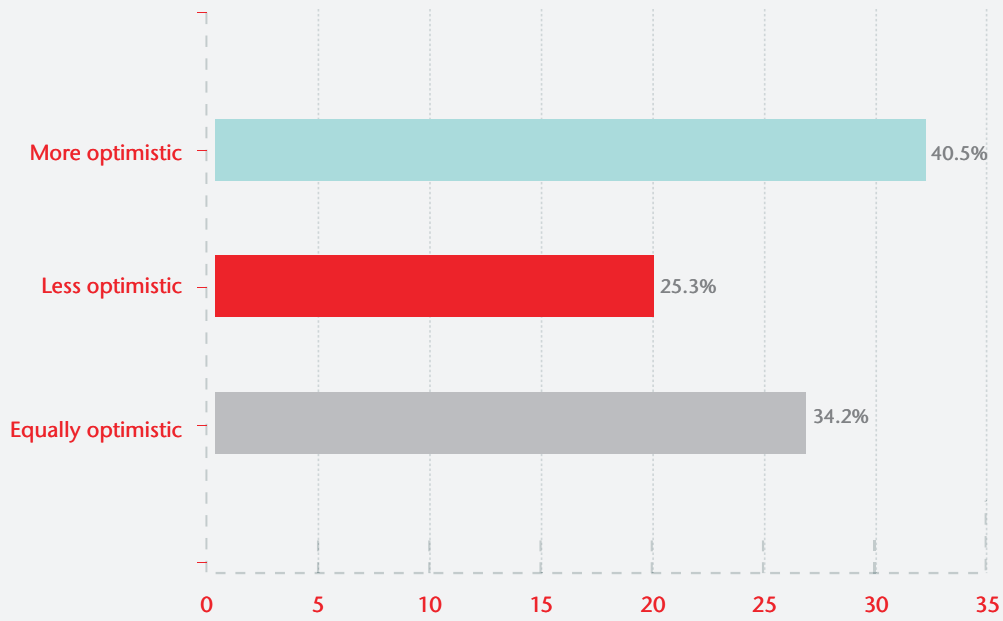


Fig 18 Serviced apartment optimism - occupancy 2013 vs. 2011 (Source: The Apartment Service)

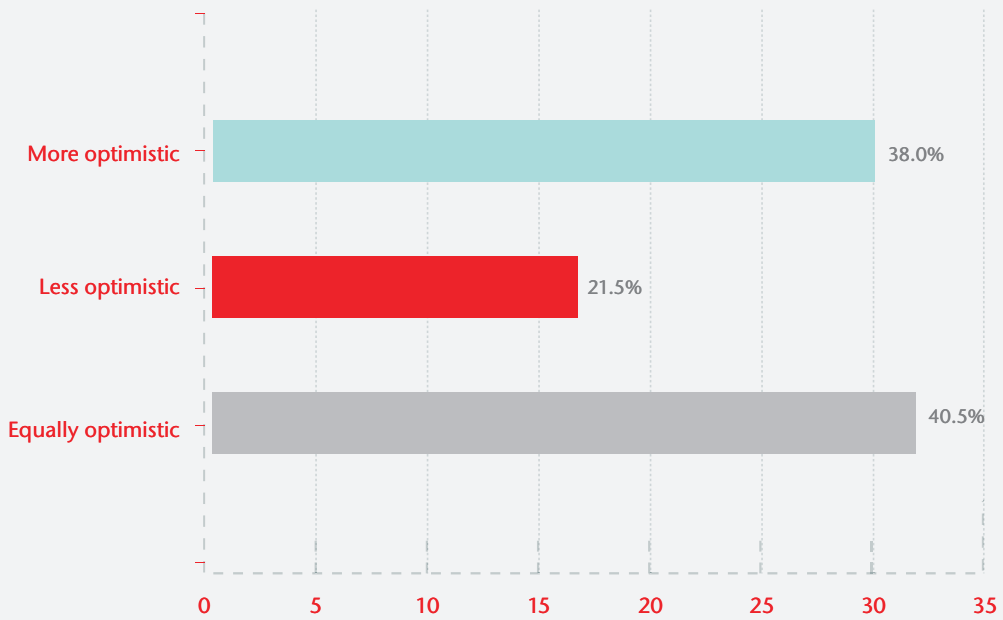


Fig 19 Serviced apartment optimism - achieved rental rate 2013 vs. 2011 (Source: The Apartment Service)

Partner Perspectives



The brand Aparthotels Adagio is providing urban accommodation solutions for extended stays in major European cities. The brand has the largest network in Europe with 90 properties and 10.000 apartments.

As the No 1 network in Europe, it offers different geographical locations to meet the needs of the extended stay travellers, providing two product ranges:

- Adagio: positioned on the midscale segment and located in prime locations of key international gateway destinations, offering modern and spacious apartments.
- Adagio access: positioned on the economy segment and located on business districts of major cities, providing convenient and functional apartments.



Adagio Munich



Adagio Access Brussels

Both product ranges provide an ergonomic room concept designed for extended stays, with fully equipped kitchen and modular furniture. Tiered pricing from 4th night onwards, a 24/7 reception desk and optional services such as breakfast are key elements of the brand.

Aparthotels Adagio benefits from the operational knowhow, distribution channels and quality standards of its two shareholders, the Accor Group, the world's leading hotel operator, and the Pierre & Vacances Center Parcs Group, the European leader of holiday apartments.

Aparthotels Adagio operates across 7 European countries and plans to open 60 properties in the coming 4 years. The UK is set to become one of the key growth territories in Europe, besides France and Germany. The brand is entering at the end of the year the Brazilian market, as well as the Middle-East with its first opening in Abu Dhabi.



Adagio Basel City



Quest SOP building



Quest on Franklin Street



Quest is the largest and fastest growing serviced apartment operator in Australasia with more than 150 properties located across Australia, New Zealand and Fiji.

The company's growth has been achieved through its commitment to meeting the accommodation needs of the extended stay business traveller, which has consistently comprised its largely blue chip client base for over 25 years.

History

Beginning in the suburbs of Melbourne in the late 1980's, Founder and Chairman of Quest Paul Constantinou, opened the first Quest business at Royal Gardens in Fitzroy, in response to a specific extended-stay market.

Today

Today, over 25 years on and the Quest Brand remains firmly committed to that same corporate extended-stay serviced apartment market that its success was founded on. Quest's long-standing involvement with the evolution of the corporate extended-stay market in Australia and "business format franchise system" has placed it at the forefront of this growing market segment in Australia.

Our customers

Quest focuses on the corporate traveller market. Our most valued customers come from industries including banking, telecommunications, mining and insurance. This kind of customer base makes our business revenue particularly stable. Contrast this with serviced apartments based in leisure locations, where occupancy and returns are affected by seasonality and market cycles. Across the industry as a whole, business travellers comprise around 60% of total room demand – at Quest they account for over 80%.

Quest is used by 90% of Australia's Top 500 companies and has a CBD, suburban and regional presence across every state and territory in Australia. These relationships provide Quest franchise businesses with an opportunity to participate in national tenders via the central coordination of the Quest National Account Management function.

Market share

As a pioneer of the Serviced Apartment concept in Australia in the late 1980's, the Quest Serviced Apartments Group has grown to become the market leader within a segment of the accommodation industry which has grown its share from 15% to 21% since 2000.

Business model

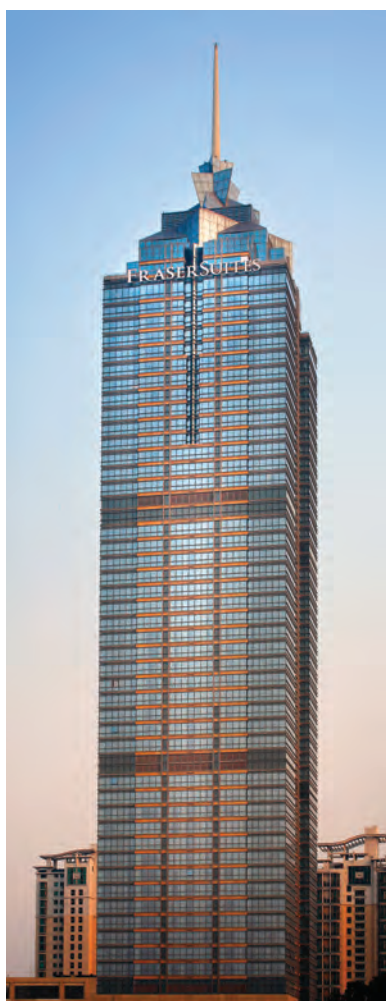
The Quest Business Model is to establish and franchise Serviced Apartment Businesses in locations where our customers want to be. Quest then manage the national brand activities, establish, grow and maintain relationships with national clients and support the franchise network that operates under the Quest Brand.

Growth

Quest Serviced Apartments has grown since the opening of its first property at Royal Gardens in 1988, to over 150 locations across Australia, New Zealand and Fiji. In doing so, Quest has delivered a consistent and sustainable return for the benefit of all stakeholders for 25 years.

In fact, Quest has opened between 4 and 10 new businesses in Australia every year since 1998. This expansion has been achieved irrespective of economic or property cycles and almost entirely organically, largely as a result of the strength of the business model.

Partner Perspectives



Fraser Suites, Suzhou

A world leader in serviced apartments and premier residences, Frasers Hospitality Pte Ltd (Frasers) has risen to the forefront of the global premium corporate housing market within a short span of 15 years. It is now one of the fastest growing industry players worldwide, with plans to increase its portfolio to 77 properties in 41 key gateway cities across Europe, Middle East, North Asia, Southeast Asia and Australia within the next three years.

Frasers' product offerings cater to the different lifestyle needs of a wide spectrum of business travellers in the various markets: Frasers Gold-Standard premier serviced residences; Modena 4-star serviced residences; and, Capri by Fraser, the latest brand addition to the group's portfolio, an urban inspired, high tech and intuitive hotel residence that brings together the extensive range of facilities and services of a smart hotel with the comfort and convenience of a full serviced residence to meet the 24x7 lifestyle of the tech-forward e-generation traveller.

Frasers is unwavering in its focus on service excellence and innovation to meet the evolving needs of the corporate traveller. This has included the introduction of unlimited free 24x7 high speed Internet access across all its properties worldwide and the launch of a mobile website (www.frasershospitality.com), which allows travellers to make reservations, modify bookings and have instant access to property information, special offers and promotions, via their smartphones while on the go.

Frasers' intrinsic understanding of the importance of quality service and appreciation of the unique needs of business travellers is evidenced by the numerous industry awards that it has garnered over the years. The most recent wins include the Corporate Housing Provider of the Year 2012 at the Asian Expatriate Management and Mobility Awards (EMMA), World's Leading Serviced Apartment Brand at the World Travel Awards, Best Serviced Apartments Company in the Middle East 2012 by Business Traveller and Best Serviced Apartment Brand of China 2012 by China Hotel Starlight Awards.

Over 90 percent of Frasers' residents are business executives from Fortune 500 companies including industries such as banking and finance, law, oil and gas, pharmaceutical, business consulting, IT and entertainment, whose retention rates average from 3 to 6 months, up to 10 years. This impressive track record coupled by the positive feedback generated from guest surveys, are testaments to the impeccable service and value Frasers provides, earning it the trust of most local and international relocation agencies.

Cementing its status as one of the fastest growing industry players worldwide, the group is focused on continuing to drive the Frasers brand towards further global growth, while remaining grounded in its heritage and core values as a world leader in serviced apartments and premier residences.

THE FRASER COLLECTION

BAHRAIN BANGALORE BANGKOK BEIJING BUDAPEST CHENGDU DOHA DUBAI
EDINBURGH GLASGOW GUANGZHOU GURGAON HANOI HO CHI MINH CITY HONG
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SYDNEY TIANJIN WUHAN CHANGZHOU (2016) CHENNAI (2014) JOHOR (2015)
FRANKFURT (2014) RIYADH (2015) WUXI (2014)

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Fraser Residence, Shanghai

Fraser Place, Anthill, Istanbul

Regional Reports

Regional rates comparison

On the opposite page is a comparison of rate ranges for studio, one bedroom and two bedroom apartments in the seven regions covered by this report. The figures are given in both the local currency and, for ease of comparison, in US\$.

This data reveals a huge variance in average rates between regions but also in length of stay. For example a studio apartment in Africa in 2013 costs between US\$71 – 306 for stays of less than one week, rising, compared to the Middle East where the same stay costs between US\$82 - 545.

Interestingly, the primary serviced apartment markets of the US and Europe are comparable rate-wise with less developed markets. Australasia emerges as the most expensive regional in which to stay in a serviced apartment, with the studio apartment starting at US\$114 a night. However at the upper end of the pricing scale a studio apartment in the Middle East can cost up to US\$545 – six times the equivalent in India.



Grosvenor House Apartments by Jumeirah Living

Rate ranges by Global Region (low to high price range)

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.

| | Studio | | | | | One Bedroom | | | | | Two bedroom | | | | | | | | | | |
|--|--------------------|--------|--------------------|--------|----------------------|--------------------|------|--------------------|---------|----------------------|--------------------|----------------|--------------------|------|----------------------|---------|--------|---------|----------------|------|-----|
| | 2010 average rates | | 2012 average rates | | Variance Y-o-Y 12/10 | 2010 average rates | | 2012 average rates | | Variance Y-o-Y 12/10 | 2010 average rates | | 2012 average rates | | Variance Y-o-Y 12/10 | | | | | | |
| | Local | High | Local | High | | Local | High | Local | High | | Local | High | Local | High | | | | | | | |
| Africa (ZAR) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 630 | 2,500 | 650 | 2,800 | 71 - 306 | 3% | 12% | 645 | 3,700 | 655 | 3,900 | 72 - 427 | 2% | 5% | 900 | 4,600 | 900 | 4,600 | 98 - 503 | 0% | 0% |
| 7 nights + (nightly rate) | 530 | 2,400 | 560 | 2,600 | 61 - 285 | 6% | 8% | 600 | 3,600 | 605 | 3,700 | 66 - 405 | 1% | 3% | 800 | 4,800 | 825 | 4,550 | 90 - 498 | 3% | -5% |
| 1 month + (monthly rate) | 14,000 | 60,000 | 15,200 | 61,500 | 1,664 - 6,731 | 9% | 3% | 16,000 | 77,500 | 16,200 | 78,000 | 1,773 - 8,537 | 1% | 1% | 22,500 | 75,000 | 22,000 | 74,500 | 2,407 - 8,149 | -2% | -1% |
| Asia (USD) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 80 | 250 | 85 | 275 | | 6% | 10% | 170 | 300 | 170 | 325 | | 0% | 8% | 215 | 430 | 215 | 435 | | 0% | 1% |
| 7 nights + (nightly rate) | 70 | 230 | 75 | 245 | | 7% | 7% | 150 | 270 | 155 | 280 | | 3% | 4% | 200 | 400 | 200 | 400 | | 0% | 0% |
| 1 month + (monthly rate) | 2,000 | 4,500 | 2,200 | 4,700 | | 10% | 4% | 2,725 | 4,600 | 2,800 | 4,700 | | 3% | 2% | 3,500 | 5,000 | 3,600 | 5,000 | | 3% | 0% |
| Indian Sub Continent (INR) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 2,350 | 4,500 | 2,500 | 4,750 | 46 - 88 | 6% | 6% | 2,900 | 9,000 | 3,100 | 9,200 | 57 - 170 | 7% | 2% | 4,000 | 16,000 | 4,050 | 16,100 | 75 - 298 | 1% | 1% |
| 7 nights + (nightly rate) | 2,200 | 4,750 | 2,400 | 4,750 | 44 - 88 | 9% | 0% | 2,700 | 7,450 | 2,750 | 7,700 | 51 - 142 | 2% | 3% | 3,500 | 13,000 | 3,700 | 13,200 | 68 - 244 | 6% | 2% |
| 1 month + (monthly rate) | 50,000 | 72,500 | 52,000 | 75,000 | 962 - 1,388 | 4% | 3% | 60,000 | 116,000 | 59,500 | 117,000 | 1,101 - 2,165 | -1% | 1% | 61,000 | 110,000 | 60,000 | 113,000 | 1,110 - 2,091 | -2% | 3% |
| Australasia/New Zealand (AUD) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 100 | 190 | 110 | 215 | 114 - 222 | 10% | 13% | 140 | 245 | 145 | 260 | 150 - 269 | 4% | 6% | 180 | 300 | 180 | 325 | 186 - 336 | 0% | 8% |
| 7 nights + (nightly rate) | 80 | 170 | 85 | 200 | 88 - 207 | 6% | 18% | 125 | 230 | 128 | 240 | 132 - 248 | 2% | 4% | 165 | 265 | 165 | 275 | 170 - 284 | 0% | 4% |
| 1 month + (monthly rate) | 2,125 | 4,450 | 2,300 | 4,750 | 2,376 - 4,908 | 8% | 7% | 3,000 | 5,000 | 3,100 | 5,200 | 3,203 - 5,372 | 3% | 4% | 3,100 | 5,500 | 3,150 | 6,000 | 3,253 - 6,196 | 2% | 9% |
| Europe (EUR) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 65 | 275 | 70 | 285 | 91 - 372 | 8% | 4% | 90 | 400 | 90 | 425 | 118 - 555 | 0% | 6% | 135 | 550 | 135 | 560 | 176 - 732 | 0% | 2% |
| 7 nights + (nightly rate) | 55 | 280 | 60 | 300 | 78 - 392 | 9% | 7% | 80 | 375 | 82 | 385 | 107 - 503 | 3% | 3% | 90 | 550 | 95 | 550 | 124 - 719 | 6% | 0% |
| 1 month + (monthly rate) | 1,300 | 4,500 | 1,400 | 4,600 | 1,829 - 6,011 | 8% | 2% | 2,000 | 5,000 | 2,050 | 5,300 | 2,679 - 6,926 | 3% | 6% | 2,500 | 5,500 | 2,600 | 5,500 | 3,397 - 7,186 | 4% | 0% |
| Middle East (AED) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 280 | 1,800 | 300 | 2,000 | 82 - 545 | 7% | 11% | 500 | 2,000 | 500 | 2,500 | 136 - 681 | 0% | 25% | 600 | 2,400 | 615 | 2,500 | 167 - 681 | 3% | 4% |
| 7 nights + (nightly rate) | 265 | 1,600 | 275 | 1,800 | 75 - 490 | 4% | 12% | 450 | 1,650 | 475 | 1,800 | 129 - 490 | 6% | 9% | 550 | 2,200 | 550 | 2,300 | 150 - 626 | 0% | 5% |
| 1 month + (monthly rate) | 8,000 | 42,500 | 9,000 | 45,000 | 2,450 - 12,252 | 12% | 6% | 7,750 | 44,000 | 8,000 | 45,000 | 2,178 - 12,252 | 3% | 2% | 8,500 | 60,000 | 8,000 | 59,500 | 2,178 - 16,200 | -6% | -1% |
| North America/Canada (USD) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 85 | 200 | 85 | 210 | | 0% | 5% | 130 | 350 | 135 | 400 | | 4% | 14% | 170 | 450 | 170 | 475 | | -3% | 6% |
| 7 nights + (nightly rate) | 70 | 205 | 75 | 200 | | 7% | -2% | 130 | 330 | 125 | 360 | | -4% | 9% | 170 | 400 | 160 | 395 | | -6% | -1% |
| 1 month + (monthly rate) | 1,750 | 3,200 | 1,800 | 3,300 | | 3% | 3% | 1,850 | 4,000 | 1,850 | 4,300 | | 0% | 8% | 2,250 | 4,750 | 2,000 | 4,500 | | -11% | -5% |
| Central & South America (USD) | | | | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | 60 | 160 | 60 | 180 | | 0% | 12% | 90 | 190 | 85 | 210 | | -6% | 11% | 130 | 300 | 135 | 325 | | 4% | 8% |
| 7 nights + (nightly rate) | 55 | 145 | 55 | 150 | | 0% | 3% | 80 | 180 | 85 | 200 | | 6% | 11% | 120 | 350 | 125 | 375 | | 4% | 7% |
| 1 month + (monthly rate) | 1,650 | 2,325 | 1,700 | 2,400 | | 3% | 3% | 1,650 | 3,125 | 1,700 | 3,200 | | 3% | 2% | 2,000 | 4,000 | 2,050 | 4,150 | | 3% | 4% |

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stays

Fig 20 Rate ranges by global region (Source: The Apartment Service)

Africa

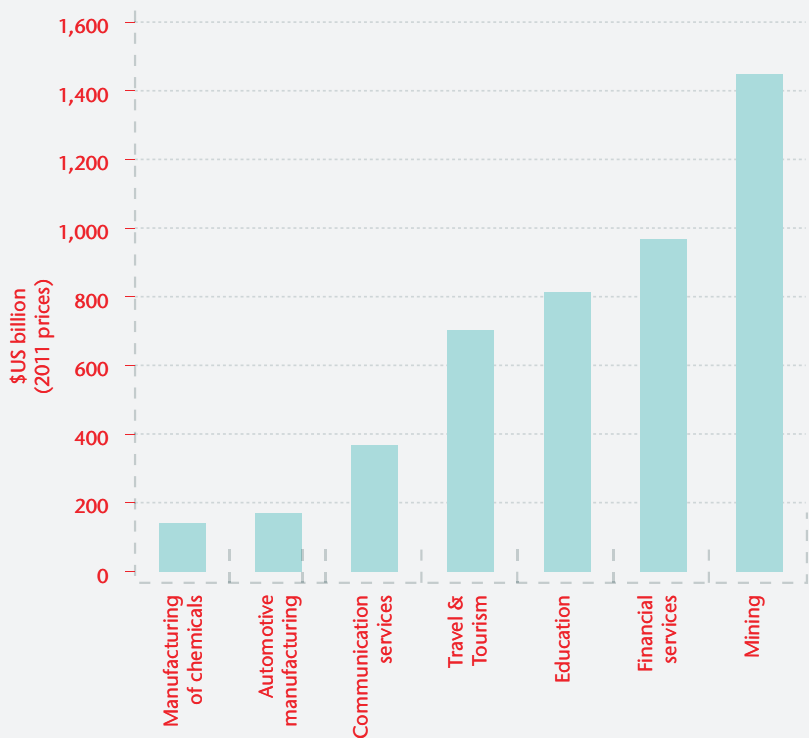


Fig 21 Africa direct GDP by industry
(Source: World Tourism & Travel Council)

Travel & Tourism direct GDP in Africa reached \$69 billion in 2011 exceeding the GDP of Africa's Chemicals, Manufacturing, Automotive, and Communications sectors.

With 8 million direct employees in Africa, Travel & Tourism is one of the leading employers in the region, generating and sustaining 19 million jobs overall - nearly 1 in 14 jobs in Africa.

Over the last 10 years, six of the world's 10 fastest-growing economies have been in sub-Saharan Africa. It is estimated that, by 2015, 25% of North American oil will

be supplied by sub-Saharan Africa rather than the Middle East (source: Carlson Rezidor Hotel Group).

Economic growth across Africa is increasing demand for business travel across the region, with African carriers cutting cross-continental routes to accommodate more flights to Kenya, Nigeria and Ghana.

The region is increasingly attractive to hoteliers too. Whereas interest was previously concentrated on South Africa and the main leisure destinations along the North Africa coast, investment is now

spreading to other African countries, especially the coastal regions of sub-Saharan Africa, where the number of hotel developments rose by 54% in 2012.

In our 2011 report research by the W Hospitality Group showed that 20 of Africa's largest hotel operators planned to increase their portfolios by 30,000 rooms before 2010. The Carlson Rezidor Hotel Group has already announced plans to have 50 hotels across Africa by the end of 2015, focussing on Angola, Nigeria, Ethiopia, Mozambique, Rwanda, Tanzania, DRC, Ghana and Zambia.

The situation is somewhat different in Northern Africa, where the political uncertainty and civil wars that followed 2011's Arab Spring have discouraged foreign investors. But even this has not prevented the pipeline of new hotels increasing by 4% in 2012 to 75 new hotels.

South Africa

South Africa has traditionally been the primary business travel market in the region, attracting business travel events worth over US\$ 28.5 million in 2011 (source: Johannesburg Tourism Company) and accounting for 45% of all hotel transactions in the continent since 2008 (source: Real Capital Analytics).

Johannesburg is still recognised as the business and commercial capital of the African continent. 55 international airlines fly to Johannesburg; 75% of South African corporate headquarters are based in the city.

However research by HRG highlights strong demand for other countries. Ghana recorded 14% growth in business visitors in 2012, whilst Kenya and Nigeria both saw significant increases in traffic.

Kenya

Business travel in Kenya has grown particularly in the financial service and industrial markets as Kenyan companies such as Kenya Commercial Bank, Equity Bank and UAP invest in the South Sudan region. Exports from Kenya to the region have more than doubled, generating additional air travel between Juba and Nairobi.

The serviced apartments community is growing too, having been pioneered locally by the luxury, aparthotel-themed Palacina Residence. Serviced apartments are seen as a viable alternative to hotels for business travel, due partly to the high rates charged by established hotels.

Amongst the new serviced apartments to open are Batians Peak Apartments and Heri Heights, with 28 and 46 fully-furnished apartments respectively. In Kenya, January - June and September - November are the busiest periods for business travel, with leisure bookings filled this gap in July, August and December when the expatriates tend to go home.

The Tamarind Group predicts that the serviced apartment sector in Kenya will increase by 500 – 800 units in the next two years and plans to roll out two branded serviced apartment concepts - Tamarind Tree Residence and Tamarind Tree Extended Stay - in the four and three star segments.

Tamarind see a gap in the market for 2 - 3 star accommodation and envisage a possible decrease in 4 - 5 star occupancies and rates due to the increase in 3 star product. Although it is difficult to say how this will affect the serviced apartment segment, many operators will have to improve both their products and service levels to maintain competitive edge.

More new management companies are also trying to get into the East African market by signing management contracts for smaller serviced apartment developments. The principal challenges facing local operators are not being geared to handle short stays let reservations and bookings, and a lack of brand awareness.

Nigeria

Nigeria, one of the world's top ten petroleum exporters, has 26 hotels under construction and 17 others in development in Lagos, the capital Nairobi and Mombassa.

The Tamarind Group operates serviced apartments in the latter two cities, servicing a primarily ex-pat assignment worker market in both locations. We estimate there are around 100 serviced apartment buildings in Nairobi, most of which are independently operated having been intended as, or converted from residential stock.

In Mombasa there has been a significant number of serviced apartments developed in the past two years however occupancy levels are low; below 40% in many cases compared to 75%+ in Nairobi.

Tanzania & others

Tanzania is set to challenge both Kenya and Nigeria in burgeoning business travel traffic thanks to the increasing importance of Dar es Salaam as a business destination. The commercial capital of Tanzania is the third fastest growing city in Africa after Lagos in Nigeria and Bamako in Mali and the ninth fastest in the world.

However growth rates vary vastly from country to country. For example, Namibia's business travel was described in 2012 as "very immature, but by no means clueless" by Monique Swart, founder of the African Business Travel Association.

“Roads are being built, airports upgraded, hotels are springing up everywhere and internet and telecommunication connectivity is improving. All the signs are that Africa is beginning to realise its huge and undoubted potential as a major business destination.”

Chris Schuitmaker - HRG



Batians Peak Apartments, Kenya

Supply

Our research has highlighted 4,634 serviced apartments in 76 locations in Africa. Based on our estimates of the world's total supply of serviced apartments, Africa accounts for just 0.714% of the global serviced apartments market in 0.86% of the world's serviced apartment locations.



Protea Hotel Centurion, Pretoria

The major operators in the region are as follows

| | | | |
|--|-----------------------|----|-------|
| Protea Hotels | | 19 | 1,520 |
| Southern Sun Resorts | | 4 | 610 |
| Courtyard Apartments (South Africa) | | 6 | 451 |
| Other | | 6 | 396 |
| Executive Apartments and Hotels | Sandton - RSA | 5 | 305 |
| Village and Life | | 6 | 221 |
| Suite Novotel | | 1 | 126 |
| Relais Hotels | | 4 | 116 |
| Ambassador Hotel & Executive Suites | | 1 | 97 |
| Three Cities Urban Park Hotel & Spa - Uhmhlanga | www.threecities.co.za | 1 | 92 |
| Premiere Classe Serviced Apartments | | 4 | 80 |
| Executive Suites | | 1 | 75 |
| Home From Home Hospitality | | 4 | 75 |
| YAYA Centre | | 1 | 70 |
| Prime Executive Apartments - Nairobi | | 2 | 58 |
| Residence Casablanca Aparthotel | | 1 | 50 |
| Heri Heights Serviced Apartments (Nairobi-Kenya) | | 1 | 46 |
| Meltonia Luxury Suites | | 1 | 44 |
| Three Cities Bantry Bay - Cape Town | www.threecities.co.za | 1 | 38 |
| Gem Suites - Nairobi | | 1 | 34 |
| Palmeriaie Village (Marrakech) | | 1 | 30 |
| Reata Serviced Apartments - Nairobi | | 1 | 29 |
| Batians Peak - Nairobi | | 1 | 28 |
| Hermitage Gardens Resort (Lagos-Nigeria) | | 1 | 17 |
| Prime Apartments - Ghana | | 1 | 15 |
| Palacina Apartments | | 1 | 11 |

Rates in key cities

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.

| AFRICA | STUDIO | | | | ONE BEDROOM | | | | TWO BEDROOM | | | | YoY variance | | |
|----------------------------|----------------|--------------|--------------|---|----------------|--------------|--------------|---|----------------|--------------|----------------|------|--------------|--------------|-----|
| | 2010/11 rate | | 2012/13 rate | | 2010/11 rate | | 2012/13 rate | | 2010/11 rate | | 2012/13 rate | | | | |
| | Local currency | Euro | YoY variance | % | Local currency | Euro | YoY variance | % | Local currency | Euro | Local currency | Euro | | % | |
| Cape Town | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | ZAR 872 | EUR 83.88 | 15% | | ZAR 1,000 | EUR 83.88 | 15% | | ZAR 898 | EUR 87.42 | 17% | | ZAR 1,600 | EUR 134.23 | 6% |
| 7 nights + (weekly rate) | ZAR 5,371 | EUR 540.05 | 20% | | ZAR 6,440 | EUR 540.05 | 20% | | ZAR 5,657 | EUR 532.70 | 12% | | ZAR 9,875 | EUR 828.47 | 4% |
| One month + (monthly rate) | ZAR 13,350 | EUR 1,197.03 | 7% | | ZAR 14,275 | EUR 1,197.03 | 7% | | ZAR 12,700 | EUR 1,088.48 | 2% | | ZAR 17,500 | EUR 1,468.18 | 4% |
| 3 month + (monthly rate) | ZAR 11,800 | EUR 1,048.59 | 6% | | ZAR 12,500 | EUR 1,048.59 | 6% | | ZAR 12,450 | EUR 1,048.70 | 1% | | ZAR 16,350 | EUR 1,371.31 | 2% |
| Nairobi | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | KES 5,300 | EUR 55.12 | 15% | | KES 6,100 | EUR 55.12 | 15% | | KES 8,000 | EUR 81.31 | 13% | | KES 10,850 | EUR 98.02 | 10% |
| 7 nights + (weekly rate) | KES 33,000 | EUR 293.66 | -1% | | KES 32,500 | EUR 293.66 | -1% | | KES 54,500 | EUR 516.18 | 5% | | KES 63,000 | EUR 569.39 | 1% |
| One month + (monthly rate) | KES 120,000 | EUR 1,039.12 | -4% | | KES 115,000 | EUR 1,039.12 | -4% | | KES 180,000 | EUR 1,535.36 | -6% | | KES 208,000 | EUR 1,879.88 | 1% |
| 3 month + (monthly rate) | KES 111,500 | EUR 993.94 | -1% | | KES 110,000 | EUR 993.94 | -1% | | KES 175,000 | EUR 1,445.42 | -9% | | KES 196,000 | EUR 1,771.35 | 2% |

Fig 22 City rates analysis (Source: The Apartment Service)

Rates

There is a significant disparity between the average rental rates for a studio apartment in the primary South African market and the emerging Kenyan market. An apartment costing ₣55 per night in Nairobi for stays of up to one week will cost ₣83 in Cape Town.

Internationally, serviced apartments in Africa cost, on average, less than anywhere else in the world except the Indian sub-continent.



Southern Sun The Cullinan, Cape Town

Asia



The Travel & Tourism industry in Asia was worth \$554 billion in 2011, generating \$1.7 trillion in GDP, or 8.4% of Asia's GDP.

Asia is often referred to as the powerhouse of world tourism, with outbound travel amongst Chinese and Japanese nationals leading the way. Outbound travel from China and Japan grew by 20% and 13.7% respectively in the first half of 2012 and is predicted to grow by 6% overall in 2013 (source: ITB World Travel Trends Report).

Across the region, China is the fastest growing market. In 2011 Chinese travellers made over 70 million international trips; this 22% growth over 2010 was fuelled partly by the relaxation in visa regulations and is predicted to continue with a 12% growth in outbound travel during 2013. Much of that outbound travel will be to destinations within the Asia Pacific region. 20% of hoteliers in APAC expect the number of Chinese visitors to rise by over 40% (source: Hotels.com)

Like most other BRIC nations, one of the challenges facing China in the global travel market is the investment in business and commercial infrastructure required to service, and drive business travel. China is more advanced than, say, Brazil in this respect, with significant investment made in regional airports as well as those servicing the main Chinese business hubs of Shanghai, Beijing and Guangzhou.

Demand

Hotels in the Asia/Pacific region experienced positive results in the three key performance metrics in 2012 when reported in U.S. dollars, according to data compiled by STR Global.

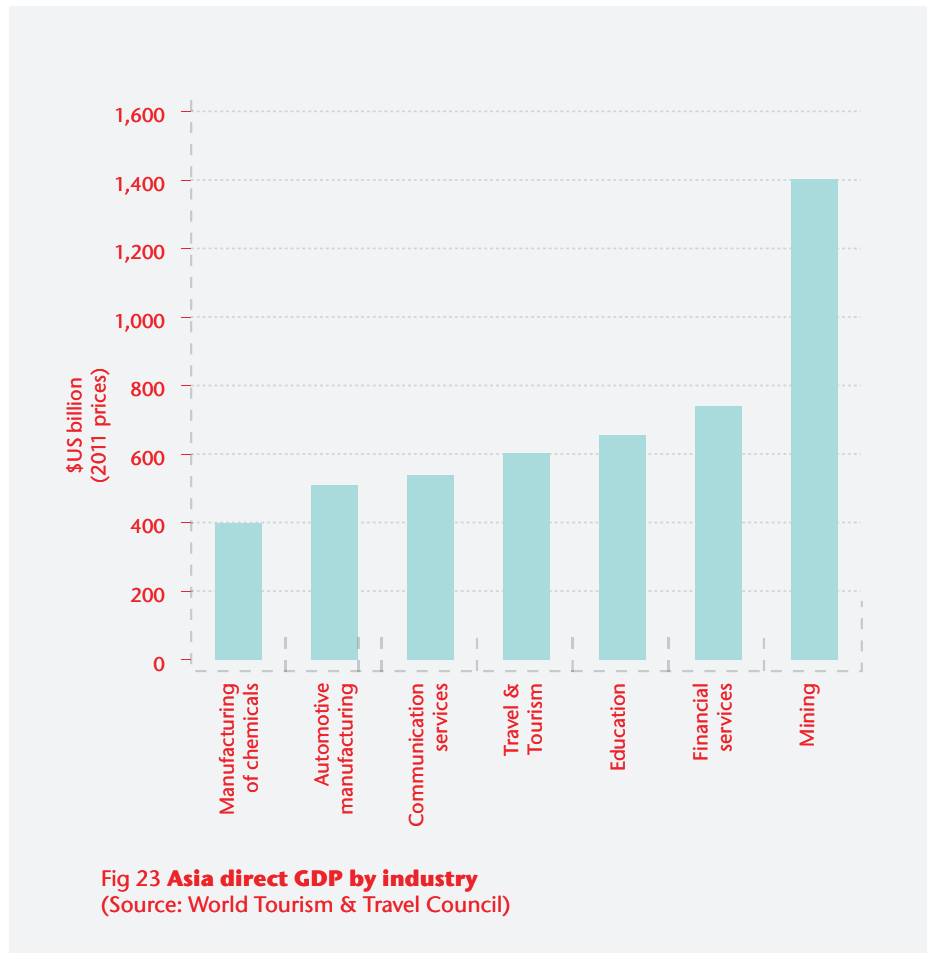


Fig 23 Asia direct GDP by industry (Source: World Tourism & Travel Council)

Hotel occupancy across Asia Pacific averaged 68.3% in 2012, up marginally on 2011. This slowing of growth rate is attributed to demand outpacing supply increases over the previous three years, although the region's 2012 RevPAR of US\$88.24 represents the highest achieved since 1998.

Regional occupancy increases were highest in Bangkok (up 11% to 70.5%) and Tokyo (up 10.4% to 82.5%). The biggest falls came in Ho Chi Minh City (down 5.4% to 63.7%) followed by Bali (down 4.1% to 69.8%). Three markets – Jakarta, Taipei and Tokyo saw double-digit increases in average daily rate.

Although the US is recognised as the birthplace of serviced apartments, the sector has been operating in Asia for over 30 years. The market comprises a combination of branded and independently operated serviced apartments, local furnished accommodations, villas, and guest houses.

Product consistency and quality vary considerably however. A reputable, trusted provider is considered essential in a market where secondary cities and remote locations have limited options for types of housing available.



Shama Century City, Shanghai

China

There are more than 520 new hotels under construction in the Middle Kingdom – in India there more than 295 new hotels planned and 2,900 up-market hotels operating at average 61% occupancy source: www.tophotelprojects.com).

Tourism growth is primarily originated by foreign tourists: 294 million overnight stays were counted in 2011. Approximately 106 million hotel guests travel to and within China every year - 70 million come from abroad.

Beijing is the centre of China's serviced apartments sector. There has been a remarkable price growth in the Beijing residential market in recent years, with capital values of high-end apartments tripling since 2001. The average rents of Beijing serviced apartments have increased by 30% over the last two years, with apartment owners and operators benefiting from a supply line stagnant after the 2008 Olympic Games.

Demand for Beijing's high-end serviced apartments is partly due to the expanding presence of multi-national corporations, foreign senior managers and ex-pats overseeing new projects. Demand for corporate housing has also increased as Beijing attracts more workers from both overseas and the Chinese provinces.

Hong Kong

Serviced apartments first appeared in Hong Kong as 'aparthotels' in the 1980's. Today, the local market services a substantial number of ex-pats working and an ever-increasing number of foreign nationals arriving to work or seeking investment from the world's largest IPO market.

These business travellers come mainly from the US and Europe, but arrivals numbers from mainland China and South East Asia are growing too. Hong Kong is the gateway to China and this has been a contributory factor to serviced apartment occupancy levels averaging 90 – 95% in 2011.

Colliers International estimate that there are around 17,000 serviced apartments in Hong Kong, with the largest concentrations – and highest average rates - in the Central and Wan Chai districts. But with both local and international operators recognising the value of serviced apartments, the supply landscape in Hong Kong is becoming more competitive, whilst apartment tenants are becoming more demanding in terms of service and quality.

A shortage of high quality office space in the prime areas and the expansion of Hong Kong's infrastructure are driving new serviced apartments supply in the New Territories where rentals are comparatively lower. For example, CHI International aim to add another 400 serviced apartments to their existing 100-strong portfolio by 2015.

India

The tourism sector in India also experiences continued growth. The 1,000 existing first class and luxury hotels will be supplemented by 295 new properties and 48,000 hotel rooms.



Citadines Tokyo Shinjuku



Discovery Suites, Pasig



Studio Residence, 8 on Claymore, Singapore

Japan

There are 13 new up-scale hotels coming into an already saturated Japanese hotel market. The largest project is the 376-room Marriott Hotel in Osaka, due to open in spring 2014. 346 rooms will come on-stream when the new Hilton opens in Okinawa in early 2014.

Other projects in Japan include the Ritz-Carlton in Osaka (136 rooms, opening May 2014) and the boutique Andaz Hotel in Tokyo (164 rooms, opening early 2014).

Philippines

The second fastest growing economy in Asia and a stable political environment are combining to fuel a surging Manila hospitality market, particularly in the high end luxury sector, with escalating room rates and strong occupancies setting the stage for dramatic future growth for the sector.

With an economy growing at 7.1% - just a few points behind China - there is a strong pipeline of growth and investment in the hotel with 5,797 rooms opening over the next five years, growing supply by 37%. Research by C9 Hospitality predicts that average room rates of 6% and occupancy in luxury accommodation of 72%.

Manila is home to 15,567 hotel rooms, 57% of which are in the up-scale tier. The corporate transient and meetings markets account for 78% of total hotel room nights. The urban spread of Mega Manila is expected to create new markets for the apartments sector.

Singapore

The rising number of companies sending employees on short-term assignments has seen serviced apartment operators in Singapore encounter a surge in demand for short stays – especially if the assignee is accompanied by family members.

The Ascott Ltd reports that compared to an average assignment of two to three years, average stays now range from a few weeks to six months. 60% of residents in Oakwood properties in Singapore stay for less than one month up to a similar maximum.

Taiwan

Taiwan is one of the crucial transit hubs in Asia, as an important industrial and export partner for the United States and the European Union. Taiwan is part of the Four Asian Tigers, with Hong Kong, Singapore and South Korea in the 1990s and has been successfully transformed from a cheap labour-intensive manufacturing economy into a world leader in advanced technology.

In 2009, Taiwan was one of the worst-hit economies in the Asia Pacific region but bounced back in 2010 and 2011, registering a 10.7% and 4.0% GDP growth, respectively. Mainland Chinese residents from 13 cities can now travel independently in Taiwan.

Signs of rejuvenation have sparked in Taiwan's hotel market with the emergence of new hotels like the W Taipei and Le Meridien.

With a relatively low incoming supply of upscale hotels and high occupancy rates in both Taichung and Kaohsiung's markets, this gives a positive signal for upscale hotel developers to develop in anticipation for the increase in tourism demands in Taiwan.

Limited high-end hotel supply in Taiwan coupled with a positive tourist arrivals outlook provide opportunities for Taiwan's hotel market to bloom.

The strongest increase in visitor arrivals is still from mainland China. Since Taiwan has lifted the travel restrictions for mainland Chinese visitors, arrival statistics from mainland China has registered a CAGR of 55.3% from 2007 to 2011. According to the Taiwan Tourism Bureau (TTB), total visitors to Taiwan are expected to reach 10 million by 2016.

Taiwan is also a major centre for exhibitions in Asia. In Taipei, Taipei World Trade Centre (TWTC) and Taipei World Trade Centre Nangang Exhibition Hall (TaipeiEx) are two of the major MICE facilities in Taipei that caters to both domestic and the international events.

Hotel room supply increased at a growth rate of 3.1% from 2006 to June 2012. Standard tourist hotels form the bulk of lodgings, accounting for 73% of the total

accommodation supply in June 2012. The overall supply growth rate spiked in 2010 at 3.6%.

Thailand

Thailand's serviced apartments sector is centred on Bangkok, where Knight Frank put the number of serviced apartments at just under 16,000, an increase of 1.2% on 2011. 45% of that stock is located in Sukhumvit - home to a substantial proportion of the region's 789,000 expats – and CBD (5,943 units).

The political unrest of 2009 -2011 now resolved, both demand for, and the supply of serviced apartments is set to grow locally once again. Serviced apartment occupancy levels in 2012 were marginally above that of the hotel competitors, up 5% to 75.59%.

Vietnam

Despite the Vietnamese economy underperforming, Ho Chi Minh City (HCMC) has maintained a high GDP growth rate and considered as the most dynamic city in the country. And despite the real estate market being significantly affected in comparison to other industries, the serviced apartment sector is now attracting investors drawn by rising demand and high returns.

Around 60% of the 3,000 serviced apartments in HCMC are located in the central business district, with The Ascott Ltd and Frasers Hospitality amongst the major players locally. The market can also be subdivided by tenants' nationalities. Residents of District 1 and 3 come from Japan, Singapore, and Malaysia, Central, Southern and Eastern Europe. Those in the new urban areas in District 7 such as Phu My Hung tend to be from Korean, China and Taiwan. Tenants from the US or UK are centred on District 2.

By 2015 an additional 20 serviced apartment projects providing 5,200 units will take the total supply to nearly 9,000 apartments. The new projects will be most concentrated in District 4 and Tan Binh District.



Oakwood Residence, Bangna, Bangkok



Somerset West Lake, Hanoi

Market perspective

Boom time for serviced apartments in Asia

By Tony Soh, Chief Corporate Officer, The Ascott Limited

Asia is the fastest growing region in the world today. Many companies are expanding in Asia to tap on the region's growth opportunities.

According to a 2012 talent mobility study by global professional services firm, Towers Watson and workforce mobility association, Worldwide ERC, 45% of companies worldwide projected an increase in cross-border expatriate assignments till 2014, with 65% of the respondents identifying Asia as the most frequent destination for such assignments. Amongst Asian corporations, an overwhelming 85% cite the region itself as their primary destination for cross-border assignments.

This increased talent mobility creates strong demand for quality accommodation including serviced apartments in Asia.

Serviced apartments are gaining popularity as more companies recognise the benefits that serviced apartments can provide for their executives' relocation or project assignments.

Serviced apartments bridge the gap between hotels which cater mainly to short stays and the traditional rental market. In addition to services and facilities typically found in hotels, serviced apartments offer more space, comfort and privacy, much like a normal apartment. With a fully equipped kitchen, separate living area, home entertainment system and broadband and wireless Internet connectivity, serviced apartments combine the convenience of hotel services and the unique feeling of staying in a spacious home away from home.

Furthermore, residents' programmes like local city tours and cultural workshops offered at serviced residences such as Ascott's help expatriates and business travellers assimilate quickly into their new environment.

Compared with booking multiple rooms in a hotel, companies are able to enjoy greater value by housing their executives in a larger serviced apartment where each executive can still enjoy the privacy of individual bedrooms. Companies can also have the flexibility to adjust the duration of the leases in serviced apartments, should there be changes in the duration of projects or assignments.

According to The Apartment Service's Global Serviced Apartments Industry Report 2011-2012, the serviced apartment industry has grown 34% in units in just two years, between 2010 and 2012.

The strong demand for serviced residences is also reflected in the Global Serviced Apartment Market Review published by Savills in 2012. Occupancy data for key global financial centres points to an average occupancy of 87.9% for Q2 2012, ranging from 85% in Singapore to 91.6% in Hong Kong.

Looking ahead, the serviced apartment industry is poised for further growth in Asia given the region's strong economic fundamentals, which will continue to attract foreign direct investments, relocating expatriates and business travellers on project assignments.

Ascott, being the largest international serviced residence owner-operator, currently has a portfolio of over 120 operating properties in Asia, with another 40 properties under development. We see strong potential for further growth in this region.

China, in particular, will continue to be our fastest growing market. It is the world's second largest economy and a top destination for overseas assignments. Besides gateway cities such as Beijing and Shanghai, there is increasing demand in high growth cities such as Chengdu, Wuhan and Xiamen. These cities have been attracting foreign direct investments due to their rapid urbanisation and strong infrastructure. Ascott currently has over 8,000 apartment units in China. In the next few years, we target to expand to 12,000 apartment units and open nearly 20 new properties in cities such as Beijing, Chengdu, Foshan, Guangzhou, Hangzhou, Hong Kong SAR, Macau, Shanghai, Shenzhen, Suzhou, Xiamen, Xi'an and Wuhan.

Ascott is also looking to expand in Singapore, where demand remains strong, driven by the inflow of foreign investment and various government initiatives to reinvent Singapore as an exciting business and leisure destination

Elsewhere in Asia, we expect to open over 20 properties in India, Indonesia, Malaysia, Vietnam and the Philippines where sustained foreign investment will continue to generate significant demand for quality accommodation.

With more growth opportunities for serviced apartments, we can also expect competition for the extended-stay market to become stiffer. Serviced apartment operators will need to be adaptable to market needs, stay ahead of the trends, innovate and enhance quality as we grow. Ascott intends to leverage its global presence to achieve economies of scale and will continue to focus on improving guest experience through refurbishment programmes and other customer service initiatives.



Tony Soh, Chief Corporate Officer,
The Ascott Limited

The major operators in the region are as follows.

| | | | |
|--|----------------------|----|-------|
| Somerset | The Ascott Ltd. | 33 | 5,892 |
| Other Serviced Residences | The Ascott Ltd. | 63 | 5,205 |
| Oakwood | Oakwood Corp Housing | 17 | 2,700 |
| Citadines Aparthotels | The Ascott Ltd. | 19 | 2,324 |
| Fraser Suites | | 14 | 2,324 |
| Compass Hospitality | | 10 | 2,000 |
| Nieva World Apartments | | 14 | 2,000 |
| Ascott The Residence | The Ascott Ltd. | 11 | 1,990 |
| Other | | 16 | 1,945 |
| Tokyu Stay Apartment Hotels - Tokyo | | 14 | 1,820 |
| Centre Point Residences Bangkok | | 9 | 1,600 |
| Shama Group | | 13 | 1,552 |
| Marriott Executive Apartments | Marriott | 11 | 1,454 |
| Kantary Collection | Kasemkij Properties | 7 | 1,162 |
| Far East Serviced Apartments Company - Singapore | | 9 | 1,029 |
| Shangri-la Serviced Residences | Shangri-la Hotels | 17 | 966 |
| Fraser Place | | 6 | 940 |
| Cape Collection | Kasemkij Properties | 5 | 833 |
| Kameo Collection | Kasemkij Properties | 5 | 833 |
| Lanson Place | | 5 | 705 |
| Modena | Frasers Hospitality | 3 | 689 |
| St. Mary Residences - Kuala Lumpur | Eastern & Oriental | 1 | 650 |
| Fraser Residence | | 6 | 510 |
| Kempinski Residences | Kempinski Hotels | 6 | 500 |
| Capri | Frasers Hospitality | 2 | 488 |
| Damas Suites & Residences - Kuala Lumpur | | 1 | 398 |
| Jazz Residence at Pacific Place - Kuching (Malaysia) | | 2 | 354 |
| Royal Suites & Tower - Shenzhen | | 1 | 275 |
| Belvedere Serviced Apartments - Shanghai | New World Group | 1 | 261 |
| Green Court Serviced Apartments - Shanghai | | 1 | 260 |
| New Harbour Serviced Apartments - Shanghai | | 1 | 255 |
| Le Papillon India | | 5 | 250 |
| Sunflower Hotel & Residence - Shenzhen | | 1 | 248 |
| Ovolo Group | | 5 | 237 |
| Easy Beijing (new entry) | | 1 | 200 |
| Green Tree Suites (China) | | 1 | 200 |
| Phachara Suites - Bangkok | | 1 | 194 |
| Asahi Homes (Tokyo) (new entry) | | 6 | 185 |
| Pan Pacific Serviced Suites - Singapore | Pan Pacific Hotels | 3 | 180 |
| Signature Crest (India) (new entry) | | 10 | 172 |
| Star City Hotels (Chennai) (new entry) | | 5 | 172 |
| Best Western | Best Western | 2 | 162 |
| Hotel Mystays Asakusa - Tokyo | | 1 | 160 |
| Heritage Hotels | | 10 | 150 |
| Far East Serviced Apartments Company - Malaysia | | 1 | 149 |
| Regalia Residences - Changning Shanghai | | 1 | 143 |

Supply

Our research has highlighted 49,480 serviced apartments in 419 locations across the Asia region. Based on our estimates of the world's total supply of serviced apartments, Asia accounts for 7.54% of the global serviced apartments market and in 4.76% of the world's serviced apartment locations.

Based on these figures, regional supply has therefore increased by 16.8% since 2011.



Somerset Vista Ho Chi Minh City

The major operators in the region (continued).

| | | | |
|---|-----------------------|---|-----|
| Canton Residence - Guangzhou | New World Group | 1 | 142 |
| Hyatt Regency Sha'tin - Hong Kong | Hyatt | 1 | 133 |
| Kingland Serviced Apartments - Shanghai | | 1 | 130 |
| Belgravia Serviced Apartments - Shanghai | | 1 | 126 |
| Grand Mercure - Bangalore | Grand Mercure | 1 | 126 |
| CHI International | | 4 | 121 |
| Eastern Garden Serviced Apartments - Shanghai | | 1 | 115 |
| Grand Hyatt Residences - Mumbai | | 1 | 111 |
| Hundred Stay Shinjuku - Tokyo | | 1 | 102 |
| Luminous Modern Universe Apartment Hotel - Shanghai | | 1 | 100 |
| World Union Serviced Apartments - Shanghai | | 1 | 100 |
| Flexstay Inn - Higashi Ueno, Tokyo | | 1 | 97 |
| Leading Noble Suites - Shanghai | | 1 | 90 |
| The Leela Kempinski - Gurgaon | | 1 | 90 |
| Remington Hotel | Resorts World Manila | 1 | 89 |
| 8 on Claymore by Summit Serviced Residences | Preferred Hotel Group | 1 | 85 |
| 99 Bonham - Hong Kong | | 1 | 84 |
| Mayson Shanghai Pudong Serviced Apartments | | 1 | 80 |
| Shanghai ACME Expo Riverside Serviced Apartments | | 1 | 80 |
| Taj Wellington Mews - Mumbai | | 1 | 80 |
| Lalco Residency - Mumbai | | 1 | 68 |
| Ladoll Serviced Apartments - Shanghai | | 1 | 60 |
| 21 Whitfield - Hong Kong | | 1 | 54 |
| V Causeway Bay - Hong Kong | V Hotels | 1 | 53 |
| The Jervois - Hong Kong | | 1 | 49 |
| Four Points - Pune | Sheraton | 1 | 48 |
| Hyatt Park Plaza - Hyderabad | Hyatt | 1 | 42 |
| Park Hyatt Hyderabad | Hyatt | 1 | 42 |
| Skyla Serviced Apartments | Jones, Lang LaSalle | 1 | 42 |
| Melange Lavelle - Bangalore | | 1 | 37 |
| Grand Residency - Mumbai | | 1 | 35 |
| Mandarin Oriental Guangzhou | Mandarin | 1 | 30 |
| V Wanchai | V Hotels | 1 | 25 |
| Hotel Cloud 9 Residency - Bangalore | | 1 | 22 |
| The Lalit - Mumbai | | 1 | 21 |
| Maple Suites - Bangalore | | 1 | 19 |
| Royal Comfort Apartments (Bangalore) | | 2 | 19 |
| D Habitat Serviced Apartments - Bangalore | | 1 | 10 |
| Sheraton Nha Trang Hotel & Spa in Nha Trang (new entry) | Starwood Hotels | 1 | 7 |

Rates

The spread, size and diversity of the Asia market is reflected in average serviced apartment rates. A studio apartment in Bangalore, for example, costs the equivalent of ₹41.48 per night for a stay of up to one week, compared to ₹124 in Mumbai and ₹144 in Hong Kong.

Over-supply in the Japanese accommodation market is reflected by the average rate for the same size of apartment and stay profile in Tokyo - ₹111. At the other end of the spectrum, the strength of the Chinese economy is reflected in average rates of ₹146 in Shanghai.

Internationally, average rates compare favourably with the US and Europe; \$85 – 245 compared to \$85 – 200 and \$70 – 300 respectively



Hyatt Regency Sha'tin - Hong Kong

Australasia



The tourism industry contributed AUS\$34.55 billion, or 2.5% of GDP, to the Australian economy in 2011. Year on year growth is being driven mainly by the staggering increase in international arrivals, from 300,000 to one billion in the last 25 years.

Demand

Australian serviced apartments are in high demand and short supply; a trend that shows no sign of slowing.

In 2012, the total number of domestic overnight trips grew by 5.8% compared to 2011; the total number of visitor nights grew by 6.7% and visitor expenditure increased by 17.5%.

As a consequence of this and other factors, demand for quality accommodation is burgeoning nationwide - stimulated by growth in agriculture, telecommunications, construction and mining; and significant investment in major education, health and administration facilities from both the public and private sectors.

By the end of 2012, the top ten accommodation operators accounted for 40.3% of the total room supply in Australia, catering increasingly to domestic business travellers who are staying away from home for longer and spending more money while they are away.

Corporate customers are increasingly doing their business outside of major city centres, gravitating towards regional and suburban hubs where Government infrastructure is supporting industry growth and development. In turn driving demand for extended stay accommodation.

Melbourne is one example. The city now features in the Economist Intelligence Unit's survey of the world's most attractive places to live and is one of the fastest growing in Australia, predicted to overtake Sydney as the country's largest city by 2050 based on current growth patterns. As a result, Melbourne is an attractive proposition for investors who want to buy in a sought-after city where values could quickly increase.

Quest Apartments is Australia's fastest growing Serviced Apartments Operator and has expanded into regional locations in response to corporates travelling more frequently, and staying away from home for longer periods.

Paul Constantinou of Quest Apartments says that as long as this corporate demand profile continues, "this is where our business growth will be focused." Ascott's country general manager Dean Minett agrees. "It's no secret that markets such as Perth are experiencing high demand due to the resources boom and limited room inventory in the market.

The news for the region's serviced apartment sector is not entirely good however. Global economic conditions are a major challenge for the sector due to banks' continuing reluctance to fund developments. As Kieran Spencer of Punthill says "a decline in apartment sales presents a significant threat to industry growth."

| Customer Type | Proportion of Total Demand % |
|-------------------------------------|------------------------------|
| Business | 50 |
| Holiday/Leisure | 32 |
| International Travellers | 8 |
| Government Sector | 5 |
| Other (inc. airline crew stopovers) | 5 |
| Total | 100 |

Fig 25 Guest types staying in Australian serviced apartments (Source: Ibis World 2011)

Rates & RevPAR

Average room rates and RevPAR have been, and are forecast to continue, to grow strongly and outpace inflation forecasts. Leading economic forecasters, Deloitte Access Economics recently issued their Tourism & Hotel Market Outlook report for Q4 2012 that predicted that national RevPAR would grow by 4.3% over the next three years.

Market Deloitte Access Economics Report Q1 2013 Report Forecast (p/a over next three years)

Opportunities are abundant and yet, after more than a decade of on-going, consistent growth in room supply in both the serviced apartments and motel sectors, for the first time 2012 saw this growth decline.

Despite this opportunistic climate, operators face formidable challenges. Restrictive local planning schemes, arduous processes and a lack of

understanding around investment models (where developers can invest but do not have to operate the facility) are stalling major supply increases across the country.

Raising the funds for the high development cost of an accommodation facility, land availability and competing uses (with a higher return, such as office space) are also blocking this growth.

Serviced Apartments now represent 25% of the total accommodation market - up from just 10% in 1999. And despite the challenges above, we predict this figure will again rise further towards 30% in the coming years.

In line with a positive earnings trend, serviced apartments have attracted a growing share of the accommodation market and generate over AUS\$2 billion in revenues.

| Market | Deloitte Access Economics Report Q1 2013 Report Forecast (p/a over next three years) | | |
|-----------------|--|-----------------|--------------------|
| | % Growth in Occupancy | % Growth in ARR | % Growth in RevPAR |
| Sydney Metro | 0.9% | 3.8% | 4.7% |
| Melbourne Metro | 1.2% | 4.3% | 5.5% |
| Brisbane Metro | 0.5% | 5.7% | 6.2% |
| Perth Metro | 0.5% | 9.3% | 9.8% |
| Adelaide Metro | 0.0% | 2.9% | 3.0% |
| Canberra Metro | 1.0% | 3.5% | 4.5% |
| Darwin Metro | 0.0% | 3.9% | 3.5% |

Fig 26 Tourism & Hotel Market Outlook 2012 (Source: Deloitte)

| Period | March 1998 % | March 2005 % | March 2011 % |
|---------------------|--------------|--------------|--------------|
| Hotels | 53 | 49 | 48 |
| Motels | 33 | 27 | 26 |
| Serviced Apartments | 14 | 24 | 26 |
| Total | 100 | 100 | 100 |

Fig 27 Share of accommodation market by revenue (Source: ABS, Atchison Consultants)

Key players

The Australian serviced apartments sector is predicted to outperform the hotel sector over the next three years, according to Atchison Consultants who forecast investor returns of between 13% and 15% per annum compared to 10% - 11% per for hotels.

A separate report by Jones Lang LaSalle Hotels (JLLH) says that 3,712 hotel rooms were under construction in September 2012 of which a third were serviced apartments, but adds that serviced apartments will have to show a positive yield for at least three years to tempt back investors.

Nevertheless Australia's serviced apartment sector is attracting new investors and is benefitting from increasing numbers of business travellers to Australia. International arrivals rose by 10% in 2011 and Atchison Consultants estimates that business travellers account for 50% of guests who stay in serviced apartments, attracted by the lower costs compared to hotels.

The sector is highly fragmented, and no one player has a significant market share. While the sector dates back to the 1970s, the real growth spurt occurred in the build-up to the Sydney Olympics with the number of establishments with 15 rooms or more growing from 479 in 1998 to 973 by March 2011. The biggest players are Quest, Oaks Hotels and Resorts, the Mantra Group and Mirvac (now part of Accor) (3.2%).

New Zealand

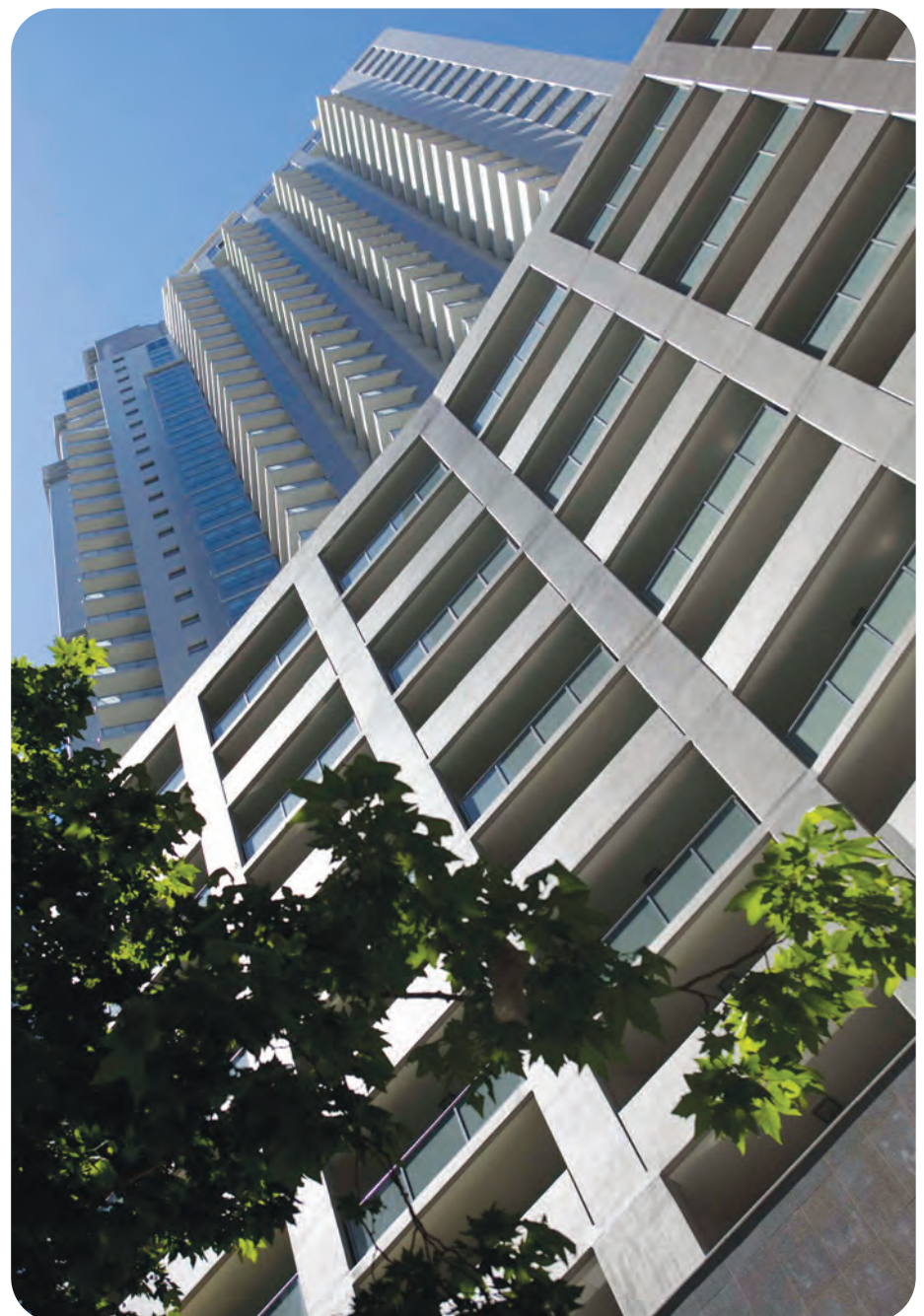
The region has traditionally experienced sluggish growth in demand for accommodation, reflective of the prolonged and subdued nature of the domestic economy and declining international visitor numbers. As a result, the market is dominated by 3-4 star motels, with limited alternative hotel accommodation.

The Christchurch region is now significantly undersupplied due to destruction of accommodation during the 2011 earthquake. There are increasing numbers of contractors

travelling to the city for work associated with the re-build, and therefore demand for new, quality accommodation for business travellers is now growing.

In Wellington, growth in both supply and demand are slow – though the existing accommodation in this area is no longer meeting business travellers' needs. In Auckland, visitor nights are growing at an average of 3-4% per annum, with the market expected to be significantly undersupplied within 3-4 years.

Quest World Square, Haymarket



Market perspective

By Paul Constantinou Chairman, Quest Apartments

Despite starting Quest 25 years ago I am still enthused about the potential for the serviced apartment market, especially in terms of what the apartment offering is and the benefits to the customer. Who knows, we may even get a common definition of what constitutes a serviced apartment one day!

In recent years Australia has become de-centralised; former regional towns are now regional cities, and the lack of accommodation in these areas is being addressed by serviced apartments rather than mainstream hotels. Although Australia has major international centres, the hotel chains tend to stay in the main cities.

As it has in other global regions, educating travellers and travel managers about serviced apartments has been a slow process, partly because the terminology has been hard for corporates to grasp. Demand for serviced apartments is being driven by the extended stay market, where demand has grown by 30% due to companies growing and more consultants finding themselves on the roads to service their customers.

More short-term contract workers is another factor driving demand, with Asian and Indian IT consultants coming into Australia, as well as from the US. Our product is perfect for these customers because so many of them are familiar with the serviced apartment product from The Ascott, Frasers and other leading operators. They are an educated market, which makes it easy to do business.

The business mix in Quest Apartments is 80/20 in favour of corporates. Our leisure business is mainly for those visiting friends and relatives or attending major sporting events like the F1 Grand Prix. When corporates are in town for a long period they bring their families too.

We work directly with corporates and their travellers to develop better relationships and greater understanding of serviced apartments. We deal with TMCs too but they provide an extra link in the chain that has to be managed, and the churn of clients between TMCs makes the management of these 'trade' relationships much tougher.

Online travel agents (OTAs) are a relatively new, but growing phenomenon in the supply chain, mostly in the leisure market. There are two problems here from our perspective; first, smaller operators tend to use these sites to dump inventory, which undermines the integrity of our pricing models. Second, you can't form any relationship with the customer, so the transaction becomes purely about the price. Commoditising a product diminishes profitability, and operators have to ask themselves whether there are the customers they really want.

Product education is just one of three principal challenges facing serviced apartment operators in Australia. The difficulties operators encounter raising the necessary capital for their projects reflects Australasia's financial markets' lack of understanding of serviced apartments. This also explains in part why hotels are not growing in Australia at the same rate they are doing around the world. And when you do get the funding, the next problem is obtaining the right planning to make the project happen.

In this market the brand is all powerful; however you have to make sure that the investment in the brand delivers clarity back to customers. The first priority is to get local customers to understand your brand and make it feel that it is their brand. We did this successfully in New Zealand where we initially struggled to get traction. Brand is the essence of long term sustainability.

Looking to the future my hope is that we see continued investment in the serviced apartment product and wider industry. I also hope that the entire accommodation industry becomes less fragmented. Right now, hotels see serviced apartments as trying to steal their business but we need

their knowledge and understanding of the hospitality industry. Hotels will always kill us for experience but serviced apartments can deliver the privacy and space to allow customers get the job done.

My greatest fear is the global business market; Asia has a massive influence on Australian market performance so we will be vulnerable if the Asian market is hit by unforeseen factors. We need confidence in the business market, and I'm pleased to see that corners are slowly being turned in the UK and US. Above all, we must avoid negative confidence.



Paul Constantinou

| The major operators in the region are as follows. | | | |
|--|--------------------------|-----|--------|
| Mantra Group (formerly Stella Hospitality) | | 130 | 13,600 |
| Other | | 556 | 13,457 |
| Quest Serviced Apartments | Quest | 120 | 6,786 |
| Oaks Apartments | | 38 | 4,432 |
| Mercure Australia | Accor | 40 | 4,173 |
| Meriton Serviced Apartments | | 11 | 2,674 |
| Adina Apartment Hotels | Toga Hospitality | 26 | 2,263 |
| Mirvac | Accor | 36 | 2,000 |
| Waldorf Serviced Apartments | | 27 | 1,900 |
| Quest Serviced Apartments - New Zealand and Fiji | Quest | 35 | 1,415 |
| Punt Hill Serviced Apartments | | 15 | 707 |
| Somerset | The Ascott Ltd. | 3 | 534 |
| Corporate Keys | | 1 | 500 |
| Medina Serviced Apartments | Toga Hospitality | 4 | 350 |
| Fraser Suites | Frasers Hospitality | 2 | 320 |
| Astra Apartments | | 17 | 309 |
| Best Western Australia | | 19 | 300 |
| Central Group | Prime Group of Companies | 4 | 280 |
| Q Resorts | | 4 | 233 |
| Fraser Place | Frasers Hospitality | 1 | 158 |
| Clifton on Northbourne - Canberra | | 1 | 153 |
| Citadines Aparthotels | The Ascott Ltd. | 1 | 128 |
| VR Hotels | | 7 | 116 |
| The York | Swiss Belhotels | 1 | 110 |
| Apartments by Nagee - Canberra | | 1 | 90 |
| Sheraton Mirage Port Douglas | Sheraton (Starwood) | 1 | 90 |
| Kingston Terrace (Canberra) | | 1 | 74 |
| Terrace Villas (new entry) | | 1 | 50 |
| Park Squire Motor Inn & Serviced Apartments | | 1 | 18 |

Supply

Our research has highlighted 57,220 serviced apartments in 1,104 locations across Australasia. Based on our estimates of the world's total supply of serviced apartments, Australasia houses 8.72% of the global serviced apartments market, and 12.54% of the world's serviced apartment locations.

Based on these figures, regional supply has therefore increased by 14.5% since 2011.

Rates

Serviced apartment rental rates in Australia and New Zealand are the most expensive in the Asia Pacific region, ranging from AUS\$110 – 200 per night for a studio apartment to AUS\$180 – 275 for a two bedroomed apartment.

Within the region itself, there is also a significant difference in average rates between Sydney and Auckland; a studio apartment in the former costs almost 50% more than the same size of apartment in the New Zealand capital.

Rates in key cities

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.

| | STUDIO | | | | | | ONE BEDROOM | | | | | | TWO BEDROOM | | | | | |
|----------------------------|----------------|----------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|------|--------------|--------------|----------------|----------------|--------------|------|--------------|--|
| | 2010/11 rate | | 2012/13 rate | | YoY variance | 2010/11 rate | 2010/11 rate | | 2012/13 rate | | YoY variance | 2010/11 rate | 2010/11 rate | | 2012/13 rate | | YoY variance | |
| | Local currency | Local currency | US\$ | Euro | % | | Local currency | Local currency | US\$ | Euro | % | | Local currency | Local currency | US\$ | Euro | % | |
| AUSTRALASIA | | | | | | | | | | | | | | | | | | |
| Auckland | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | NZD 115 | NZD 145 | USD 119.60 | EUR 92.56 | 26% | NZD 158 | NZD 175 | USD 144.37 | EUR 111.70 | 11% | NZD 210 | NZD 225 | USD 185.78 | EUR 143.74 | 7% | | | |
| 7 nights + (weekly rate) | NZD 750 | NZD 900 | USD 742.32 | EUR 574.49 | 20% | NZD 900 | NZD 1,100 | USD 907.46 | EUR 702.12 | 22% | NZD 1,210 | NZD 1,375 | USD 1,135.31 | EUR 878.42 | 14% | | | |
| One month + (monthly rate) | NZD 2,910 | NZD 3,100 | USD 2,556.88 | EUR 1,978.81 | 7% | NZD 3,550 | NZD 3,720 | USD 3,068.88 | EUR 2,376.53 | 5% | NZD 4,700 | NZD 4,900 | USD 4,045.83 | EUR 3,130.37 | 4% | | | |
| 3 month + (monthly rate) | NZD 2,750 | NZD 2,950 | USD 2,433.16 | EUR 1,882.97 | 7% | NZD 3,250 | NZD 3,400 | USD 2,807.31 | EUR 2,172.09 | 5% | NZD 4,350 | NZD 4,500 | USD 3,715.56 | EUR 2874.83 | 3% | | | |
| Sydney | | | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | AUD 148 | AUD 172 | USD 178.48 | EUR 138.04 | 16% | AUD 190 | AUD 210 | USD 217.92 | EUR 168.53 | 11% | AUD 285 | AUD 313 | USD 324.82 | EUR 251.24 | 10% | | | |
| 7 nights + (weekly rate) | AUD 779 | AUD 950 | USD 985.82 | EUR 762.42 | 22% | AUD 872 | AUD 1,000 | USD 1,037.76 | EUR 802.69 | 15% | AUD 1058 | AUD 1,200 | USD 1,245.31 | EUR 963.23 | 13% | | | |
| One month + (monthly rate) | AUD 2,750 | AUD 3,000 | USD 3,113.11 | EUR 2,407.64 | 9% | AUD 3,020 | AUD 3,200 | USD 3,320.82 | EUR 2,568.60 | 6% | AUD 3,693 | AUD 3,875 | USD 4,021.31 | EUR 3,111.97 | 5% | | | |
| 3 month + (monthly rate) | AUD 2,500 | AUD 2,800 | USD 2,905.57 | EUR 2,247.13 | 12% | AUD 2,725 | AUD 2,900 | USD 3,009.49 | EUR 2,327.80 | 6% | AUD 3,310 | AUD 3,400 | USD 3,528.48 | EUR 2,730.50 | 3% | | | |

Fig 28 City rates analysis (Source: The Apartment Service)

Central & South America



South America's economic growth and growing stability has created a promising business climate in the region. The development of the main cities has also thrown up compelling investment opportunities.

The picture in each of the region's countries is not consistent. Whilst nations integrated to the financial markets of South America (and higher credit ratings) such as Brazil, Chile, Colombia, Peru and Uruguay have recovered steadily from the recession, they struggled until 2011. Since then, the raw-material exporters (Argentina, Bolivia, Ecuador, Paraguay and Venezuela) have grown too.



Summit Residences, Mexico City

Demand

In terms of hospitality industry infrastructure, Latin America remains fragmented, composed mainly of independent hotel operators, although hotel operators now view Argentina and Chile as emerging regions, in which there is significant scope for expansion.

The key source markets for business travel to this region are the US, Canada, Australia and Germany; some major international airlines have direct connections to either the US or Europe, but long-haul tourism is neither easy nor cheap, limiting the hotel sector's growth potential.

Over the last three years RevPAR has increased in Buenos Aires, Santiago and the Uruguayan capital Montevideo, driven by increased occupancy in each case. As with other growing regions, demand has outstripped supply. During 2011/12 supply in Buenos Aires increased by 2.1%, whilst demand leapt by 7.2%.

Argentina and Chile are set to see large-scale expansion of hotel supply, although commentators believe that it will be some time before they are on a par with other emerging markets.

The condo-hotel concept is popular in the region and is being deployed to grow the developing markets in Colombia, Uruguay and Argentina.

A condo hotel, also known as a hotel-condo or a Condotel, is a building used as both a condominium and a hotel. Condo hotels are typically high-rise buildings developed and operated as luxury hotels, usually in major cities and resorts. These hotels have condominium units which allow someone to own a full-service vacation home which, when not in use, can be rented out and managed by the hotel chain as it would any other hotel room.

Condo hotels are popular amongst 'capital-challenged' developers, have also returned to the Brazilian market thanks to greater regulation and the involvement of well-known brands like Hilton, who opened the 245-room Hilton Bogota.

Many major hotel brands are active in South America at the moment. Many, like Hilton, IHG and Accor are focussing on the condo-hotel concept. However they claim that condo-hotels are no longer 'apartment hotels' as they did when the concept was launched in the early 2000's.

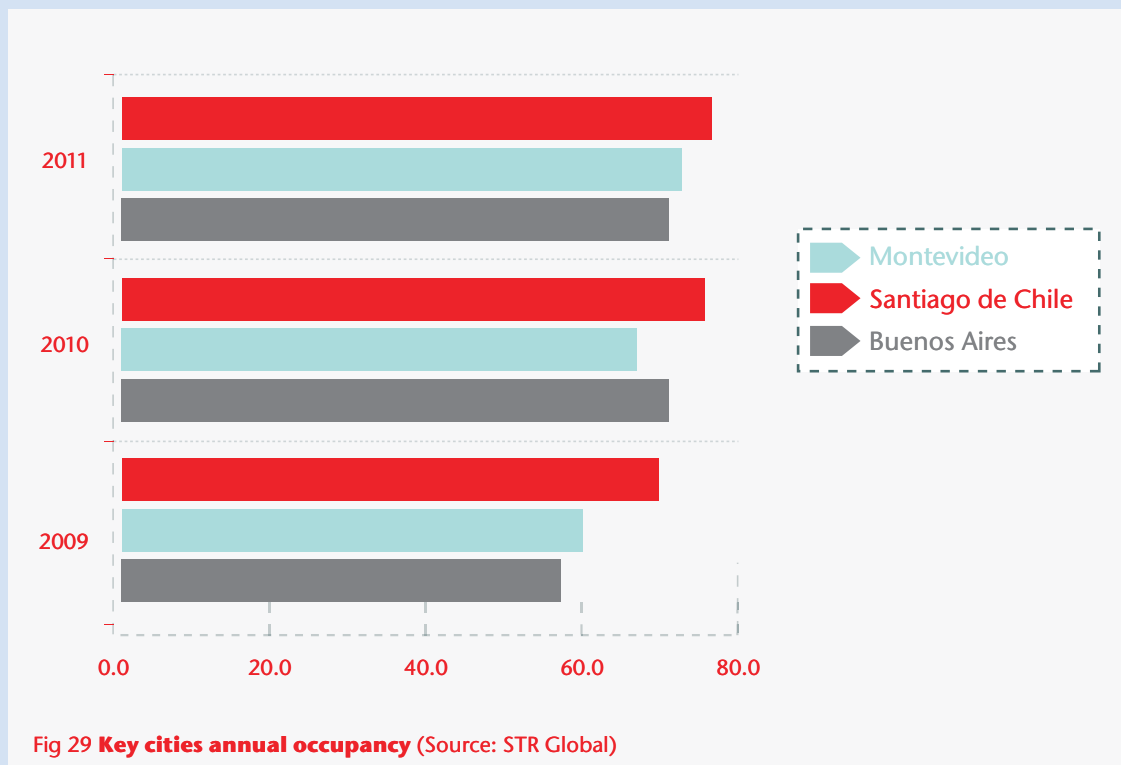


Fig 29 Key cities annual occupancy (Source: STR Global)

Serviced Apartments

The serviced apartments industry is relatively new in Latin America, having only begun to establish itself in the last 5-7 years. The market is dominated by local providers and, inevitably, the serviced apartment product varies greatly across the region.

Some countries in the region struggle to service or maintain their apartment stock, which is made up mainly of older and poorly constructed buildings with small square footage and space, amenities are limited and the provision of both housewares and furnishings is inconsistent.

On-site or in-suite laundry is uncommon, and the photographs of apartments used in many serviced apartment brochures and websites are not always the actual product. Trusted on-the-ground representation is critical for corporates considering housing their personnel in serviced apartments in this region.

However, and with the next World Cup and Olympics events taking place in Brazil, and the economic expansion of the region, South America is becoming more popular with corporates and ex-pats and the region's serviced apartments sector is set to be transformed too, especially in the main cities for business related stays:-

- Argentina Buenos Aires
- Brazil Sao Paulo, Rio de Janeiro, Curitiba, Porto Alegre
- Chile Santiago
- Columbia Bogota
- Mexico Guadalajara
- Uruguay Montevideo

Local corporates are now looking at ways to cut accommodation costs, so the serviced apartment industry is starting to

appeal to them. However supply is limited, even in major cities like Rio de Janeiro and Santiago.

As a new industry, clients are not yet accustomed to the serviced apartment product so ex-pats and in-bound assignment workers form the backbone of apartment users. This should change in the next two to three years as corporate demand and supply grow and new operators come into the sector to challenge the main hotel brands and local independents that currently dominate.

Brazil

In early 2012 Brazil overtook the UK to become the world's sixth-largest economy with a GDP of \$2.52 trillion.

Occupancy, average daily rates and RevPAR are growing across Brazil's hotel industry, which generated record profits for operators in 2012 – 36% of total revenue. This, coupled with the major international events being staged in Brazil and growing international investment in Latin America have made Brazilian hotels an attractive investment option.

Nevertheless there is an imbalance between supply and demand. Brazil's 10,000 hotels and 500,000 rooms hosted more than 5.4 million international tourists in 2011. Yet only 238 hotel projects are planned for the period to 2015, adding a further 38,854 rooms.

Chile

In common with the rest of the region, business tourism is growing in Chile, especially in Santiago. As a result the range of accommodation available to travellers has been increasing year-on-year, especially for aparthotels, in Santiago and the other main cities of Concepcion, Antofagasta, Puerto Montt and Copiapo.

“There is still great room for growth in Brazil's hotel supply, especially outside of the major cities. Unlike past World Cup and Olympics host cities, we expect São Paulo and Rio de Janeiro to absorb supply additions more easily and maintain demand well past the games, given the cities' deficiency in supply from the get-go.”

says Manuela Gorni, Senior Vice President of Jones Lang LaSalle Hotels in São Paulo.

In Santiago's serviced apartment community, the average stay is 4 - 5 nights, an increase on previous years, and the proportion of corporates to leisure travellers is increasing too. According to local operators, most bookings come from the international booking portals rather than directly with the operators, reflecting the lack of awareness of serviced apartment locations in Chile.

Operators are preparing for future growth by refurbishing their apartments and by investing in technology to improve distribution and provide better guest care in order to improve their competitive edge against hotels, against which many apartments compare unfavourably at present.

The biggest barrier to growth in serviced apartments in Chile is once again that of educating prospective users on the concept and benefits of using an aparthotel. Local rules for accreditation have just been introduced.

Columbia

In Colombia, traditional hotel rooms are widely used to service the relocation market. The main cities for business related stays are Bogotá, Medellín, Cali and Barranquilla and Cartagena

The local serviced apartments market is emerging thanks largely to hotel operators adding aparthotels to their portfolios. Ex-pat residents in Colombia are the primary consumers of serviced apartments. By contrast, in Argentina the main option to hotels are direct private lettings on fully furnished apartments.

Colombia's development is attracting investors and business travellers with short and long term accommodation needs for which aparthotels are a popular choice because of the comfort and privacy they provide, coupled with traditional hotel services.

The serviced apartment sector is predicted to grow tremendously over the next two years as corporations begin operating in Columbia.

Supply

Our research has highlighted 6,115 serviced apartments in 65 locations in Central and South America. Based on our estimates of the world's total supply of serviced apartments, the region accounts for just 0.9% of the global serviced apartments market in 0.73% of the world's serviced apartment locations.

Rates

Average serviced apartment rental rates vary between the different countries in the region. In Buenos Aires, a studio apartment costs around ₳45.58 per night for a stay of up to one week, compared to ₳67.90 in Rio de Janeiro and ₳87.50 in Sao Paolo. This reflects the growing appeal of Brazil in this region.

Internationally, average rates are amongst the lowest in world, beaten only by India for studio apartments. However at two-bedroom apartment level rates rival those of European operators.



Othon World Hotels, Brazil

Rates in key cities

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.

| SOUTH AMERICA | STUDIO | | | | ONE BEDROOM | | | | TWO BEDROOM | | | | | | |
|----------------------------|----------------|----------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|-----|
| | 2010/11 rate | 2012/13 rate | | YoY variance | 2010/11 rate | 2012/13 rate | | YoY variance | 2010/11 rate | 2012/13 rate | | YoY variance | | | |
| | Local currency | Local currency | US\$ | Euro | % | Local currency | Local currency | US\$ | Euro | % | Local currency | Local currency | US\$ | Euro | % |
| Buenos Aires | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | ARS 250 | ARS 300 | USD 58.86 | EUR 45.58 | 20% | ARS 340 | ARS 420 | USD 82.39 | EUR 63.66 | 23% | ARS 500 | ARS 575 | USD 112.79 | EUR 87.13 | 15% |
| 7 nights + (weekly rate) | ARS 1,600 | ARS 1,875 | USD 367.79 | EUR 284.03 | 17% | ARS 2,210 | ARS 2,500 | USD 490.39 | EUR 378.81 | 13% | ARS 3,200 | ARS 3,400 | USD 666.93 | EUR 515.18 | 6% |
| One month + (monthly rate) | ARS 6,840 | ARS 7,100 | USD 1,392.70 | EUR 1,075.53 | 4% | ARS 7,345 | ARS 7,600 | USD 1,490.78 | EUR 1,151.57 | 3% | ARS 8,400 | ARS 8,650 | USD 1,696.75 | EUR 1,311.10 | 3% |
| 3 month + (monthly rate) | ARS 6,445 | ARS 6,700 | USD 1,314.24 | EUR 1,015.25 | 4% | ARS 6,610 | ARS 6,900 | USD 1,353.47 | EUR 1,045.51 | 5% | ARS 7,650 | ARS 7,875 | USD 1,544.73 | EUR 1,193.63 | 3% |
| Rio de Janeiro | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | BRL 140 | BRL 174 | USD 87.69 | EUR 67.90 | 24% | BRL 215 | BRL 260 | USD 131.08 | EUR 101.28 | 21% | BRL 245 | BRL 310 | USD 155.72 | EUR 120.37 | 26% |
| 7 nights + (weekly rate) | BRL 840 | BRL 1,100 | USD 553.95 | EUR 428.15 | 30% | BRL 1,350 | BRL 1,575 | USD 794.04 | EUR 613.53 | 17% | BRL 1,505 | BRL 1,900 | USD 954.40 | EUR 737.69 | 26% |
| One month + (monthly rate) | BRL 3,300 | BRL 3,750 | USD 1,888.46 | EUR 1,459.60 | 14% | BRL 4,750 | BRL 5,100 | USD 2,568.31 | EUR 1,985 | 7% | BRL 6,300 | BRL 6,800 | USD 3,415.73 | EUR 2,640.17 | 8% |
| 3 month + (monthly rate) | BRL 3,000 | BRL 3,300 | USD 1,661.84 | EUR 1,284.45 | 10% | BRL 4,300 | BRL 4,750 | USD 2,392.05 | EUR 1,848.77 | 10% | BRL 5,800 | BRL 6,100 | USD 3,064.11 | EUR 2,368.24 | 5% |
| Sao Paulo | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | N/A | BRL 225 | USD 113.30 | EUR 87.50 | | N/A | BRL 300 | USD 151.07 | EUR 116.66 | | N/A | BRL 375 | USD 188.84 | EUR 145 | N/A |
| 7 nights + (weekly rate) | N/A | BRL 1,200 | USD 604.29 | EUR 466.65 | | N/A | BRL 1,900 | USD 956.80 | EUR 738.86 | | N/A | BRL 2,400 | USD 1,208.59 | EUR 933.41 | N/A |
| One month + (monthly rate) | N/A | BRL 4,750 | USD 2,391.99 | EUR 1,847.17 | | N/A | BRL 6,500 | USD 3,273.35 | EUR 2,527.70 | | N/A | BRL 8,000 | USD 4,028.63 | EUR 3,112.62 | N/A |
| 3 month + (monthly rate) | N/A | BRL 4,500 | USD 2,266.10 | EUR 1,749.94 | | N/A | BRL 6,000 | USD 3,021.46 | EUR 2,323.36 | | N/A | BRL 7,500 | USD 3,776.84 | EUR 2,917.80 | N/A |

The major operators in the region are as follows.

| | | |
|--|----|-------|
| Mercure | 25 | 2,607 |
| Othon Suites – Brazil | 15 | 2,434 |
| LOI Suites (Argentina/Brazil) | 5 | 332 |
| Temporary Apartments – Buenos Aires | 4 | 160 |
| Dazzler Suites – Buenos Aires | 3 | 144 |
| Brasiliana Santana Gold Flat – Sao Paulo | 1 | 96 |
| Live Skyline (Brazil) | 5 | 90 |
| Augusta Park Suite Hotel – Sao Paulo | 1 | 54 |
| Aparthotel Cabildo Suites – Buenos Aires | 1 | 48 |
| Hollywood Suites & Lofts – Buenos Aires | 1 | 41 |
| Ayres de Ricoleta – Buenos Aires | 1 | 38 |
| Ayres de Libertad – Buenos Aires | 1 | 30 |
| Alameda Aparthotel – Sao Paulo | 1 | 28 |
| Oscar Freire Imovel Total | 1 | 13 |

Fig 30 City rates analysis (Source: The Apartment Service)

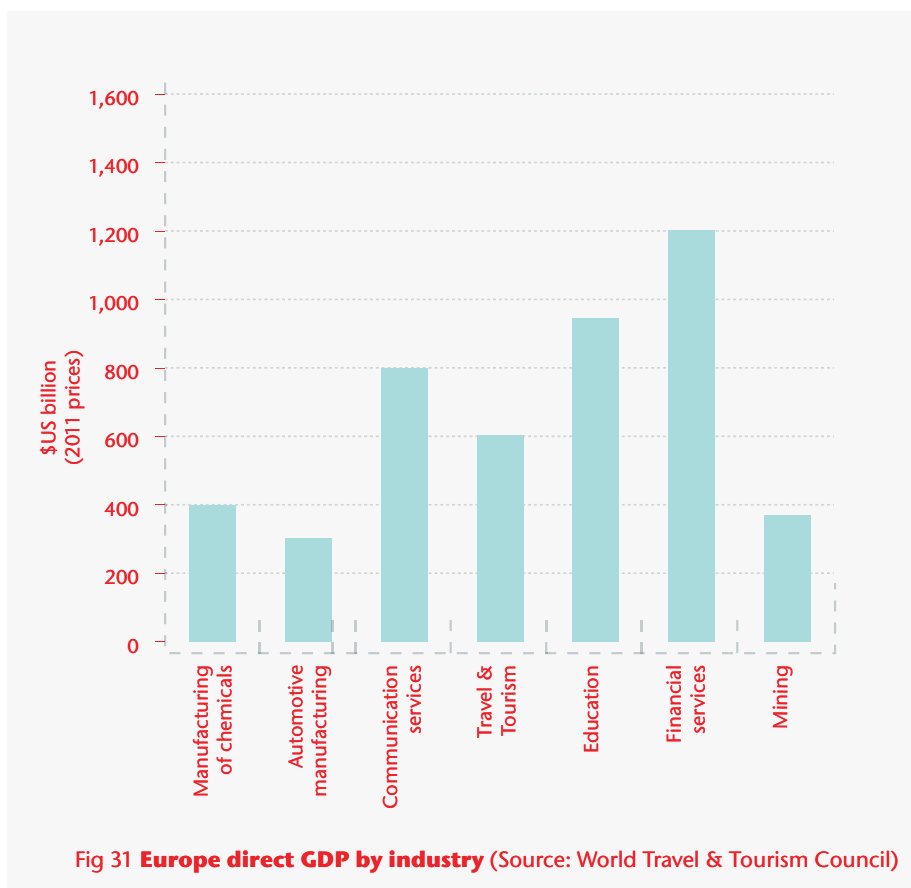
Europe



Travel and tourism delivered 7.9% of Europe's entire GDP in 2011, directly employing 10 million people and sustaining 28 million jobs in total. Employment in the travel industry is predicted to grow by 1.2% a year over the remainder of the decade, more than any other sector of the economy.

Demand

The Global Business Travel Association (GBTA) predicts that overall business travel spend will grow throughout 2013 across most of developed Europe, fuelled by rising domestic business travel expenditure.



GBTA says that Germany will see the biggest increase in business travel spend at 5% in 2013 alone. By comparison, the UK will see a 1.9% growth, but elsewhere the picture is less rosy. Business travel spending levels in France, Spain and Italy is predicted to fall for the second year running, by 1.4%, 6.2% and 2.9% respectively.

The association also says that 2014 will see the five key European business travel markets (Germany, the UK, France, Italy and Spain) returning to growth thanks to increased international outbound travel as trade levels recover.

Europe's hotel industry is keeping pace with the worldwide expansion in supply. There are currently more than 1,180 new four and five star hotels in the pipeline, compared to 1,700 in Asia and just 450 in North America (source: www.tophotelprojects.com).

Amongst the largest projects is the Andermatt Swiss Alps development in Switzerland, which will include the 299 million Swiss francs Chedi hotel.



UK

Northern Spain will house the new Gran Scala tourism hub, located between Zaragoza and Barcelona, which will eventually house 70 hotels, 32 casinos, five theme parks and apartments for up to 100,000 residents.

Hotel sector

The European hotel industry posted mixed results in 2012 compared to 2011, according to STR Global. But although overall occupancy was up only marginally at 66.2% over the year, December 2012 saw European hotels declare their highest increase in occupancy for the year – 2.8%.

The biggest winners during 2012 occupancy-wise were Reykjavik (up 12.7% to 70.3%), followed by Bratislava (up 10.4% to 51.4%). The biggest loser was Athens (down 10.5% to 53.1%).

STR predicts continued rate growth in 26 of the 38 European markets, but declining occupancy in 19 European markets during 2013.

Serviced apartments

The European serviced apartments market is the 2nd largest in the world after the US. A mix of serviced apartment products have co-existed for the last 15 – 20 years, creating an array of international, regional and local operators supported by specialist booking agencies.

Serviced apartment stock in Europe is a mixture of old and new stock, although the arrival of the branded operators in more recent years has brought greater investment in new product, especially in London where the 2012 Olympics proved an effective driver of new supply.

The principal concentrations of serviced apartments in Europe lie in the business hubs of London, Paris, Geneva, Dublin, Brussels and Berlin. Like so many of the other global regions, the serviced apartment product in these locations varies according to the respective national standards.

The UK's Association of Serviced Apartment Providers' (ASAP) report that the average weekly rental figure for London for 2012 was £1105 – up 17% on 2011- and £606 outside London. Occupancy was down 1% in London at 83%, compared to 79% (up 1% on 2011 in the regions.) October was the sector's best month, with occupancy at 89% for London and 82% in the regions.

There are strong levels of optimism amongst UK apartment operators. ASAP reports that 74% of members expect business to increase during 2013; of those, 50% expect an increase of up to 10% this year and 20% expect an increase of over 10%. 59% of ASAP members increased their rates in 2013 with 32% holding their 2012 rates.

Many ASAP members are growing their businesses by introducing new services such as earlier check-in and later check-out times; discount vouchers for local restaurants, continental breakfast and so on.

Corporate confidence in the London market is high thanks to travel managers and travellers embracing the cost benefits of apartments as an alternative to hotel stays.

Currently, the majority of serviced apartments are concentrated in the West End, the City and Canary Wharf, but in the last 18 months demand has grown for apartments in smaller, suburban locations like St Albans, Heathrow, Stratford-Woking and Windsor

All lie within easy commuting distance of both London and the out-of town business parks, like Stockley Park or Hatfield Business Park. Windsor is a perfect alternative to Slough, while St Albans attracts those working in north London and the surrounding areas of Luton, Hatfield and others.

However research by Savills suggests that demand is still outstripping supply. Savills estimate that London has a potential capacity for 16,300 serviced apartment units, and that this would require a 200% increase in inventory.

Marie Hickey, Associate Director at Savills said: "London's under-supply becomes more pronounced when taking into account business visitor numbers, the traditional users of serviced apartments. New York and Hong Kong have 5.2 and 5.3 units per 1,000 visitors respectively whilst London has just 1.2 units."

Germany

The German serviced apartment industry has seen overnight stays grow by 30% in recent years, a trend that has been replicated across the German-speaking world, but especially in cities such as Berlin, Dusseldorf, Hamburg and Munich.

With approximately 50 properties, Berlin is the serviced apartment capital of Germany although the overall German market is reckoned to house 15,000 - 25,000 serviced apartment units. However the serviced apartment industries in Germany, Austria and Switzerland are all looking to expand their long-stay capacities.



Grosvenor House, London

Spain

Spain is a relatively new market for serviced apartments in cities, where the concept is not well known. Traction is likely to arrive when Spain has recovered from the recession, and in the meantime hotels are the main accommodation provider for business travellers. Most of the big companies in Spain work with a TMC, for whom hotels are the easy option in terms of technology, rates and income. Companies like Santander are now including serviced apartments in their corporate travel programmes but are adapting hotel-oriented booking process, which makes it harder to understand serviced apartment operators' terms and conditions.

In the wake of Spain's financial crisis, many investors have been left with properties they cannot sell. One solution has been to turn them into serviced apartments; as a result, there is now plenty of supply at relatively low rental rates.

As Andres Garcia General Manager at Madrid Rental Flats says, "in Madrid everything is so complicated. The average price keep going down and there is a price war between operators. Hotels are now giving corporate rates that undercut us."



Market perspective

By Vangelis Porikis
Director, Central & Northern
Europe, Adagio S.A.S.

Corporates' extended stay requirements are growing and many companies are managing this demand within their travel programmes. In some countries, such as France, corporates have integrated accommodation for assignment work into their programmes, adapting the RFP process to cover extended stay.

However many Travel Managers remain unaware of their company's extended stay volumes. In 2012 Adagio did some research in Germany to quantify the potential for extended stay. Whilst 20% of those interviewed have centralised their buying to cover extended stay, the opposite was the case for 26% of organisations, where responsibility was spread across project management and HR, leaving the travel manager unaware of the volumes involved. This highlights the fact that extended stay is not yet a major focus for many corporates.

Although one of the key markets for serviced apartments is Germany, this is still relatively under-developed, as is Belgium. At Adagio we have had great success with our properties in Cologne, Geneva, Vienna and other key capitals.

When we are evaluating a potential development our development team considers multiple criteria including the local economy and each market sector including leisure. For example, 45% of the guests staying at our Liverpool property are from outside the UK. If a location is really good the presence of a competitor will help.

Whilst UK and US companies work with relocation agents, this category of intermediary is less prominent in other European countries where individual agents do operate but do not book apartments. In Europe extended stay bookings are fulfilled locally by phone.



Vangelis Porikis

On the downside there is still a lack of product awareness about the serviced apartment concept. Brands will help to address that need but there is some confusion due to the different names applied to serviced apartments, such as extended stay, aparthotels and boarding houses. We need simpler and clearer communication and terminology.

There are also technology limitations to the future growth of extended stay. For example, last year Adagio launched a long stay website but the GDS cannot process a booking if one night is not available. Another challenge is that rates for longer stays tend not to be available online.

Future growth for this sector in Europe will come from both the business or leisure segments. There is a lot of overseas and long haul leisure business in the destinations Adagio services, especially from Brazil. International mobility relocation will grow too, especially with Indian IT specialists relocating to Europe.

In the short term the economic downturn in key European countries is a major issue; travel budgets are still under pressure. Mid to long term there is still to do educating the consumer, especially in the leisure market.

Market perspective

**By Jim Murphy,
Managing Director,
Prem Group**

The Prem Group has been running at 90% occupancy for the last 3 years, which is above average for the UK. Our problem has been rate pressure although, having been at its worst level in 2010, RevPAR is growing in Dublin, which reflects the trends in the local hotel sector.

Our customer base is predominately corporate and assignment or project-related and is therefore so very much long stay, however this is complemented by a strong year-round leisure market and robust events market too. Dublin has invested in its infrastructure with the Conference Centre and O2 arena; there are now more corporates with European HQs in Dublin such as Google, so the demand for extended stay has grown tremendously.

At our provincial UK locations occupancy has consistently reached 80 - 85%, whilst rates have grown by around 4% year on year. We've been helped here particularly by growth in the leisure market, especially amongst the late 20's to mid-30's age group. Our average length of stay is less than one week, with just 20% staying for longer periods.

2013 has started quietly with a slight decline in business. This trend started in late 2012 and demonstrates that the provincial UK market is under pressure. Dublin has already been through the pain of austerity strategies but it is taking the UK longer to come out of this phase, whilst business in Northern Europe has seen a slowdown too.

Hotels are our main competitors so we try to take market share from them. We believe we can provide a better product at a more cost effective price, especially for long stay, although hotels can be more flexible in their rate strategy because serviced apartments have very high fixed costs.

The Eurozone crisis is an on-going challenge with flat growth rates impacting on the leisure market in particular so I see future growth coming from the corporate market where there's a great opportunity to grow the business.

There's a lot of residential stock that would benefit from being turned into serviced apartments. However there's also a danger of unprofessional operators coming in and damaging the reputation of the sector. Property-focussed entrepreneurs are not geared to this sector; we are hoteliers first and run our apartments in the same way.

I also believe that there could be casualties in London from our sector, where the post-Olympic blues are already in full swing. This doesn't apply to Dublin where the market is not as mature. Outside London in the UK there is over-supply in some cities, which will make it more challenging still.

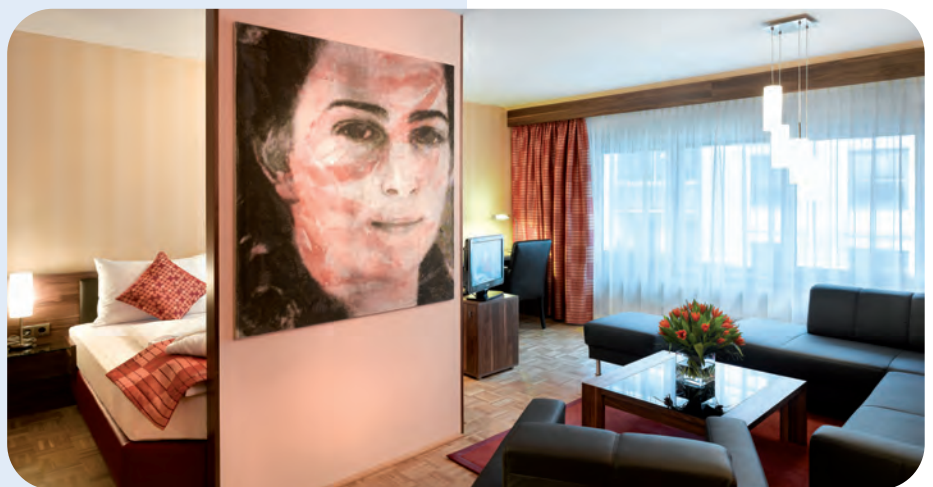
Market perspective

**By Tim Düysen, VP Marketing
& Distribution, Derag
Livinghotels**

The development of the serviced apartment segment in Europe is exciting because the customers are getting more and more aware of our product. They are realising that there is not only an alternative to a regular hotel room for extended stays. A while ago one of our guests said to me: "I would not use scissors to cut my lawn. So why should I stay in a hotel room for a month?"

The providers are reacting and there are many new openings of serviced apartments throughout Europe. The portfolio is growing. Unlike the hotel market there is a better chance to be recognized because of the service range and solutions to compensate a long time away from home that are being offered, not only by the price. This means of course a wide selection for the client to choose from.

And because the new providers are investing in marketing, we are seeing greater and better understanding of the product amongst customers.



Derag living/sleeping area



Tim Düysen

The Derag Livinghotels have been in the German speaking market since the early 80s. We have recently opened new properties in Duesseldorf and Munich. In total we operate 14 properties, e.g. in Berlin, Munich, Frankfurt, Cologne/ Bonn, Nuremberg and Vienna. Our next openings will be concentrated on top destinations in Germany - even if we are already represented there. We will open another property in Munich's city centre and one more in the outskirts. Another one in Frankfurt and a 2nd very special property for guests with very high demands in the heart of Duesseldorf.

However there is still a lot of basic homework the industry has to do. For example there is no consistent terminology for our product. Most providers talk about Serviced Apartments, but our clients use different terms, and this is a global problem.

This is a good time for our industry in Europe. The clients have a solution for extended stays that will bring more comfort and save money at the same time. The providers have the opportunity to extend their range of products in a market that is not as overcrowded as the hotel market.

Supply

Our research has highlighted 85,263 serviced apartments in 1,212 locations across Europe. Based on our estimates of the world's total supply of serviced apartments, Europe houses 13% of the global serviced apartments market, and 13.8% of the world's serviced apartment locations.

Based on these figures, regional supply has therefore increased by 6.1% since 2011.

The major operators in the region are as follows.

| | | | |
|---|----------------------------|-----|--------|
| Maeva | Pierre & Vacances | 177 | 13,193 |
| Adagio + Adagio Access (formerly Citea) | | 90 | 9,337 |
| Pierre & Vacances | Pierre & Vacances | 80 | 9,059 |
| Other | | 98 | 6,942 |
| Citadines Aparthotels | The Ascott Ltd. | 39 | 5,102 |
| My Suite Aparthotels (Now: Park & Suites) | | 45 | 4,040 |
| Residhome (France) | | 35 | 3,500 |
| Suite Novotel | Accor | 27 | 3,402 |
| Sejours et Affaires | | 42 | 2,520 |
| ResidHotel (France) | | 33 | 2,437 |
| ATA Hotels | | 8 | 1,601 |
| Derag Aparthotels | | 11 | 1,465 |
| Innside Premium Hotels | | 10 | 1,412 |
| Bridgestreet (estimated) | | 38 | 1,200 |
| Achat Hotels | | 14 | 1,046 |
| Fraser Suites | Fraser's Hospitality | 6 | 1,013 |
| Adina Apartment Hotels | | 7 | 895 |
| Eden Hotels | | 4 | 833 |
| City Hotels (new entry) | | 9 | 719 |
| G-Hotel | | 8 | 717 |
| Marriott Executive Apartments | Marriott | 5 | 665 |
| Acora Hotel und Wohnen | | 4 | 627 |
| SACO Apartments | | 25 | 625 |
| Marlin Apartments | | 8 | 600 |
| Victor's Residenz-Hotels GmbH | | 4 | 600 |
| Best Western | | 20 | 500 |
| Othon Suites - Portugal | | 4 | 482 |
| Fraser Residence | Fraser's Hospitality | 5 | 479 |
| Staybridge Suites - Europe | Intercontinental Hotel | 3 | 443 |
| StayAt Hotel Apartments | Group | | |
| Premier Group (UK & Ireland) | | 3 | 428 |
| Ascott The Residence | | 8 | 424 |
| Max Serviced Apartments | The Ascott Ltd. | 2 | 400 |
| Oakwood - UK | | 11 | 400 |
| Roomspace Serviced Apartments | Oakwood Corp Housing (est) | 28 | 373 |
| Fraser Place | | 54 | 350 |
| Aedifica | Fraser's Hospitality | 2 | 320 |
| Htel Serviced Apartments | | 32 | 295 |
| MaMaison | | 2 | 280 |
| VIP Suites | | 6 | 279 |
| Cheval residences | | 4 | 274 |
| Thon Residences | | 6 | 270 |
| ESPA Hotels | | 4 | 246 |
| Residence Inn | | 4 | 240 |
| Live Skyline | Marriott | 2 | 232 |
| The Marmara Hotels | | 9 | 220 |
| Excellior | | 4 | 218 |
| Radisson Blu Dubrovnik | | 3 | 210 |
| B-Aparthotels - Brussels | Radisson | 1 | 207 |

The major operators in the region are as follows.

| | | | |
|--|--------------------------|----|-----|
| Lindner Hotels & Residences | | 24 | 197 |
| Hellsten Hotel Apartments | | 3 | 195 |
| Old Town Apartments | | 4 | 189 |
| Acorn Serviced Apartments - London | | 11 | 180 |
| Golden Leaf Hotels & Residences | | 1 | 170 |
| Buroma Apartsuites | | 30 | 160 |
| Apartamentos Playa Club - Lanzarote | Sunlight Hotels | 1 | 145 |
| Solplay Aparthotels | | 1 | 142 |
| Boscolo Luxury Residence Budapest | Boscolo Hotels & Resorts | 1 | 138 |
| Eurohotel & Suites | | 1 | 137 |
| Grosvenor House Hotel Apartments | by Jumeirah | 1 | 133 |
| Perfect Visit | | 3 | 127 |
| Sol Melia | | 2 | 124 |
| Altis Hotels (new entry) | | 2 | 120 |
| Solitaire Hotels | | 1 | 106 |
| Hoteles Quo | | 3 | 100 |
| The Spires | | 3 | 95 |
| Your Home From Home | | 4 | 92 |
| Babka Towers | | 1 | 85 |
| Other Serviced Residences | The Ascott Ltd. | 1 | 85 |
| Winter's Hotelgesellschaft mbH | | 2 | 85 |
| Laris Hotels (Poland) | | 4 | 84 |
| Arass Suites | | 1 | 83 |
| Apartamentos El Dorado - Lanzarote | Sunlight Hotels | 1 | 81 |
| Properties Unique | | 20 | 75 |
| Birchover Apartments - Derby | | 2 | 70 |
| Lisbon Apartments | | 6 | 66 |
| Senator Apartments (Ukraine) | | 2 | 62 |
| Aparthotels & Residences | | 2 | 60 |
| Art Appart | | 2 | 60 |
| HSH Group - Germany | | 2 | 60 |
| Astons Apartments | | 3 | 54 |
| The Richmond - Liverpool | | 1 | 51 |
| Radisson Blu Trysil - Norway | Radisson | 1 | 50 |
| Aparthotel Wellington - Brussels | | 1 | 45 |
| Apartamentos Los Cocoteros - Lanzarote | Sunlight Hotels | 1 | 44 |
| Levante (new entry) | | 2 | 39 |
| Domus Residence | | 1 | 38 |
| Freedom Serviced Apartments | | 3 | 35 |
| Centro Residence | | 1 | 18 |
| Erel Group | | 2 | 16 |
| Radisson Blu Galway | Radisson | 1 | 11 |
| Splendom Suites | | 1 | 11 |
| AKA London | Korman Communities | 1 | 9 |
| Grandom Suites | | 1 | 9 |
| Serrano 70 | VP Hoteles | 1 | 7 |

For stays of 1 – 6 nights, serviced apartments in Madrid, Brussels and Lisbon offer the best value at €95, €100 and €100 per night respectively for a studio apartment.

London is the most expensive city in Europe for serviced apartment accommodation in this category, with the same studio apartment costing €205 per night for a stay of up to six nights. Paris and Amsterdam come next, followed by Moscow.

Average rental rates for serviced apartments across Europe compare favourably to those in Australasia and the Middle East, but are more expensive than those in Africa, Asia or the Americas.

Middle East



IHG, Yas Island, Abu Dhabi

In comparison to other global regions, the travel and tourism industries in the Middle East lag behind other sectors in contributing to regional GDP. In 2011, travel contributed \$72 billion to the economy, yet employs 1.8 million, making this industry the biggest direct employer in the Middle East.

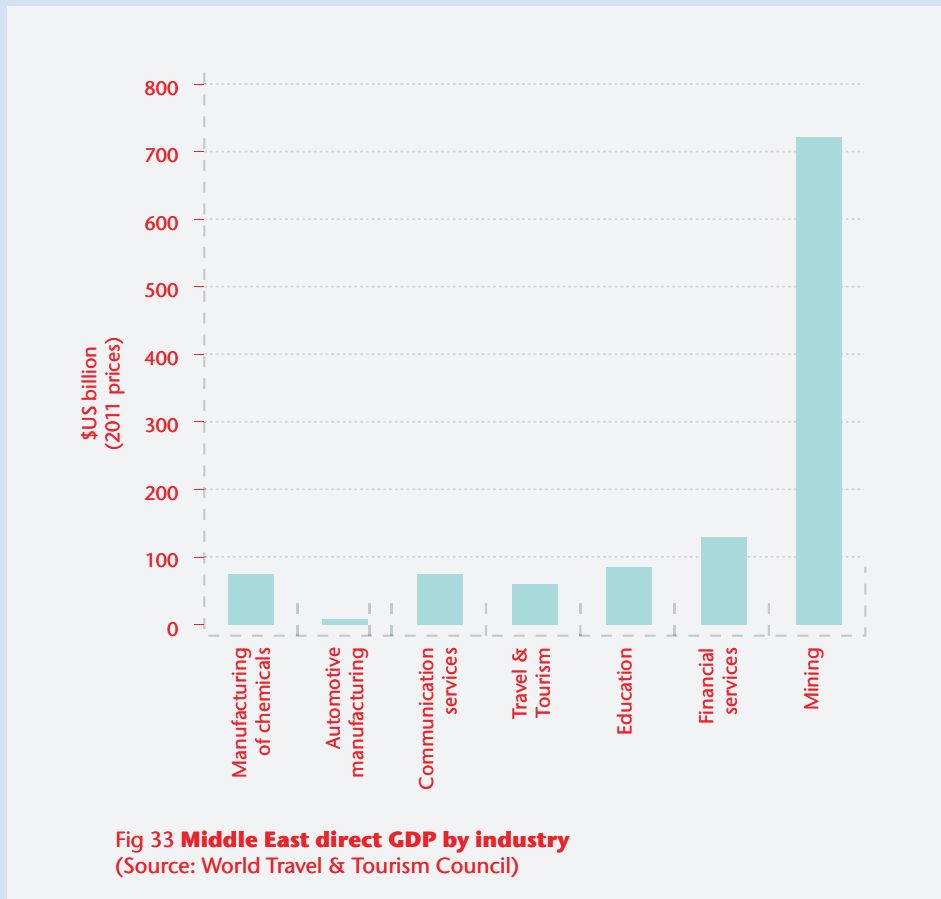
Demand

The Middle East's hotel industry enjoyed 2012, achieving its third highest RevPAR of US\$131.48 since 2005. The region

remains popular with developers and guests alike, with supply growing by 6.3% and demand by 10.2%.

The biggest winners were in Cairo, where occupancy rose by 24.5% to 45.6%, and Amman in Jordan, where occupancy rose by 15.1% to 65%. Jeddah (up 9%) and Dubai (up 7.9%) ended the year with the largest ADR increases.

The majority of serviced apartments in these parts have been either converted from, or designed like, residential



apartments. This lack of standardisation means that the design and content of the region’s serviced apartments is often determined by local planning regulations rather than brand guidelines.

The market is changing however, with more hotel chains electing to add kitchenettes to existing hotel room units to create studio apartments and full kitchens to the larger suites, thereby in effect creating their own serviced apartments. This approach is likely to become more common place in the Middle East as new operator brands enter the market.

Among these are The Ascott and Fraser Suites. Marriott Executive Apartments and its mid-market sister brand, Residence Inn, are typically twinned with the four-star Courtyard by Marriott hotel brand.

InterContinental Residence Suites and the ‘Holiday Inn’ of serviced apartments, IHG’s Staybridge Suites, are now present in Abu Dhabi and Cairo. Accor’s Adagio concept will soon open in Jeddah, Abu Dhabi and Fujairah, while Millennium Executive Apartments is planned in Doha and Abu Dhabi.

Arjaan is the name to which all erstwhile Rotana serviced apartments were converted. EWA by HMH (Coral) is now operational in six locations across the Arabian Gulf and also Beirut. The only example of a ‘standardised’ serviced apartment brand to date in the GCC is the 180-unit Suite Novotel next to Mall of the Emirates in Dubai.

Qatar

Serviced apartments are well positioned to capitalise on the business boom in Doha following the opening of the new Qatar Convention Centre and in the years leading up to the 2022 FIFA World Cup.

Having opened their first Qatar project in 2011, Frasers Hospitality were amongst the first operators on the ground in a country that plans to have 90,000 apartments in place when the World Cup comes to town. Currently the total hotel bedroom supply in Qatar is around 16,000 units.

Kempinski serviced apartments and Marriott Executive Apartments are also operational in Doha and other global hotel groups are planning a mix of hotel

accommodation and serviced residences driven by the facilities, flexibility and value that serviced apartments provide.

Occupancy at the newly-opened Fraser Suites Doha is running at more than 70% with some one-year guest contracts already signed. Average length of stay is 5 – 6 nights but the operator is targeting an average stay of 35 - 40 nights to stabilise occupancy and act as a buffer for slumps in the market.

The group is at the advantage of being able to cross sell the new Doha property and its hotels already located in Bahrain and Dubai, with more to come in the Middle East in the future. Fraser Suites Doha mostly attracts business travellers from the GCC countries, including Saudi Arabia and the UAE, but this could change as the leisure market starts to develop.

Market perspective

By Melvin Quah, Area General Manager, Gulf Region, The Ascott Limited

Once considered the less attractive option in the hospitality industry, the serviced residence segment today is one that is experiencing rapid growth and increasing popularity. The value proposition put forth by serviced residences are apparent not just to travellers but also to real estate owners and developers. Serviced residences have proven to be more resilient to the cyclical changes in the economy and offer a stable rate of return for the many stakeholders involved.

We've noticed traditional hotel brands entering the industry in the past few years and the competition for the long-stay market has intensified. Presently, the strategy most hotel chains have employed is to co-locate their serviced residence units together with the other hotel rooms. While this option allows hotel operators to keep costs low through the sharing of facilities and manpower, the lean cost structure of serviced residences is inherently competitive. Serviced residence operators continue to maintain a positive advantage in providing a home away from home for guests on extended stay.

In the Middle East, the serviced residence model has gained traction with many of the large Arab families who tend to travel together. In the Gulf region, the residences at Ascott range from a studio to a three-bedroom residence and the larger residences are extremely popular in the region. Arab families also tend to bring along their nanny or maids to help take care of their children and to this end, our newer properties, such as the new Ascott Doha which features a three bedroom unit with a maid's room in addition to the three bedrooms.

The fully-equipped kitchen also allows families to prepare a home-cooked meal instead of dining out. The kitchen also poses a world of conveniences for parents with infants – from preparing



baby formula or meals for their children - they have the necessary equipment pre-stocked in the serviced residence, saving them the hassle of packing whatever they may need into their luggage.

At our Somerset branded serviced residences, the facilities are geared towards families and there is typically a children's playroom for the little ones or child-care services available to parents who may be in need of assistance.

Taking a more holistic view of the future of serviced residences in the region, we cannot ignore the effects of the Arab Spring. Through the Arab Spring, the political and social turmoil experienced by countries such as Libya, Egypt and Tunisia, saw hotel occupancy levels plummeting. However, in other parts of the Middle East, stable destinations such as Dubai and Doha have largely benefited from the crises. The two cities and other peaceful destinations saw a marked increase in tourist arrivals and investment dollars, lending a positive outlook for the serviced residence industry.

Throughout the GCC, as the region continues to grow, opportunities in the construction, consultancy and banking industries are abundant. Coupled with an active and dynamic energy market, business travel in the region is booming. Over the years, there has been a high-percentage of expatriates relocating to the Gulf region and the demand for quality and well-managed serviced residences show little signs of abating.

In Ascott, there is a continued focus and emphasis on the long-stay corporate market. Our top accounts originate from the banking and finance sector, the oil and gas industry and other consultancy service providers. Ascott also maintains a healthy working relationship with relocation companies that are helping organisations to search for reputable accommodation providers. The ease of settling into an Ascott serviced residence is one of the many reasons companies find the Ascott proposition compelling. With their accommodation sorted out, it allows them to focus on other important aspects of their relocation.

With Ascott, expatriates also have the flexibility of staying in a serviced residence for a shorter period of time, compared to the traditional apartment rental scheme which typically has a minimum lease period of 1-2 years. This allows relocating expatriates to take their time to assess their personal situation before committing to any long term decisions.

More than just catering to the needs of the many expatriates relocating to the region, there is also a strong web of inter-city business travel within the region. Major international companies are setting up offices in business friendly cities such as Dubai, Doha and Bahrain. Having an extensive network of serviced residences enables our corporate clients to work with a single point of contact for their accommodation needs.

The Ascott properties within the GCC, work closely together to ensure guests staying within the Ascott network are well-taken care of. We help our guests secure their reservations in our affiliated properties and because we are familiar with their lifestyle habits, their preferences are communicated with the other property as well. The act can be as simple as pre-stocking the guests' favourite juice in the fridge or taking into consideration payment preferences. Such are the little details the guests at Ascott appreciate and keep them coming back.

We remain confident of the serviced residence industry in the GCC and will continue to expand our presence in the GCC through partnerships in the region.

The major operators in the region are as follows.

| | | | |
|--|---------------------------|-----|--------|
| Other | | 172 | 16,259 |
| Damac Properties | | 37 | 7,817 |
| Arjaan Hotel Apartments by Rotana | Rotana Hotels | 22 | 4,481 |
| Bavaria Executive Suites (Dubai) | | 1 | 2,100 |
| Mövenpick Hotels& Resorts (new entry) | | 3 | 903 |
| Marriott Executive Apartments | Marriott | 5 | 680 |
| Ascott The Residence | The Ascott Ltd. | 2 | 600 |
| Golden Sands (Dubai) | | 1 | 600 |
| The Address - The Boulevard / Dubai | Emaar Hospitality | 1 | 542 |
| Somerset | The Ascott Ltd. | 3 | 525 |
| Grand Midwest | | 3 | 510 |
| Marina 101 - Dubai | | 1 | 506 |
| Bavaria Executive Suites (Sharjah) | | 1 | 400 |
| TIME Hotel Apartments - Dubai (formerly Layia Hospitality) | TIME Hotels & Apartments | 4 | 393 |
| Flora Hotels & Serviced Apartments - Dubai | | 3 | 388 |
| Nuran Serviced Residences (Dubai) (new entry) | | 2 | 320 |
| Bonnington Jumeirah Lakes Towers | | 1 | 272 |
| EWA Hotel Apartments | | 6 | 257 |
| Suite Novotel | Accor | 2 | 253 |
| Residence Inn | Marriott | 2 | 240 |
| Intercontinental Suites (Dubai)(new entry) | | 1 | 212 |
| Residence Suites (Dubai) (new entry) | | 1 | 212 |
| Shangri-la Serviced Residences | Shangri-la Hotels | 2 | 206 |
| Green Lakes (Dubai) (new entry) | Emirates Hotels & Resorts | 1 | 181 |
| Oasis Beach Tower (Dubai) (new entry) | | 1 | 180 |
| Radisson Blu Diplomat Hotel & Residences - Bahrain | Radisson | 1 | 180 |
| Radisson Blu Dubai Marina | Radisson | 1 | 152 |
| Millennium Copthorne Dubai | Millennium Copthorne | 1 | 151 |
| Al Hamra Palace Beach Resort (Dubai) | Casa Hotels & Resorts | 1 | 145 |
| Dusit Residence Dubai Marina | Dusit Hotels & Resorts | 1 | 145 |
| Abidos Hotel Apartments - Dubai | | 1 | 132 |
| Vision Hotel Apartments - Abu Dhabi | Vision Hotels | 1 | 125 |
| TAJ Palace Dubai | TAJ Hotels Worldwide | 1 | 90 |
| The Dunes Hotel & Suites Qatar | | 1 | 85 |
| Vision Links Hotel Apartments - Abu Dhabi | Vision Hotels | 1 | 74 |
| Dusit Pearl Coast Premier Apartments (Dubai) | Dusit Hotels & Resorts | 1 | 48 |

Supply

Our research has highlighted 40,364 serviced apartments in 289 locations across the Middle East. Based on our estimate of the world's total supply the region houses 6.2% of the global serviced apartments market and 3.3% of the world's serviced apartment locations.

Based on these figures, regional supply has therefore increased by 15.6% since 2011.

Rates

Serviced apartment rental rates in the Middle East are amongst the most expensive in the world. O studio apartment in Abu Dhabi for a stay of less than one week costs £100, whilst the same stay and standard of apartment in Dubai costs £126 and in Dubai £131.

At between \$80 – 500 a night, Middle Eastern serviced apartment rates are comparable on the international stage with US and European rates, underlining the maturity of the serviced apartments sector in this region.

Rates in key cities

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March

| MIDDLE EAST | STUDIO | | | | | ONE BEDROOM | | | | | TWO BEDROOM | | | | |
|------------------------------|------------------------------|-------------------|--------------|--------------|----------------------|------------------------------|-------------------|--------------|--------------|----------------------|------------------------------|-------------------|--------------|--------------|----------------------|
| | 2010/11 Local currency | Local currency | US\$ | Euro | YoY variance % | 2010/11 Local currency | Local currency | US\$ | Euro | YoY variance % | 2010/11 Local currency | Local currency | US\$ | Euro | YoY variance % |
| Abu Dhabi (new entry) | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | N/A | AED 475 | USD 129.32 | EUR 100.51 | | N/A | AED 700 | USD 190.58 | EUR 148.12 | | N/A | AED 975 | USD 265.45 | EUR 206.31 | N/A |
| 7 nights + (weekly rate) | N/A | AED 2,750 | USD 748.69 | EUR 581.87 | | N/A | AED 4,000 | USD 1,089.01 | EUR 846.41 | | N/A | AED 5,500 | USD 1,497.39 | EUR 1,163.48 | N/A |
| One month + (monthly rate) | N/A | AED 10,300 | USD 2,804.20 | EUR 2,179.38 | | N/A | AED 16,500 | USD 4,492.18 | EUR 3,491.42 | | N/A | AED 23,000 | USD 6,262.30 | EUR 4,865.46 | N/A |
| 3 month + (monthly rate) | N/A | AED 9,400 | USD 2,559.18 | EUR 1,989.05 | | N/A | AED 15,800 | USD 4,301.60 | EUR 3,343.30 | | N/A | AED 20,000 | USD 5,445.48 | EUR 4,230.83 | N/A |
| Dubai | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | AED 456 | AED 598 | USD 162.81 | EUR 126.30 | 31% | AED 682 | AED 785 | USD 213.72 | EUR 165.83 | 15% | AED 890 | AED 1,029 | USD 280.15 | EUR 217.75 | 16% |
| 7 nights + (weekly rate) | AED 2,830 | AED 3,100 | USD 843.99 | EUR 654.75 | 10% | AED 4,175 | AED 4,300 | USD 1,170.68 | EUR 908.35 | 3% | AED 5,500 | AED 6,000 | USD 1,633.50 | EUR 1,269.70 | 9% |
| One month + (monthly rate) | AED 10,200 | AED 10,700 | USD 2,913.12 | EUR 2,259.95 | 5% | AED 17,250 | AED 18,000 | USD 4,900.50 | EUR 3,809.09 | 4% | AED 23,400 | AED 25,000 | USD 6,806.24 | EUR 5,290.40 | 7% |
| 3 month + (monthly rate) | AED 9,900 | AED 10,200 | USD 2,776.96 | EUR 2,154.68 | 3% | AED 17,000 | AED 17,400 | USD 4,737.15 | EUR 3,682.12 | 2% | AED 22,500 | AED 23,400 | USD 6,370.64 | EUR 4,951.81 | 4% |
| Doha (new entry) | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | N/A | QAR 616 | USD 169.20 | EUR 131.35 | | N/A | QAR 875 | USD 240.34 | EUR 186.58 | | N/A | QAR 1,200 | USD 329.61 | EUR 255.82 | N/A |
| 7 nights + (weekly rate) | N/A | QAR 3,900 | USD 1,071.23 | EUR 831.63 | | N/A | QAR 5,700 | USD 1,565.64 | EUR 1,215.46 | | N/A | QAR 7,800 | USD 2,142.48 | EUR 1,662.81 | N/A |
| One month + (monthly rate) | N/A | QAR 15,500 | USD 4,257.45 | EUR 3,305.19 | | N/A | QAR 23,500 | USD 6,454.93 | EUR 5,010.66 | | N/A | QAR 30,000 | USD 8,240.30 | EUR 6,395.41 | N/A |
| 3 month + (monthly rate) | N/A | QAR 13,000 | USD 3,570.76 | EUR 2,772.09 | | N/A | QAR 21,000 | USD 5,768.23 | EUR 4,477.61 | | N/A | QAR 26,400 | USD 7,251.46 | EUR 5,627.96 | N/A |

Fig 34 City rates analysis (Source: The Apartment Service)

USA & Canada

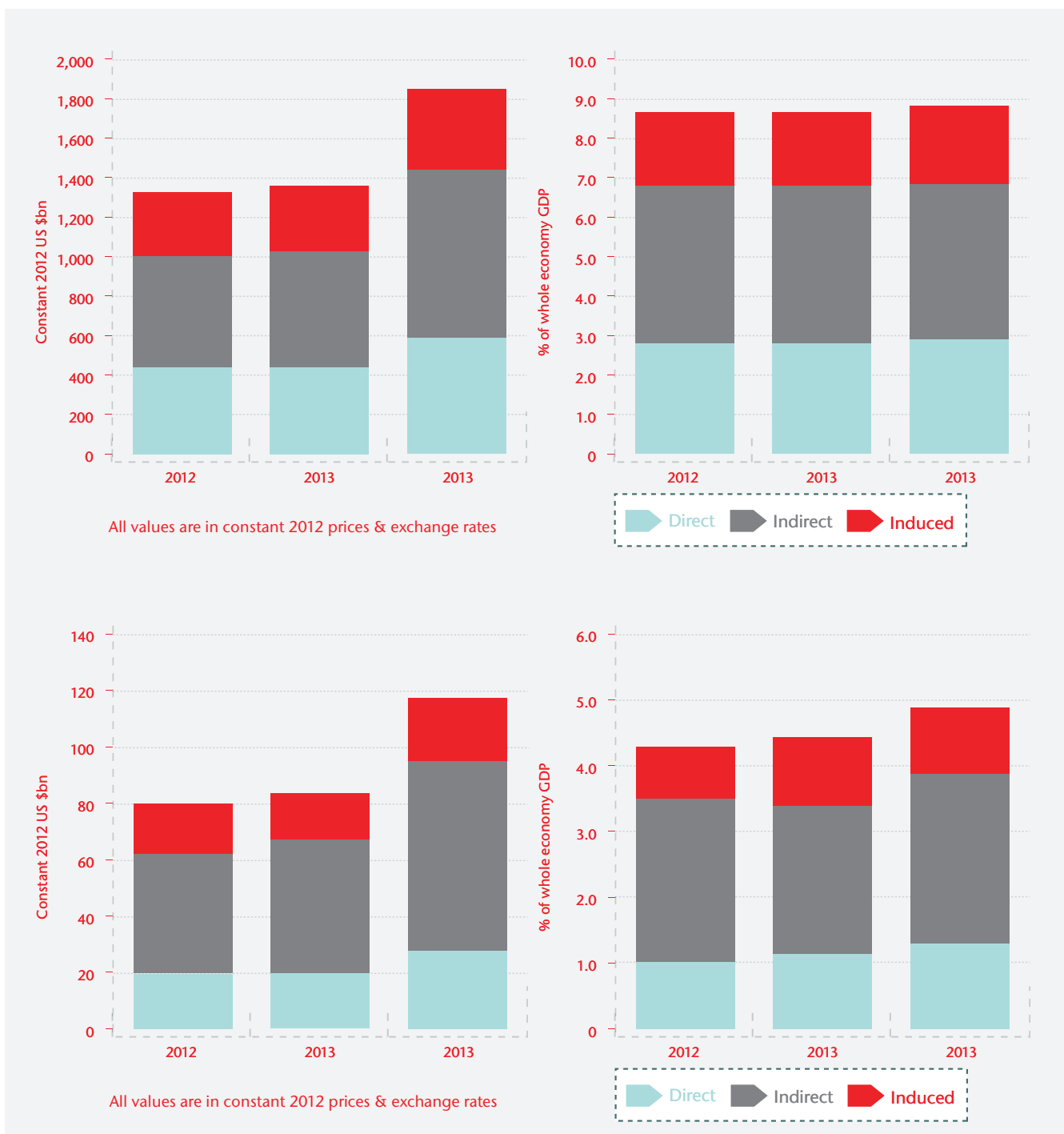


Fig 35 **Travel & tourism contribution to GDP** (Source: World Travel & Tourism Council)

| Up-scale segment (average daily rate \$90+) | Mid-price segment (average daily rate \$40 - 90) | Economy segment (average daily rate \$40 or less) |
|--|---|--|
| Homewood Suites by Hilton | Candlewood Suites (IHG) | Budget Suites |
| Hyatt House | Chase Suite Hotels | Crossland Suites |
| Larkspur Landing | Crestwood Suites | InTown Suites |
| | Extended Stay America | Lodge America |
| Sierra Suites | Hawthorn Suites | Savannah Suites |
| | Homestead Studio Suites | Studio 6 |
| Sonesta ES Suites | Home-Towne Suites | Suburban Extended Stay Hotels by |
| | Home 2 Suites by Hilton | Choice Hotels |
| Staybridge Suites (IHG) | Mainstay Suites by Choice Hotels | Sun Suites |
| | Studio Plus | Value Place |
| | TownePlace Suites by Marriott | |

Fig 36 Principal US extended stay brands (Source: The Highland Group)

A fifth of the estimated \$6.6 trillion of global GDP generated from travel and tourism is provided by the US. The domestic market provides employment to 5.6m people – 3.9% of the total US workforce.

The volumes in Canada might be lower in comparison - CAD79.6bn in 2012 (4.4% of GDP) but the prognosis is arguably even healthier than the US. South of the border annual growth is put at 2.1% whereas Canadian market growth is put at 3.5%. This sector is even more important in terms of GDP contributions – 4.4% in 2013 (sources: World Travel & Tourism Council).

The US serviced apartments industry can be sub-divided into two principal sub-sections; extended stay and corporate housing. The serviced apartments sector has its roots in the US, from where the aparthotel concept and other variants on the apartment model were also spawned. Corporate housing has been around for 50 years and the market is made up of national, regional and local providers.

Extended stay

According to the Highland Group, over \$1 billion was invested in the extended stay sector in 2012, Starwood purchasing Intown Suites for \$800m following a similar investment from Hyatt in the Hyatt House brand in 2011. This investor

activity demonstrates that demand continues to outstrip supply in even the most mature of markets, reflected in average rates and healthy operator margins.

Although new supply is at record low levels in the US, re-branding is at the opposite end of the scale, collectively increasing extended stay room supply by 2.5% to 355,702 units in 2012. However the pipeline is a different story, where the number of rooms under construction is up 98% year-on-year.

A summary of the principal US extended stay brands shows how traditional hotel operators have moved into the extended stay market in each of the three main sub-segments of up-scale, mid-price and economy products. The importance of brand recognition is obvious.

80% of the US' extended stay stock is located in the country's biggest 100 cities, with Dallas-Fort Worth leading the way at 18,658 followed by Houston (12,333) and Washington DC (11,319).

As you would expect from a relatively new market, extended stay apartments in Canada tend to be of more recent construction, with inventory in both high rise condominiums and town homes in suburban area. One and two bedroom apartments are commonplace however the availability of three bedroom

apartments is limited. Otherwise the range of amenities available to users is broadly the same as in US counterparts.

Corporate housing

The US Corporate Housing industry is now worth \$2.49 billion whilst the continued growth of the sector is highlighted by revenues in 2012 showing a 9.5% increase in just two years (source: Corporate Housing Providers Association [CHPA]).

“Although corporate housing often follows the same cycles as the overall lodging industry, corporate housing revenue actually outpaced overall hotel room revenue.” Brad Laspe, chairman of the CHPA.

CHPA estimates put supply at 62,204 units in the US in 2011 with a predicted expansion of 2.7% in 2012, although it reflects a decline in inventory over 2010. However corporate housing providers are able to adjust their inventory according to demand, which also enables operators to maintain better operating margins than the overall lodging industry.

Los Angeles is now the largest corporate housing market with 5,223 units, followed by Washington DC, New York and Houston. Overall occupancy in the US corporate housing was 88.6%, showing little change over the last four

years. The average stay in the US corporate housing market was 86 nights in 2011, compared to 83 nights in 2010.

Corporate housing revenues performed better than their hotel competitors, rising by 6.8% in 2011. At the same time the shortage of finance for new development will limit growth in hotel room supply, thereby helping corporate housing to take a greater share of the accommodation market providing a lack of available apartments for corporate housing providers to lease is addressed.

The Canadian corporate housing market is much newer than in the US. The Highland Group estimates that there are just 5,242 units in Canada in which average occupancy declined from 81% in 2010 to 80% in 2011 yet average rates increased by 9%. Overall, the Canadian corporate housing industry is estimated to generate room revenues of over \$170 million annually. In common with the more mature US market, project or assignment work is the most common purpose of stay in Canadian corporate housing followed by relocation.



Homewood Suites

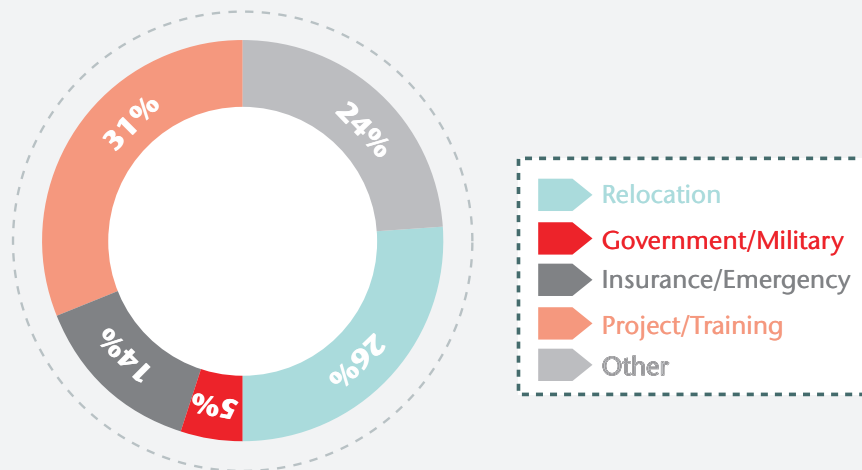


Fig 37 **Canadian corporate housing** (Source: The Highland Group)

Market perspective

**By Ray Madronio,
LocalBigwig.com**

A big trend in New York City is that more people are finding and booking these types of accommodations online on their own.

Companies have done away with the dedicated person or department doing the bookings for everyone in the company. More and more, the individual companies are on their own with doing their own online research and booking their stay, then just providing a receipt to their company for reimbursement.

Recently, American Express Travel Department in downtown Manhattan was laid off which really sets the trend for other 3rd party bookers to be laid off as well. I also think that this trend is the same for other regions in the US.

In NYC, there are about 100 operators. About 20 are national/international chains and about 80 are smaller mom-and-pop operators with decades of experiences each. The mix of business in Manhattan is about 75% business-related and 25% leisure. The other main cities for which we receive bookings are San Francisco, Los Angeles and Washington DC.

We are seeing many clients being more price-sensitive and less brand-aware. More clients do not care about staying with a nationwide provider. Although the sector has just about weathered the recession, operators have had to lower their monthly rates and slightly decrease the number of units in their inventory.

Going forward we anticipate transactions to grow over the next 2 years. More people are seeing the benefits of serviced apartments such as more space and lower costs. In NYC, we know that the value proposition of serviced apartments is being spread amongst all the business travellers coming into town.



Market perspective

**By Kyle Rogg, COO,
Value Place**

Value Place is seeing significant increases in demand for its extended-stay lodging, a trend reflected nationwide for this sector. Nationally, extended-stay hotel demand in 2012 was up 2.1% on 2011 whilst Value Place saw its 2012 occupancy for stabilized company-owned properties climb to 86.5 percent, up 2.2 percent from 2011.

Currently, Value Place is a national company covering the United States as its target market. Together with other large national chains we make up the lion's share of the economy extended-stay business. Value Place is the largest economy extended-stay franchise in America with 181 properties operating in 32 states.

We take 43% of our guests from business travel. Many of these bookings come from company travel coordinators who are seeking affordable, clean and comfortable accommodations for their employees. For the same reasons, Value Place also appeals to business travel professionals who may foot their own bill for lodging and other on-the-road expenses or who travel on a strict per diem budget.

Typically these guests are blue-collar workers or traveling sales representatives. Our remaining 57% are for guests on vacation, visiting family, transitioning between homes, or dealing with medical care or family situations. In 2010, a USA Today article deemed Value Place a "recession-proof business" as it managed to grow in a down economy. We are still proving that assessment.

One of the by-products of the recession is increased customer demand for value, a trend that complements Value Place's strengths of clean, comfortable and affordable lodging. That means it's likely the percentage of business travelers making up our guest profile will continue to grow dramatically in the next two years. In fact, Value Place expects to see economy extended-stay lodging emerge as a new norm for those traveling for work.

Value Place's unique business model makes it especially appealing for business travelers and the companies that employ them. Value Place offers all the amenities and basics of an apartment, including in-room kitchens that offer convenience and keep meal costs affordable. With its lean staffing and operating model, Value Place ensures that costs remain low and affordable.

Obtaining financing in a difficult economy can be a struggle for some franchisees. This occasionally can pose an

issue for all-new constructions projects such as Value Place. Despite tight credit markets, our franchisees continue to manage to develop. Those who are successful typically end up building several properties.

The extended-stay market shows no signs of stopping after experiencing steady growth since 2003. That growth underscores the strong value proposition behind Value Place: a great lodging solution for our guests and a profitable investment for our franchisees.



Supply

Our research has highlighted 418,950 serviced apartments in 5,702 locations across the US, Canada, Central and South America. Based on our estimates of the world's total supply of serviced apartments, the Americas house 63.8% of the global serviced apartments market in 64.8% of the world's serviced apartment locations.

Based on these figures, regional supply has therefore increased by 10.6% since 2011.

Rate summary

For stays of 1 – 6 nights, serviced apartments in Canada are substantially cheaper than those in the US. But rates differ within North America too; a studio apartment in Boston starts at \$140 per night for a stay of up to one week, compared with \$200 a night for the same product in New York

Internationally, rates are comparable with Asia, averaging \$85 – 200 a night, some \$20 – 50 a night more than operators in Central or South America.

The major operators in the region are as follows.

| | | | |
|---|------------------------------------|-------|--------|
| Residence Inn | Marriott | 733 | 90,475 |
| Extended Stay Apartments | Extended Stay Hotels | 363 | 41,000 |
| Candlewood Suites | Intercontinental Hotel Group (IHG) | 300 | 28,972 |
| Homewood Suites | Hilton | 241 | 26,484 |
| Town Place Suites | Marriott | 258 | 25,765 |
| Other | | 340 | 23,800 |
| Oakwood | Oakwood Corp Housing (est) | 1,850 | 22,800 |
| Value Place | | 181 | 21,587 |
| Staybridge Suites | Intercontinental Hotel Group (IHG) | 185 | 20,106 |
| Homestead Studio Suites | Extended Stay Hotels | 131 | 17,000 |
| Extended Stay Deluxe | Extended Stay Hotels | 109 | 11,200 |
| Hawthorn Suites | Wyndham Worldwide | 106 | 10,681 |
| Hyatt House (formerly Summerfield Suites) | Hyatt | 57 | 8,140 |
| Studio 6 | G6 Hospitality | 70 | 7,771 |
| Suburban | Choice Hotels | 63 | 7,351 |
| In Town Suites | | 138 | 6,900 |
| Shilo Inns | | 41 | 6,150 |
| Crossland | Extended Stay Hotels | 34 | 4,400 |
| Studio Plus | Extended Stay Hotels | 46 | 3,600 |
| MainStay Suites | Choice Hotels | 43 | 3,330 |
| Sun Suites | | 22 | 2,970 |
| Crestwood Suites | | 20 | 2,700 |
| Mercure South America | Accor | 25 | 2,607 |
| Othon Suites - Brazil | | 15 | 2,434 |
| Bridgestreet (estimated) | | 130 | 2,145 |
| Sonesta ES Suites | | 17 | 2,082 |
| Savannah Suites | | 14 | 1,680 |
| Home 2 Suites | Hilton | 19 | 1,653 |
| Siegel Suites | | 16 | 1,600 |
| Chase Suite Hotels | | 12 | 1,535 |
| Larkspur Landing | | 11 | 1,320 |
| Furnished Quarters | | 4 | 1,054 |
| AKA Serviced Residences | Korman | 9 | 919 |
| Premiere Suites | | 15 | 750 |
| Four Seasons | | 5 | 650 |
| AVE Apartments & Suites | Korman | 6 | 600 |
| CitiSuites San Francisco | | 1 | 500 |
| Signature Properties (New York) | | 8 | 500 |
| Affordable Corporate Suites | | 11 | 400 |
| LOI Suites (Argentina/Brazil) | Hyatt | 5 | 332 |
| One King West - Toronto | | 1 | 330 |
| Temporary Living (new entry) | | 6 | 275 |
| Lodge America | | 2 | 270 |
| Marriott Executive Apartments | Marriott | 2 | 260 |
| Melia Orlando Suite Hotel | Sol Melia | 1 | 240 |
| Town Inn Furnished Suites - Toronto | | 1 | 200 |
| ARK Apartment Homes | Korman | 2 | 160 |
| Temporary Apartments - Buenos Aires | | 4 | 160 |
| Dazzler Suites | Fen Hoteles | 3 | 144 |
| Element Hotels | Starwood | 1 | 100 |

The major operators in the region (continued).

| | | | |
|--|-------------------|---|----|
| Brasiliana Santana Gold Flat | | 1 | 96 |
| Live Skyline | | 5 | 90 |
| Conrad Miami | | 1 | 76 |
| The Alexandra Hotel - Toronto | | 1 | 75 |
| Regent Park Suite Hotel - Sao Paulo | | 1 | 70 |
| Mandarin Oriental New York | Mandarin Oriental | 1 | 65 |
| Four Seasons Houston | | 1 | 64 |
| Augusta Park Suite Hotel - Sao Paulo | | 1 | 54 |
| Today Living Group | | 6 | 50 |
| Aparthotel Cabildo Suites - Buenos Aires | | 1 | 48 |
| Hollywood Suites & Lofts - Buenos Aires | | 1 | 41 |
| Ayres de Recoleta - Buenos Aires | | 1 | 38 |
| Ayres de Libertad - Buenos Aires | | 1 | 30 |
| Crescent Suites Hotel (Boston) | | 1 | 30 |
| Alameda Aparthotel - Sao Paulo | | 1 | 28 |
| Oscar Freire Imovel Total - Sao Paulo | | 1 | 13 |



Rates in key cities

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.

| USA/CANADA | STUDIO | | | | ONE BEDROOM | | | | TWO BEDROOM | | | | | | | |
|----------------------------|--------------|--------------|----------------|----------------|--------------|--------------|----------------|----------------|--------------|--------------|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2010/11 rate | 2012/13 rate | Local currency | Local currency | 2010/11 rate | 2012/13 rate | Local currency | Local currency | 2010/11 rate | 2012/13 rate | Local currency | Local currency | 2012/13 rate | Local currency | Local currency | YoY variance |
| Boston | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | N/A | USD 140 | N/A | EUR 108.16 | N/A | USD 150 | N/A | EUR 115.88 | N/A | USD 175 | N/A | EUR 135.21 | N/A | N/A | N/A | N/A |
| 7 nights + (weekly rate) | N/A | USD 875 | N/A | EUR 675.99 | N/A | USD 950 | N/A | EUR 733.99 | N/A | USD 1,130 | N/A | EUR 873.06 | N/A | N/A | N/A | N/A |
| One month + (monthly rate) | N/A | USD 3,300 | N/A | EUR 2,549.46 | N/A | USD 3,500 | N/A | EUR 2,704.18 | N/A | USD 4,300 | N/A | EUR 3,321.64 | N/A | N/A | N/A | N/A |
| 3 month + (monthly rate) | N/A | USD 3,100 | N/A | EUR 2,394.95 | N/A | USD 3,300 | N/A | EUR 2,549.66 | N/A | USD 4,000 | N/A | EUR 3,089.90 | N/A | N/A | N/A | N/A |
| New York | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | USD 195 | USD 200 | N/A | EUR 154.50 | 3% | USD 270 | USD 265 | N/A | EUR 204.73 | -2% | USD 385 | USD 325 | N/A | EUR 251.02 | -15% | |
| 7 nights + (weekly rate) | USD 1280 | USD 1,350 | N/A | EUR 1,042.88 | 5% | USD 1,880 | USD 1,775 | N/A | EUR 1371.33 | -6% | USD 2,590 | USD 2,500 | N/A | EUR 1,930.89 | -3% | |
| One month + (monthly rate) | USD 3275 | USD 3,400 | N/A | EUR 2,626.50 | 4% | USD 4,560 | USD 4,600 | N/A | EUR 3,553.88 | 1% | USD 5,000 | USD 4,800 | N/A | EUR 3,707.81 | -4% | |
| 3 month + (monthly rate) | USD 2975 | USD 3,100 | N/A | EUR 2,394.75 | 4% | USD 3,800 | USD 3,900 | N/A | EUR 3,013.07 | 3% | USD 4,800 | USD 4,650 | N/A | EUR 3,591.46 | -3% | |
| Toronto | | | | | | | | | | | | | | | | |
| 1-6 nights (nightly rate) | CAD 101 | CAD 125 | | | 23% | CAD 124 | CAD 145 | USD 141.71 | EUR 109.45 | 17% | CAD 150 | CAD 176 | USD 172 | EUR 132.87 | 17% | |
| 7 nights + (weekly rate) | CAD 670 | CAD 700 | | | 4% | CAD 775 | CAD 845 | USD 825.83 | EUR 637.85 | 9% | CAD 975 | CAD 1,050 | USD 1,026.18 | EUR 792.69 | 8% | |
| One month + (monthly rate) | CAD 2,345 | CAD 2,600 | | | 11% | CAD 2,770 | CAD 3,000 | USD 2,931.94 | EUR 2,264.56 | 8% | CAD 3,400 | CAD 3,650 | USD 3,567.31 | EUR 2,755.65 | 7% | |
| 3 month + (monthly rate) | CAD 2,035 | CAD 2,350 | | | 15% | CAD 2,400 | CAD 2,675 | USD 2,614.30 | EUR 2,019.46 | 11% | CAD 3,225 | CAD 3,400 | USD 3,322.98 | EUR 2,566.91 | 5% | |

Fig 38 City rates analysis (Source: The Apartment Service)

Report Conclusions

by **Mark Harris**

The serviced apartments sector is on the verge of the latest chapter in its success story. Although the availability of finance to power the new development pipeline remains restricted, the expansion of global brands into new and emerging economies, together with the launch of new sub-brands within the sector to meet different customer needs are all signs of substantial impending growth.

Corporates recognise the benefits of serviced apartments, even if they don't yet fully understand the differences between how apartments and traditional hotels work. This places the onus on intermediaries to provide the missing product knowledge and to integrate serviced apartments into corporate travel and relocation programmes. How long travel and relocation programmes will remain separate in an increasingly mobile world remains to be seen.

Specialist knowledge tends to be vested in specialists like The Apartment Service. Travel Management Companies and Relocation Management Companies may be the conduit between the two ends of the supply chain, but a forensic understanding of serviced apartment leases, booking processes, services and regionalisms in product is essential.

Although the research undertaken for this report overwhelmingly confirms that lack of standardisation in quality and service thresholds is the main barrier to future corporate adoption of serviced apartments, the question is whether the supply chain can be brought together to realise this consensus.

In the meantime, the growing realisation amongst property professionals, hospitality providers and entrepreneurs that the extended stay market can provide good returns on investment will fuel the pipeline for both existing and new providers. Like any free market however, the skill will lie in ensuring that supply remains the right side of demand.



Global Apartment Listings

by Bard Vos

| Leading Serviced apartment providers by brand | | Locations | Apartments |
|---|------------------------------------|--------------|----------------|
| Accor | Adagio (Europe) | 38 | 4,486 |
| | Adagio Access (formerly Citea) | 52 | 4,851 |
| | Mercure (South America+ Australia) | 65 | 6,780 |
| | Mirvac Hotels & Resorts | 36 | 2,000 |
| | Suite Novotel (EMEA) | 30 | 3,781 |
| | Total | 221 | 21,898 |
| The Ascott Ltd. | Ascott The Residence | 15 | 2,990 |
| | Citadines | 59 | 7,554 |
| | Somerset | 39 | 6,951 |
| | Other Serviced Residences | 64 | 5,290 |
| | Total | 177 | 22,785 |
| Extended Stay Hotels | Crossland | 34 | 4,400 |
| | Extended Stay America | 363 | 41,000 |
| | Extended Stay Deluxe | 109 | 11,200 |
| | Homestead Suite Studios | 131 | 17,000 |
| | Studioplus | 46 | 3,600 |
| | Total | 683 | 77,200 |
| Frasers Hospitality | Fraser Residence | 11 | 989 |
| | Fraser Suites | 25 | 4,155 |
| | Fraser Place | 9 | 1,418 |
| | Modena Residence (new brand) | 3 | 689 |
| | Capri | 2 | 488 |
| | Total | 50 | 7,739 |
| Intercontinental Hotel Group (IHG) | Candlewood Suites | 300 | 28,972 |
| | Staybridge Suites | 188 | 20,549 |
| | Total | 488 | 49,521 |
| Marriott | Marriott Executive Apartments | 23 | 3,059 |
| | Residence Inn | 737 | 90,947 |
| | Town Place Suites | 258 | 25,765 |
| | Total | 1,018 | 119,771 |
| Pierre et Vacances | Pierre & Vacances | 80 | 9,059 |
| | Maeva | 177 | 13,193 |
| | Total | 257 | 22,252 |

| Top 15 Global serviced apartment providers | | Locations | Units |
|--|---|-----------|---------|
| 1 | Marriott (Worldwide) | 1,018 | 119,771 |
| 2 | Extended Stay Hotels (USA) | 683 | 77,200 |
| 3 | Intercontinental Hotel Group (Worldwide) | 488 | 49,521 |
| 4 | Oakwood Corp Housing (estimated) - inc 186 loc'ns/5500 units from Execustay | 2,081 | 31,373 |
| 5 | Hilton Homewood Suites (USA) | 241 | 26,484 |
| 6 | The Ascott Ltd (Worldwide) | 177 | 22,785 |
| 7 | Pierre & Vacances (Europe) | 257 | 22,252 |
| 8 | Accor Hotels (Worldwide) | 221 | 21,898 |
| 9 | Value Place (USA) | 181 | 21,587 |
| 10 | Mantra Group | 130 | 13,600 |
| 11 | Choice Hotels (USA) | 106 | 10,681 |
| 12 | Hawthorn Suites | 92 | 10,000 |
| 13 | Frasers Hospitality | 50 | 7,739 |
| 14 | Quest Serviced Apartments | 155 | 8,201 |
| 15 | Sun Suites | 22 | 2,970 |



Shama Tsim Sha Tsui Hong Kong

Regional Summaries

| Africa | | Locations | Apartments |
|--|-----------------------|-----------|--------------|
| Protea Hotels | | 19 | 1,520 |
| Southern Sun Resorts | | 4 | 610 |
| Courtyard Apartments (South Africa) | | 6 | 451 |
| Other | | 6 | 396 |
| Executive Apartments and Hotels | Sandton - RSA | 5 | 305 |
| Village and Life | | 6 | 221 |
| Suite Novotel | | 1 | 126 |
| Relais Hotels | | 4 | 116 |
| Ambassador Hotel & Executive Suites | | 1 | 97 |
| Three Cities Urban Park Hotel & Spa - Umlanga | www.threecities.co.za | 1 | 92 |
| Premiere Classe Serviced Apartments | | 4 | 80 |
| Executive Suites | | 1 | 75 |
| Home From Home Hospitality | | 4 | 75 |
| YAYA Centre | | 1 | 70 |
| Prime Executive Apartments - Nairobi | | 2 | 58 |
| Residence Casablanca Aparthotel | | 1 | 50 |
| Heri Heights Serviced Apartments (Nairobi-Kenya) | | 1 | 46 |
| Meltonia Luxury Suites | | 1 | 44 |
| Three Cities Bantry Bay - Cape Town | www.threecities.co.za | 1 | 38 |
| Gem Suites - Nairobi | | 1 | 34 |
| Palmeriaie Village (Marrakech) | | 1 | 30 |
| Reata Serviced Apartments - Nairobi | | 1 | 29 |
| Batians Peak - Nairobi | | 1 | 28 |
| Hermitage Gardens Resort (Lagos-Nigeria) | | 1 | 17 |
| Prime Apartments - Ghana | | 1 | 15 |
| Palacina Apartments | | 1 | 1 |
| Total | | 76 | 4,634 |

| Asia | | Locations | Apartments |
|--|----------------------------|-----------|------------|
| Somerset | The Ascott Ltd. | 33 | 5,892 |
| Other Serviced Residences | The Ascott Ltd. | 63 | 5,205 |
| Oakwood | Oakwood Corp Housing (est) | 17 | 2,700 |
| Citadines Aparthotels | The Ascott Ltd. | 19 | 2,324 |
| Fraser Suites | | 14 | 2,324 |
| Compass Hospitality | | 10 | 2,000 |
| Nieva World Apartments | | 14 | 2,000 |
| Ascott The Residence | The Ascott Ltd. | 11 | 1,990 |
| Other | | 16 | 1,945 |
| Tokyu Stay Apartment Hotels - Tokyo | | 14 | 1,820 |
| Centre Point Residences Bangkok | | 9 | 1,600 |
| Shama Group | | 13 | 1,552 |
| Marriott Executive Apartments | Marriott | 11 | 1,454 |
| Kantary Collection | Kasemkij Properties | 7 | 1,162 |
| Far East Serviced Apartments Company - Singapore | | 9 | 1,029 |
| Shangri-la Serviced Residences | Shangri-la Hotels | 17 | 966 |
| Fraser Place | | 6 | 940 |
| Cape Collection | Kasemkij Properties | 5 | 833 |
| Kameo Collection | Kasemkij Properties | 5 | 833 |
| Lanson Place | | 5 | 705 |
| Modena | Frasers Hospitality | 3 | 689 |
| St. Mary Residences - Kuala Lumpur | Eastern & Oriental | 1 | 650 |
| Fraser Residence | | 6 | 510 |
| Kempinski Residences | Kempinski Hotels | 6 | 500 |
| Capri | Frasers Hospitality | 2 | 488 |
| Damas Suites & Residences - Kuala Lumpur | | 1 | 398 |
| Jazz Residence at Pacific Place - Kuching (Malaysia) | | 2 | 354 |
| Royal Suites & Tower - Shenzhen | | 1 | 275 |
| Belvedere Serviced Apartments - Shanghai | New World Group | 1 | 261 |
| Green Court Serviced Apartments - Shanghai | | 1 | 260 |
| New Harbour Serviced Apartments - Shanghai | | 1 | 255 |
| Le Papillon India | | 5 | 250 |
| Sunflower Hotel & Residence - Shenzhen | | 1 | 248 |
| Ovolo Group | | 5 | 237 |
| Easy Beijing (new entry) | | 1 | 200 |
| Green Tree Suites (China) | | 1 | 200 |
| Phachara Suites - Bangkok | | 1 | 194 |
| Asahi Homes (Tokyo) (new entry) | | 6 | 185 |
| Pan Pacific Serviced Suites - Singapore | Pan Pacific Hotels | 3 | 180 |
| Signature Crest (India) (new entry) | | 10 | 172 |
| Star City Hotels (Chennai) (new entry) | | 5 | 172 |
| Best Western | Best Western | 2 | 162 |
| Hotel Mystays Asakusa - Tokyo | | 1 | 160 |
| Heritage Hotels | | 10 | 150 |
| Far East Serviced Apartments Company - Malaysia | | 1 | 149 |
| Regalia Residences - Changning Shanghai | | 1 | 143 |
| Canton Residence - Guangzhou | New World Group | 1 | 142 |
| Hyatt Regency Sha Tin - Hong Kong | Hyatt | 1 | 133 |
| Kingland Serviced Apartments - Shanghai | | 1 | 130 |
| Belgravia Serviced Apartments - Shanghai | | 1 | 126 |
| Grand Mercure - Bangalore | Grand Mercure | 1 | 126 |

| Asia cont... | | Locations | Apartments |
|---|-----------------------|------------|---------------|
| CHI International | | 4 | 121 |
| Eastern Garden Serviced Apartments - Shanghai | | 1 | 115 |
| Grand Hyatt Residences - Mumbai | | 1 | 111 |
| Hundred Stay Shinjuku - Tokyo | | 1 | 102 |
| Luminous Modern Universe Apartment Hotel - Shanghai | | 1 | 100 |
| World Union Serviced Apartments - Shanghai | | 1 | 100 |
| Flexstay Inn - Higashi Ueno, Tokyo | | 1 | 97 |
| Leading Noble Suites - Shanghai | | 1 | 90 |
| The Leela Kempinski - Gurgaon | | 1 | 90 |
| Remington Hotel | Resorts World Manila | 1 | 89 |
| 8 on Claymore by Summit Serviced Residences | Preferred Hotel Group | 1 | 85 |
| 99 Bonham - Hong Kong | | 1 | 84 |
| Mayson Shanghai Pudong Serviced Apartments | | 1 | 80 |
| Shanghai ACME Expo Riverside Serviced Apartments | | 1 | 80 |
| Taj Wellington Mews - Mumbai | | 1 | 80 |
| Lalco Residency - Mumbai | | 1 | 68 |
| Ladoll Serviced Apartments - Shanghai | | 1 | 60 |
| 21 Whitfield - Hong Kong | | 1 | 54 |
| V Causeway Bay - Hong Kong | V Hotels | 1 | 53 |
| The Jervois - Hong Kong | | 1 | 49 |
| Four Points - Pune | Sheraton | 1 | 48 |
| Hyatt Park Plaza - Hyderabad | Hyatt | 1 | 42 |
| Park Hyatt Hyderabad | Hyatt | 1 | 42 |
| Skyla Serviced Apartments | Jones, Lang LaSalle | 1 | 42 |
| Melange Lavelle - Bangalore | | 1 | 37 |
| Grand Residency - Mumbai | | 1 | 35 |
| Mandarin Oriental Guangzhou | Mandarin | 1 | 30 |
| V Wanchai | V Hotels | 1 | 25 |
| Hotel Cloud 9 Residency - Bangalore | | 1 | 22 |
| The Lalit - Mumbai | | 1 | 21 |
| Maple Suites - Bangalore | | 1 | 19 |
| Royal Comfort Apartments (Bangalore) | | 2 | 19 |
| D Habitat Serviced Apartments - Bangalore | | 1 | 10 |
| Sheraton Nha Trang Hotel & Spa in Nha Trang (new entry) | Starwood Hotels | 1 | 7 |
| | Total | 419 | 49,480 |



| Australia/New Zealand | | Locations | Apartments |
|--|--------------------------|--------------|---------------|
| Mantra Group (formerly Stella Hospitality) | | 130 | 13,600 |
| Other | | 556 | 13,457 |
| Quest Serviced Apartments | Quest | 120 | 6,786 |
| Oaks Apartments | | 38 | 4,432 |
| Mercure Australia | Accor | 40 | 4,173 |
| Meriton Serviced Apartments | | 11 | 2,674 |
| Adina Apartment Hotels | Toga Hospitality | 26 | 2,263 |
| Mirvac | Accor | 36 | 2,000 |
| Waldorf Serviced Apartments | | 27 | 1,900 |
| Quest Serviced Apartments - New Zealand and Fiji | Quest | 35 | 1,415 |
| Punt Hill Serviced Apartments | | 15 | 707 |
| Somerset | The Ascott Ltd. | 3 | 534 |
| Corporate Keys | | 1 | 500 |
| Medina Serviced Apartments | Toga Hospitality | 4 | 350 |
| Fraser Suites | Frasers Hospitality | 2 | 320 |
| Astra Apartments | | 17 | 309 |
| Best Western Australia | | 19 | 300 |
| Central Group | Prime Group of Companies | 4 | 280 |
| Q Resorts | | 4 | 233 |
| Fraser Place | Frasers Hospitality | 1 | 158 |
| Clifton on Northbourne - Canberra | | 1 | 153 |
| Citadines Aparthotels | The Ascott Ltd. | 1 | 128 |
| VR Hotels | | 7 | 116 |
| The York | Swiss Belhotels | 1 | 110 |
| Apartments by Nagee - Canberra | | 1 | 90 |
| Sheraton Mirage Port Douglas | Sheraton (Starwood) | 1 | 90 |
| Kingston Terrace (Canberra) | | 1 | 74 |
| Terrace Villas (new entry) | | 1 | 50 |
| Park Squire Motor Inn & Serviced Apartments | | 1 | 18 |
| | Total | 1,104 | 57,220 |



| Europe | | Locations | Apartments |
|---|------------------------------|-----------|------------|
| Maeva | Pierre & Vacances | 177 | 13,193 |
| Adagio + Adagio Access (formerly Citea) | | 90 | 9,337 |
| Pierre & Vacances | Pierre & Vacances | 80 | 9,059 |
| Other | | 98 | 6,942 |
| Citadines Aparthotels | The Ascott Ltd. | 39 | 5,102 |
| My Suite Aparthotels (Now: Park & Suites) | | 45 | 4,040 |
| Residhome (France) | | 35 | 3,500 |
| Suite Novotel | Accor | 27 | 3,402 |
| Sejours et Affaires | | 42 | 2,520 |
| ResidHotel (France) | | 33 | 2,437 |
| ATA Hotels | | 8 | 1,601 |
| Derag Aparthotels | | 11 | 1,465 |
| Inside Premium Hotels | | 10 | 1,412 |
| Bridgestreet (estimated) | | 38 | 1,200 |
| Achat Hotels | | 14 | 1,046 |
| Fraser Suites | Frasers Hospitality | 6 | 1,013 |
| Adina Apartment Hotels | | 7 | 895 |
| Eden Hotels | | 4 | 833 |
| City Hotels (new entry) | | 9 | 719 |
| G-Hotel | | 8 | 717 |
| Marriott Executive Apartments | Marriott | 5 | 665 |
| Acora Hotel und Wohnen | | 4 | 627 |
| SACO Apartments | | 25 | 625 |
| Marlin Apartments | | 8 | 600 |
| Victor's Residenz-Hotels GmbH | | 4 | 600 |
| Best Western | | 20 | 500 |
| Othon Suites - Portugal | | 4 | 482 |
| Fraser Residence | Frasers Hospitality | 5 | 479 |
| Staybridge Suites - Europe | Intercontinental Hotel Group | 3 | 443 |
| StayAt Hotel Apartments | | 3 | 428 |
| Premier Group (UK & Ireland) | | 8 | 424 |
| Ascott The Residence | The Ascott Ltd. | 2 | 400 |
| Max Serviced Apartments | | 11 | 400 |
| Oakwood - UK | Oakwood Corp Housing (est) | 28 | 373 |
| Roomspace Serviced Apartments | | 54 | 350 |
| Fraser Place | Frasers Hospitality | 2 | 320 |
| Aedifica | | 32 | 295 |
| Htel Serviced Apartments | | 2 | 280 |
| MaMaison | | 6 | 279 |
| VIP Suites | | 4 | 274 |
| Cheval residences | | 6 | 270 |
| Thon Residences | | 4 | 246 |
| ESPA Hotels | | 4 | 240 |
| Residence Inn | Marriott | 2 | 232 |
| Live Skyline | | 9 | 220 |
| The Marmara Hotels | | 4 | 218 |
| Excellior | | 3 | 210 |
| Radisson Blu Dubrovnik | Radisson | 1 | 207 |
| B-Aparthotels - Brussels | | 5 | 200 |
| Lindner Hotels & Residences | | 24 | 197 |
| Hellsten Hotel Apartments | | 3 | 195 |

| Europe cont... | | Locations | Apartments |
|--|--------------------------|--------------|---------------|
| Old Town Apartments | | 4 | 189 |
| Acorn Serviced Apartments - London | | 11 | 180 |
| Golden Leaf Hotels & Residences | | 1 | 170 |
| Buroma Apartsuites | | 30 | 160 |
| Apartamentos Playa Club - Lanzarote | Sunlight Hotels | 1 | 145 |
| Solplay Aparhotels | | 1 | 142 |
| Boscolo Luxury Residence Budapest | Boscolo Hotels & Resorts | 1 | 138 |
| Eurohotel & Suites | | 1 | 137 |
| Grosvenor House Hotel Apartments | by Jumeirah | 1 | 133 |
| Perfect Visit | | 3 | 127 |
| Sol Melia | | 2 | 124 |
| Altis Hotels (new entry) | | 2 | 120 |
| Solitaire Hotels | | 1 | 106 |
| Hoteles Quo | | 3 | 100 |
| The Spires | | 3 | 95 |
| Your Home From Home | | 4 | 92 |
| Babka Towers | | 1 | 85 |
| Other Serviced Residences | The Ascott Ltd. | 1 | 85 |
| Winter's Hotelgesellschaft mbH | | 2 | 85 |
| Laris Hotels (Poland) | | 4 | 84 |
| Arass Suites | | 1 | 83 |
| Apartamentos El Dorado - Lanzarote | Sunlight Hotels | 1 | 81 |
| Properties Unique | | 20 | 75 |
| Birchover Apartments - Derby | | 2 | 70 |
| Lisbon Apartments | | 6 | 66 |
| Senator Apartments (Ukraine) | | 2 | 62 |
| Aparhotels & Residences | | 2 | 60 |
| Art Appart | | 2 | 60 |
| HSH Group - Germany | | 2 | 60 |
| Astons Apartments | | 3 | 54 |
| The Richmond - Liverpool | | 1 | 51 |
| Radisson Blu Trysil - Norway | Radisson | 1 | 50 |
| Aparthotel Wellington - Brussels | | 1 | 45 |
| Apartamentos Los Cocoteros - Lanzarote | Sunlight Hotels | 1 | 44 |
| Levante (new entry) | | 2 | 39 |
| Domus Residence | | 1 | 38 |
| Freedom Serviced Apartments | | 3 | 35 |
| Centro Residence | | 1 | 18 |
| Erel Group | | 2 | 16 |
| Radisson Blu Galway | Radisson | 1 | 11 |
| Splendom Suites | | 1 | 11 |
| AKA London | Korman Communities | 1 | 9 |
| Grandom Suites | | 1 | 9 |
| Serrano 70 | VP Hoteles | 1 | 7 |
| Total | | 1,212 | 85,263 |

| Middle East | | Locations | Apartments |
|--|---------------------------|------------|---------------|
| Other | | 172 | 16,259 |
| Damac Properties | | 37 | 7,817 |
| Arjaan Hotel Apartments by Rotana | Rotana Hotels | 22 | 4,481 |
| Bavaria Executive Suites (Dubai) | | 1 | 2,100 |
| Mövenpick Hotels& Resorts (new entry) | | 3 | 903 |
| Marriott Executive Apartments | Marriott | 5 | 680 |
| Ascott The Residence | The Ascott Ltd. | 2 | 600 |
| Golden Sands (Dubai) | | 1 | 600 |
| The Address - The Boulevard / Dubai | Emaar Hospitality | 1 | 542 |
| Somerset | The Ascott Ltd. | 3 | 525 |
| Grand Midwest | | 3 | 510 |
| Marina 101 - Dubai | | 1 | 506 |
| Bavaria Executive Suites (Sharjah) | | 1 | 400 |
| TIME Hotel Apartments - Dubai (formerly Layia Hospitality) | TIME Hotels & Apartments | 4 | 393 |
| Flora Hotels & Serviced Apartments - Dubai | | 3 | 388 |
| Nuran Serviced Residences (Dubai) (new entry) | | 2 | 320 |
| Bonnington Jumeirah Lakes Towers | | 1 | 272 |
| EWA Hotel Apartments | | 6 | 257 |
| Suite Novotel | Accor | 2 | 253 |
| Residence Inn | Marriott | 2 | 240 |
| Intercontinental Suites (Dubai)(new entry) | | 1 | 212 |
| Residence Suites (Dubai) (new entry) | | 1 | 212 |
| Shangri-la Serviced Residences | Shangri-la Hotels | 2 | 206 |
| Green Lakes (Dubai) (new entry) | Emirates Hotels & Resorts | 1 | 181 |
| Oasis Beach Tower (Dubai) (new entry) | | 1 | 180 |
| Radisson Blu Diplomat Hotel & Residences - Bahrain | Radisson | 1 | 180 |
| Radisson Blu Dubai Marina | Radisson | 1 | 152 |
| Millennium Copthorne Dubai | Millennium Copthorne | 1 | 151 |
| Al Hamra Palace Beach Resort (Dubai) | Casa Hotels & Resorts | 1 | 145 |
| Dusit Residence Dubai Marina | Dusit Hotels & Resorts | 1 | 145 |
| Abidos Hotel Apartments - Dubai | | 1 | 132 |
| Vision Hotel Apartments - Abu Dhabi | Vision Hotels | 1 | 125 |
| TAJ Palace Dubai | TAJ Hotels Worldwide | 1 | 90 |
| The Dunes Hotel & Suites Qatar | | 1 | 85 |
| Vision Links Hotel Apartments - Abu Dhabi | Vision Hotels | 1 | 74 |
| Dusit Pearl Coast Premier Apartments (Dubai) | Dusit Hotels & Resorts | 1 | 48 |
| | Total | 289 | 40,364 |



The Residences at the Ritz-Carlton, Toronto



| US & Canada | | Locations | Apartments |
|---|------------------------------------|------------|---------------|
| Residence Inn | Marriott | 733 | 90,475 |
| Extended Stay Apartments | Extended Stay Hotels | 363 | 41,000 |
| Candlewood Suites | Intercontinental Hotel Group (IHG) | 300 | 28,972 |
| Homewood Suites | Hilton | 241 | 26,484 |
| Town Place Suites | Marriott | 258 | 25,765 |
| Other | | 340 | 23,800 |
| Oakwood | Oakwood Corp Housing (est) | 1,850 | 22,800 |
| Value Place | | 181 | 21,587 |
| Staybridge Suites | Intercontinental Hotel Group (IHG) | 185 | 20,106 |
| Homestead Studio Suites | Extended Stay Hotels | 131 | 17,000 |
| Extended Stay Deluxe | Extended Stay Hotels | 109 | 11,200 |
| Hawthorn Suites | Wyndham Worldwide | 106 | 10,681 |
| Hyatt House (formerly Summerfield Suites) | Hyatt | 57 | 8,140 |
| Studio 6 | G6 Hospitality | 70 | 7,771 |
| Suburban | Choice Hotels | 63 | 7,351 |
| In Town Suites | | 138 | 6,900 |
| Shilo Inns | | 41 | 6,150 |
| Crossland | Extended Stay Hotels | 34 | 4,400 |
| Studio Plus | Extended Stay Hotels | 46 | 3,600 |
| MainStay Suites | Choice Hotels | 43 | 3,330 |
| Sun Suites | | 22 | 2,970 |
| Crestwood Suites | | 20 | 2,700 |
| Mercure South America | Accor | 25 | 2,607 |
| Othon Suites - Brazil | | 15 | 2,434 |
| Bridgestreet (estimated) | | 130 | 2,145 |
| Sonesta ES Suites | | 17 | 2,082 |
| Savannah Suites | | 14 | 1,680 |
| Home 2 Suites | Hilton | 19 | 1,653 |
| Siegel Suites | | 16 | 1,600 |
| Chase Suite Hotels | | 12 | 1,535 |
| Larkspur Landing | | 11 | 1,320 |
| Furnished Quarters | | 4 | 1,054 |
| AKA Serviced Residences | Korman | 9 | 919 |
| Premiere Suites | | 15 | 750 |
| Four Seasons | | 5 | 650 |
| AVE Apartments & Suites | Korman | 6 | 600 |
| CitiSuites San Francisco | | 1 | 500 |
| Signature Properties (New York) | | 8 | 500 |
| Affordable Corporate Suites | | 11 | 400 |
| LOI Suites (Argentina/Brazil) | Hyatt | 5 | 332 |
| One King West - Toronto | | 1 | 330 |
| Temporary Living (new entry) | | 6 | 275 |
| Lodge America | | 2 | 270 |
| Marriott Executive Apartments | Marriott | 2 | 260 |
| Melia Orlando Suite Hotel | Sol Melia | 1 | 240 |
| Town Inn Furnished Suites - Toronto | | 1 | 200 |
| ARK Apartment Homes | Korman | 2 | 160 |
| Temporary Apartments - Buenos Aires | | 4 | 160 |
| Dazzler Suites | Fen Hoteles | 3 | 144 |
| Element Hotels | Starwood | 1 | 100 |
| Brasiliana Santana Gold Flat | | 1 | 96 |
| | Total | 289 | 40,364 |

| US & Canada cont... | | Locations | Apartments |
|--|-------------------|------------------|-------------------|
| Live Skyline | | 5 | 90 |
| Conrad Miami | | 1 | 76 |
| The Alexandra Hotel - Toronto | | 1 | 75 |
| Regent Park Suite Hotel - Sao Paulo | | 1 | 70 |
| Mandarin Oriental New York | Mandarin Oriental | 1 | 65 |
| Four Seasons Houston | | 1 | 64 |
| Augusta Park Suite Hotel - Sao Paulo | | 1 | 54 |
| Today Living Group | | 6 | 50 |
| Aparthotel Cabildo Suites - Buenos Aires | | 1 | 48 |
| Hollywood Suites & Lofts - Buenos Aires | | 1 | 41 |
| Ayres de Recoleta - Buenos Aires | | 1 | 38 |
| Ayres de Libertad - Buenos Aires | | 1 | 30 |
| Crescent Suites Hotel (Boston) | | 1 | 30 |
| Alameda Aparthotel - Sao Paulo | | 1 | 28 |
| Oscar Freire Imovel Total - Sao Paulo | | 1 | 13 |
| Total | | 5,702 | 418,950 |

| | | |
|--|--------------|----------------|
| TOTAL LOCATIONS & SERVICED APARTMENTS WORLDWIDE | 8,802 | 655,911 |
|--|--------------|----------------|

| Corporate housing | | |
|--|--|---------------|
| USA | | 63,911 |
| Canada | | 5,242 |
| TOTAL CORPORATE HOUSING IN USA/CANADA | | 69,153 |

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