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The Global Serviced Apartments Industry Report 2015/16

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The Global Serviced Apartments Industry Report 2015/16

In association with Adagio, Frasers Hospitality, Go Network & Quest Apartments
5th edition

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Report methodology



The 2015/16 edition of the Global Serviced Apartments Industry Report has been responsibly compiled from a range of primary and secondary global sources, both in or closely aligned to the serviced apartments sector.

Over 30 industry buyers, suppliers, consultants and trade association representatives were interviewed for this edition of the report by our editor Mark Harris.

Their opinions and assessments are reflected throughout. Each provides a valuable insight into local, regional and global demand and supply trends, together with an in-depth look at regional variations developing in their areas.

We always strive to fill The Global Serviced Apartments Industry Report with facts and figures about the market.

As in previous editions, much of the data presented here comes from the survey undertaken especially for this report by Bard Vos, Marketing Executive at The Apartment Service.

The survey for this edition of the report was carried out in July 2014 amongst 2,500 serviced apartment operators, associations, buyers and agents. A copy of the results is available at www.apartmentservice.com/GSAIR

Wherever possible, the results of this year's industry survey have been compared with previous years to highlight trends within the world of serviced apartments.

All other information sources are fully attributed and include other publicly available reports and research around the serviced apartments sector or the wider hospitality industry. In all cases, we present the latest figures available within the market. However, where 2013 data has not been available, we have used 2012 figures instead.

Editorial team



Mark Harris (Contributing Editor)

Mark Harris joined the business travel industry in 1990 and has been a Director of Travel Intelligence Network since 2005. A former Marketing Director of Expotel and First Option, and Head of Marketing at ITM, he was voted the business travel industry's Personality of the Year in 2006. As well as compiling five editions of both the Global Serviced Apartments Industry Report and Meetings Industry Report, over 20 white papers and many client magazines, he is one of the team behind The People Awards, a regular contributor to trade media and moderator/presenter of industry events. After lunch he is chairman of Witton Albion FC and the Evo-Stik Northern Premier League.



Charles McCrow

Charles has been the driving force behind The Apartment Service's 33 year success. With a background in property development and construction, Charles is a long standing member of several industry bodies and a founder member of the UK's Association of Serviced Apartment Providers (ASAP). Under his leadership the company has been at the forefront of innovation in the sector, the latest example of which is the TAS Alliance. Charles' investment in technology and people has helped power the growth of the serviced apartment industry, resulting in the launch of the sector's first alliance of independent operators to provide an end-to-end solution for buyers and travellers globally.



Bard Vos

Bard Vos has been at The Apartment Service since 1996, becoming Reservations Manager in 1997, and then joining the marketing team in 2004 where he has been involved in all the company's marketing activities. Bard has researched and monitored all the global suppliers in the serviced apartment sector during this time and written for all 5 editions of the Global Serviced Apartments Industry Reports, including maintaining the Global Serviced Apartment listings and Rate Overviews in key cities.

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Travel trends and economic impact 2014



About us

The Apartment Service is a leading serviced apartment operator, corporate housing provider and global booking agent. We provide a one-stop service for corporate housing and serviced apartments worldwide, honed over 30 years of sourcing and managing travel and relocation assignments for corporates. We own and operate 450+ apartments across London, UK Home Countries & Europe. In February 2014 we launched the TAS Alliance bringing together a global selection of independently-owned and serviced apartments operating under a single booking platform and brand to provide consistency in quality and efficiency in booking serviced apartments for clients globally.

Glossary of terms

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

ADR	Average Daily Rate
GDS	Global Distribution Systems (e.g. Amadeus, Galileo, Sabre)
GSAIR	Global Serviced Apartments Industry Report
HSR	Hotel Supply Ratio (i.e. number of hotel rooms per '000 population)
MNC	Multi-National Company
Occupancy	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
WTTO	World Travel & Tourism Organisation

Commentary

by Charles McCrow, CEO, The Apartment Service



Welcome to the fifth Global Serviced Apartment Industry Report which provides a detailed overview of our sector and the changes that have taken place since our last report in 2013.

In this edition many highly respected industry figures have contributed their expert opinions on some of the trends and factors that make serviced apartments a very special and personal place for those that work in it, stay in it and have helped to build it.

Our world is getting more exciting by the month, with continued and growing interest both from those that want to use and those that want to provide serviced apartments. This increased interest has also raised questions for the sector but is also helping to clarify what customers and suppliers actually want from each other.

To date there has not been enough interaction between the relocation associations that represent both suppliers and users, although this is now higher on their respective agendas.

The business travel community, through their associations like ITM, ACTE, GBTA and GTMC is more aware of serviced apartments than ever before, as shown by their participation in this report. However we still need to bring more clarity to the disparate products under the umbrella term of 'serviced apartments' and how they can fulfil the needs of corporates and travellers alike.

Things are different in the relocation sector where demand for temporary accommodation reflects a better understanding of the advantages the rental sector can offer. Members of associations such as the ERC and EuRA embrace corporate housing for what it is. They don't use the same rigid procurement processes as travel and are more accustomed to providing a high level of 'touch' for assignees and their families.

Suppliers are still not well represented globally, although the UK's Association of Serviced Apartment Providers (ASAP) is an exception. Their membership has grown by 35% to over 80 members during the past two years and the ASAP is aiming to double its membership again over the next two years by raising its profile and by promoting the bespoke quality grading scheme launched in 2013.

The second Serviced Apartment Summit held in London in July 2014, also brought together a wide range of operators and potential investors into the sector. Now in its third year, this summit will assist the development of the sector in Europe.

In the USA the Corporate Housing Providers Association (CHPA) has 267 members representing corporate housing providers specialising in 30+ day stays. However there is little or no interaction with extended stay hotel chains whose inventory numbers are vast in comparison.

That these chains are operated mostly by the leading hotel chains such as Marriott, Intercontinental or Hilton indicates that they may run their own course in the future. The purchase fifteen years ago by Marriott International of Execustay, a US corporate housing provider created in the 90s by a NASDAQ IPO, demonstrated the synergies between the hotel and corporate housing markets, but its subsequent re-sale in 2012 to Oakwood Worldwide may also indicate a future parting of the ways.

Either way, both types of provider in the serviced apartment sector will grow and have an equally important role to play. The longer the stay, the more likely that a corporate housing product will be more appropriate due to the larger unit sizes, multiple bedroom units and lower cost.

Extended Stay Hotels (or Aparthotels in Europe) will be prominent and sited mainly in primary and secondary locations. They work much more along the lines of hotels; the clue's in the name! It is interesting to note that some operators that started life as US corporate housing providers

are now targeting the extended stay sector outside North America. Here the development of extended stay products is taking much longer than expected, so operators have seen an opportunity to grow more quickly.

The numbers

Ever since the first Global Serviced Apartment Industry Report in 2008, we have been monitoring the sector's growth.

Over this seven year period there has been an 80.1% increase in the number of serviced apartments worldwide. The corporate housing sector has lost some market share - just over 2.6% - to the extended stay sector having recovered from an even greater fall during the intervening period of global recession.

The top 15 global operators' share of the market has fallen too; from 76.15% to 56.61% mainly due to new operators entering the scene, notably outside North America and Australasia.

Singaporean operators Frasers and Ascott have both actually expanded their respective numbers of serviced apartment units by 18% and 30% over the period 2008 - 2014 and their current growth rate has been between 30 and 35% in the past year alone. This means the other top 13 operators have either maintained or slightly reduced their inventories. Most notable of these is Marriott, who have decreased their inventory levels by 9% in this period.

Overall, there are now almost three quarters of a million apartments worldwide (748,437) - up 14% over the past 18 months. A summary of the major operators and regional inventories is shown below.

Serviced apartments totals worldwide

	2013/14	2015/16	YoY	2013/14	2015/16	YoY
	Locations	Locations	Variance Locations	Apartments	Apartments	Variance Apartment Totals
Accor	221	201	90.95%	21,898	22,647	103.42%
The Ascott	177	218	123.16%	22,785	30,519	133.94%
Extended Stay Hotels	683	686	100.44%	77,200	77,588	100.50%
Frasers	50	60	120.00%	7,739	10,075	130.18%
IHG	488	512	104.92%	49,521	51,732	104.46%
Marriott	1,018	945	92.83%	119,771	109,306	91.26%
Pierre et Vacances	257	257	100.00%	22,252	22,252	100.00%
	2,894	2,879	99.48%	321,166	324,119	100.92%
Australasia	1,104	1,073	97.19%	57,220	59,169	103.41%
The Americas	5,702	6,046	106.03%	418,950	446,059	106.47%
Latin America	unknown	86		unknown	6,899	
Asia	419	551	131.50%	49,480	72,857	147.25%
Middle East	289	380	131.49%	40,364	55,732	138.07%
Europe	1,212	1,723	142.16%	85,263	105,818	124.11%
Africa	76	102	134.21%	4,634	8,802	189.94%
TOTALS WORLDWIDE	8,802	9,961	112.19%	655,911	775, 336	114.11%

Source: The Apartment Service

Definitions

*What **exactly** is a serviced apartment?*

Traditionally, the term serviced apartment has been used to describe an alternative to hotel accommodation for long stay business or leisure travel in urban locations.

However the various different sub-categories that now exist and new brands coming into the market makes this an over-simplified definition.

Over the last 30 years The Apartment Service has worked with clients, operators and industry bodies to achieve a clearer understanding of what a serviced apartment is, and for that understanding to be reflected more consistently by operators.

Ever since the first GSAIR in 2008, our view has been that the term serviced apartments is generic, just as hotel is the umbrella term for a myriad of different products from B&Bs to lodges, restaurants, pubs with rooms and even private houses –as well as traditional hotels.

Each niche product has its own market, and each market has seen home-grown products evolve to fit the needs of their target audiences; from wedding to golf.

At one end of the serviced apartments spectrum is the **aparthotel** product, referred to in North America as extended stay hotels but which we believe are the same thing. Aparthotels have varying ranges of ancillary services and amenities and typically have no minimum stay period restrictions. This enables them to market themselves as hotel alternatives.

At the other end of the spectrum, **corporate housing** is the term for residential properties in North America that usually have larger living spaces than Aparthotels and have been upgraded to include hospitality services such as cleaning & guest services. These apartments are fully furnished with equipment, entertainment services and broadband. Corporate housing is frequently referred to as serviced apartments outside of the USA, thereby causing some of the confusion about its definition.

Another aspect often overlooked but which contributes to this confusion is that serviced apartment rentals can be for very long periods. The definition of 'extended stay' in the hotel world usually means 4 or 5 nights or more, whereas in the residential rental markets, 6 and sometimes

12 months would be considered short term. Corporate housing ideally serves this gap and meets the growing need by corporates for this type of serviced accommodation.

In the transition between the hotel and residential worlds, the level of available amenities and services decreases. 24/7 reception desks, onsite staff or restaurants start become the exception rather than the norm, but customer service, cleaning, maintenance services, health & safety compliance are essential features of any serviced apartment.

Figure 11 on page 23 in this report shows how amenities can vary between brands and operators. We have also ranked the major serviced apartment brands by including the average scores achieved in each case from Trip Advisor and Bookings.com.

Between the two extremes of the aparthotel/ extended stay and corporate housing products, the variations in services provided by different serviced apartment operators are often used as the brands' unique selling points; whether the customer needs them or not.

Part of the appeal of serviced apartment is that no two products are ever completely identical. Unlike homogenous hotel products, we believe that the inherent individuality of serviced apartments is one of the major factors in the sector's success. Guests – and millennial travellers in particular - want the variety of options that brands present to meet their individual needs; they want to sample local styles, culture and experiences.

The trail blazed by The Apartment Service is now being followed by others. In July 2014, fifteen of Europe's leading operators signed a charter at the second Serviced Apartment Summit held in London.

This charter recognised **serviced apartment** as the generic term for Aparthotels and Corporate Housing, but stopped short of recognising terms, such as **extended stay** or **branded residence**, affirming instead that the two distinct types of product fall under the umbrella term **serviced apartment**.

The charter also drew attention to the increasing influence of local licensing and planning restrictions on any property wishing to operate as a serviced apartment. The considerations of hoteliers (who have their occupancy to protect as well as paying higher municipal charges

than residential), local long term residents and property issues such as safety regulations for fire and means of escape all have a part to play in the future moulding of corporate housing.

'Sea or snow' rental apartment accommodation is not regarded as serviced apartments because this category only services the leisure market in holiday resort locations and their suitability for business users.

A New World and the challenges

The pace of change is increasing as global integration moves ahead relentlessly, seemingly regardless of boundaries and only just being kept under control by governments.

Personal access to information, independence and opportunities is made available through the amazing technological advances that we have seen over the past years and will continue with further innovation that will doubtless change the landscape even more.

Different types of trouble are affecting many parts of the world, even in places thought to be immune. We will all be affected at some point and in some way when we travel. The safety and security of those being moved makes this an equal concern for them and us as arrangers as much as the location, comfort and quality of the places in which they stay.

There are other surprises in store. Cities assumed to be relatively inexpensive actually cost more to stay in due to the limited availability of suitable housing and the high cost of living.

According to the *2014 Mercer Cost of Living Report*, Luanda in Angola is the world's most expensive city to live in. Here, renting a 3 bedroom house costs up to USD \$15,000 per month and a business-standard hotel room costs around \$350 - \$450 per night. Singapore lies in fourth position in the Cost of Living rankings; here a three bedroom house rents at just under USD\$13,000 per month.

As you will see in our Africa regional report, it was a surprise to learn that the land area of the USA, China and Western Europe would all fit into Africa. With a population of about 46% but only 5% of the GDP of all these countries, there are big opportunities here too.

The debate of planning or zoning permission regarding the rental of property for short term stays continues and will soon determine what



is possible and what is not for businesses and private owners. However what seems fair and reasonable for owners wanting to make use of their largest asset may not, in many cases, be seen in the same way by the authorities.

The most costly cities for hotels meanwhile are mainly in Europe (Paris, Oslo, Zurich, Geneva & Copenhagen in the top 10) although leading the field is Singapore. Others in the top ten are Sydney, Caracas, Melbourne and Tokyo.

Source: Economist Intelligence Unit

Summary

At the time of writing (the last quarter of 2014) we are in an even better position than we were at the time of our previous report.

Prospects are looking great with increased awareness and recognition of the sector and outside of Asia and North America we now also have significant interest from the institutional property investor meaning inventory numbers will grow considerably over the next few years.

Good news for customers who will benefit from better rates, more choice and extra facilities but at the same time a warning to operators, whose competitive edge will be brought into sharper focus than ever before.

Communication, connection, commercial and clients - the sales perspective

by Jo Layton - MD Group Commercial Sales, The Apartment Service



Jo Layton is one of the best-known and respected figures in the serviced apartments industry.

With a 25-year leadership and business development career in the hospitality industry, Jo combines her passion for excellence with a drive for growth, recognition and development of the serviced apartment industry.

Following 14 years with Marriott International and the Intercontinental London on Park Lane, most recently she has spent a decade opening and developing key strategic markets for a global serviced apartment brand, growing corporate, leisure and relocation business across EMEA, the Americas and APAC.

The world quickly becomes a smaller place when the emphasis is on communication.

Over the last 18 months since the 4th edition 2013/2014 GSAIR report - the serviced apartment industry has continued to grow exponentially.

The industry is enjoying sharing ideas, information and resources through many vehicles, and continues to drive conversation, debate and opinion that has moved the industry forward with subjects from quality to service; from security to local legislation and from sales to distribution - all the time, keeping the stakeholders connected through active conversation.

This connection of course is a moving target, and ensuring that publishers, editors, journalists, conference organisers and associations are asking the relevant questions for the industry today, and sharing the messages as clearly and accurately as possible, is the responsibility of every person within our industry.

Many new players have joined the industry ranging from operators to agents to consultants. The associations and the affiliates to the sector have become more confident in their relationships and delivery.

Alliances have been built and developed to provide competition to the original global players that have dominated the markets for the last 10 years, and all the while, large brands presenting extended stay or aparthotels are moving swiftly across our landscape tri-regionally - what an exciting time to be in the much admired, fast-paced, competitive, opinionated and developing serviced apartment industry.

I wrote a piece for the International HR Advisor

on the future of the serviced apartments and corporate housing industry (spring 2014) where, amongst many other subjects, I shared thoughts and addressed in detail, the global sales platform that we perform on every day.

We now have cohesive associations, we have global networks and we have partnerships and alliances that are successfully providing opportunities for large and small operators to work together.

Globally we are all looking for a mirror image of ourselves - we are looking for shared visions and values, commitment to quality and service, and with the new networks and alliances, these 'marriages' will have their ups and downs like any other relationship.

Some will stay the course, and enjoy the productivity of their union, and others will jump from one relationship to another looking for the 'perfect' partnership. Which is the more successful strategy? This is up for debate, but we promise we will share the results in the GSAIR survey of 2017/2018.

The challenges in the industry will stay the same, but the emphasis is definitely changing.

Intelligent distribution

Over the next two years we will see more focus on 'intelligent distribution' not just distribution. Where should operators and agents spend their money for the best return on their investment? Who will they work with, and why? Online, face to face, conferences, tradeshow, exhibitions - suddenly being part of a network or alliance becomes an interesting proposition.

Health & safety

We will see the need for health, safety and security to be given a more solid platform and for accountability and responsibility to be taken even more seriously. Risk management is a key factor for every stakeholder across the globe, and empathetic fast and caring issue resolution is the key to success.

Smart data

Management information that is provided without analysis as 'big data' will hear from buyers that it needs to be presented as 'smart data'. The kind of smart information that can be consumed, shared and broken into outputs to enhance the management and direction of their serviced apartment programmes and help them dovetail this data into reports of other serviced accommodation (i.e. hotels) they procure.

Partner engagement

Agent providers will need to look at supply management versus partner engagement. Creating the right levels of service, choosing the right product, finding excellent locations, fast response times, acute market awareness, staff training and general support to provide 'global' programmes and understanding of the needs of the global traveller, buyer or agent in a local market will ensure that the marriages and partnerships can stand the test of time.

Exceeding expectations

Setting expectations for guests, and more importantly, exceeding them on arrival is one of the most satisfying parts of our business. Ensuring that your brand marketing, your property information sheets and online profile is recognisable and deliverable, will ensure that your business is sustainable.

Be your guest

A call out to developers, brands and operators across the globe - no matter how big or small you are. As much as users of serviced apartments love the aesthetics of marble and wall coverings and chic touches, what they want, (really, really want) is fluffy towels, a fab shower, a good quality bed and linens and a comfy sofa to collapse on. We can't always choose our view or the size of our apartment but the kitchen needs to be practical and clean, and we need to feel that we are the FIRST guest that has ever stayed there, no matter how long it was since your last refurbishment.

These are key priorities for the global traveller, and if you want to test your product, walk in to your apartment and 'grade' every part of it that you touch or that a part of your body touches - these are the important aspects to consider - it's the little things that make the difference.

Hospitality

And finally - hospitality - we can get it so right, and unfortunately, so wrong. Being able to provide the warmest welcome every time, whether it's with a personal note, a bottle of water in the fridge, a chocolate bar or a welcome tray of tea and coffee on every arrival and recognising repeat guests into your portfolio is a challenge that every operator faces.

Hospitality is what makes the difference, it reflects your brand personality and can completely change the view of you as leaders, your teams and your product.

If your travellers have a choice, remember to thank them, and ask them to come back.

My belief is that it is easily worth as much investment in guest services as a company spends trying to find a new sales lead.

Take a look at the P&L and move some money around...



Global Industry Overview

Introduction

In each of the four previous editions of the Global Serviced Apartments Industry Report we have questioned what the turning point for the serviced apartments industry would be, and when it would occur.

We now have plenty of evidence to suggest this point has arrived.

There is wide recognition that serviced apartments are a product for long stays, rather than just a catch-all alternative to hotels.

Further evidence of growing maturity in the serviced apartments sector comes from the debate around standardisation versus customisation. Should there be greater homogenisation of serviced apartment products to help reassure travellers and bring greater certainty to the guest experience, or is the industry getting the wrong end of the stick?

Now that consensus has widely been reached on what constitutes a serviced apartment, operators are looking instead at the fabric of their products. At décor, equipment, fixtures and furnishing and at the services available to the guest.

Standardisation is a fundamental principle of branding; the creation of an experience through

look, feel and touch that can be replicated regardless of location. The counter argument, as shown by the emergence of boutique hotels, is that brands also need points of difference with which to distinguish themselves in any competitive market.

Until recently, aparthotels in particular have positioned themselves as a cheaper alternative to hotels, although the reality can be different, especially for short stays.

The corporate market now understands that serviced apartments are less expensive for longer stays and offers significant savings on ancillary costs such as food & beverage usually incurred in hotels.

The extra living space in serviced apartments - and especially having a kitchen - also add significant value at no extra cost. This is not always taken into consideration by procurement teams whose primary directive is to secure best rates from suppliers.

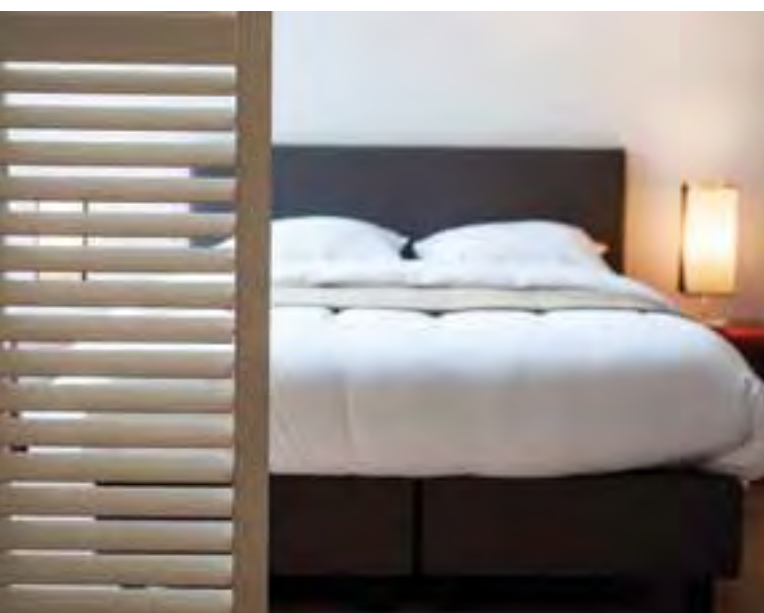
Perhaps the most compelling evidence that the tipping point has been reached comes from the changing profile of serviced apartment customers.

Leisure bookings and business from small and medium size companies is growing, thanks in part to more operators making their inventory available on Online Travel Agents (OTAs) like Booking.com, Expedia and others.

The lines between business and leisure are becoming more blurred as business travellers add on mini-vacations (AKA staycations) to their trips, whilst millennial and independent travellers are increasingly evident. They are more receptive to other new types of product such as a shared apartment, or renting a room in a private dwelling.

But although some employees may want to take up these options, their employers are less keen. In the eyes of many travel managers and HR teams the shared accommodation model compromises staff safety and travel policy compliance. In a shrinking global talent pool, no corporate will risk breaching their statutory duty of care obligations.

There is still much work to be done before all serviced apartments reach the mainstream. Corporates need to pressure TMCs more to engage



with the serviced apartments sector and create compatible technology & processes that allow corporates to book without operators having to use the GDS.

Corporate *awareness* of serviced apartments does not yet equate to *understanding*, but there are positive signs. A number of leading operators are cooperating to bring greater clarity to the aparthotels/extended stay model, whilst defining the sub-sectors through branding statements.

How ironic that their supply should start to be consolidated – even if in description only – whilst demand becomes more disparate as serviced apartments become popular with leisure travellers as well as corporate. Brands may bring consistency; but an opposing force is represented by consumer and buyers desire for greater personalisation of product and service.

Corporate housing continues to service the needs of project managers, those on longer stay assignments and in locations where traditional accommodation options are limited or unsuitable. This more readily available rental stock has a contribution to make, by widening the property pool, offering more flexible terms and added services to meet this demand.

As we have cautioned in previous editions of this report, operators vary considerably – not least in mind-set. Many come from a property background rather than a hospitality one, so the guest experience in a serviced apartment may not rank as highly on the operator's list of priorities compared to hotels or even aparthotel competitors.

Global travel trends

After the dark years of recession, travel is once again a driving force in the global economy.

In 2013 the industry accounted for almost £7 trillion, or 9.5% of the world's economy, employing 266 million people – 9% of the global work force. The World Travel and Tourism Council is predicting that the industry will grow by 4.3% in 2014. Much of that growth will come from Asia, reflecting a shift away from the US and Europe as the focal point of world travel.

By 2027, China will have overtaken the US as the world's largest travel and tourism economy. The country's population, currently standing at 1.4 billion, enjoys an average income level that enables them to travel domestically and internationally. Over the last three years, the



TRAVEL IN
2013
£7 TRILLION

GROWTH IN
2014
4.3%

FROM CHINA
200 MILLION
BY 2020

amount of people traveling outbound from China has nearly doubled to 100 million and is forecast to rise to 200 million by 2020.

France, the United States, China and Spain remain the most popular international destinations on the planet. In 2012 France received 83 million visitors; the US 67 million and China and Spain both receiving 57 million (source: WTTO).

And whilst the US remains the biggest destination for short-stay business travel, in the leisure sector China is predicted to overtake the US by 2016 thanks to 20% year on year growth (source GBTA).

International business travel is growing too, fuelled by a global workforce that is increasing in both size and mobility. According to the Brookfield Global Mobility Trends Survey 2014, the international assignee population continues to expand, albeit slightly more slowly than our last report. International assignee numbers grew in 47% of companies in 2013 compared to 54% in 2012. 40% of companies expected numbers to grow in 2014.

The emerging nations are taking a larger share of the business travel market, and this is affecting the way corporates are managing their travel programmes. Programme relevance is now the watchword - whether to a particular region, to the company or to the traveller, whilst buyers also focus on total cost of trip and maximising employee productivity.

The way in which travel suppliers engage with their customers is changing. The traditional supplier/agency/corporate chain has been broken by initiatives such as IATA's New Distribution

Capability which embodies suppliers' increasing focus on developing direct relationships with buyers.

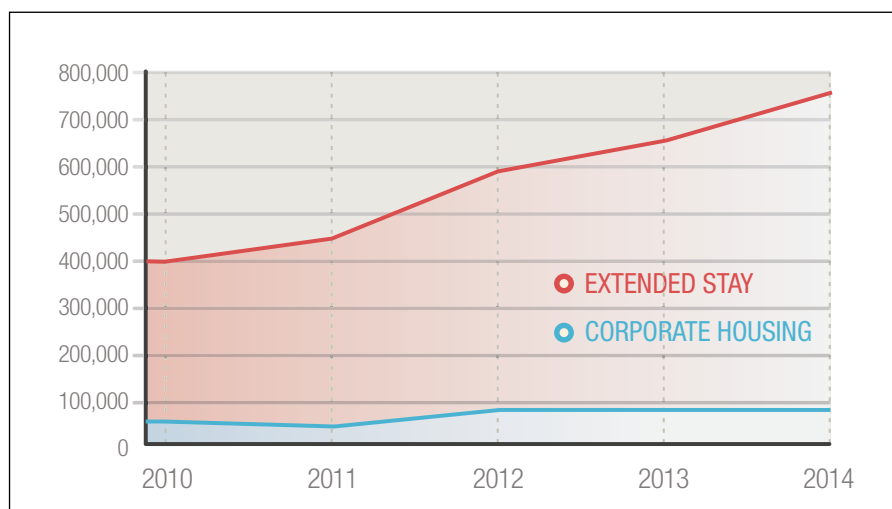
The traveller is changing too. Generation Y is firmly entrenched in the workplace. Millennial Travellers are more widely travelled than their ancestors and more receptive to new products and experiences such as serviced apartments.

International travel is more commonplace - and less glamorous - to the millennials. Delays, security checks and congestion can make travel an unpleasant experience. The new generation of traveller has a natural affinity with VOIP and video conferencing. Millennial Travellers expect to be able to make business travel choices whilst on the move through Apps on their smartphones, tablets and other devices.

Each of these trends spells good news for the serviced apartment sector. Growing international mobility, especially from a region well-accustomed to serviced apartments and likely to stay for longer, will mix with an expanding international assignee population to make up the bulk of serviced apartment demand in the years ahead. Rising international short stay business travel will be the icing on the cake.

Figures 1 - 3 show the increase in the number of apartments and locations served by apartments since 2010. Figure 2 demonstrates that the year-on-year rate by which supply of extended stay product is increasing recovered in 2014 following a significant slowdown in 2013.

Figure 1. Number of serviced apartment units - global estimates



Source: The Apartment Service

Supply Trends

The serviced apartments sector continues to expand significantly.

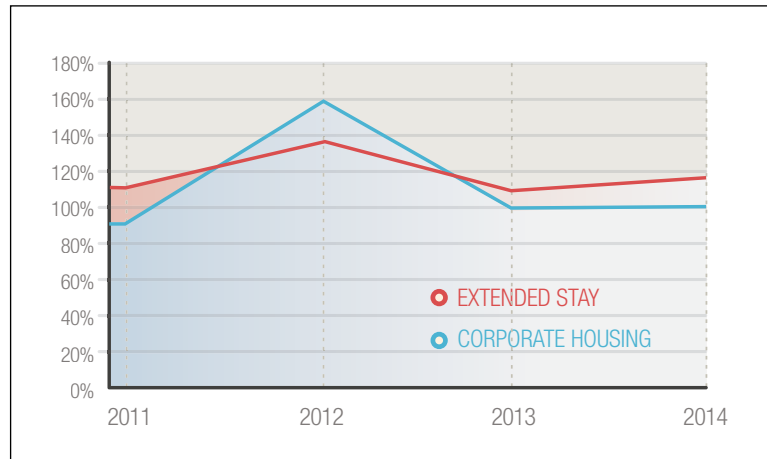
In 2008, the first edition of the GSAIR put the total number of extended stay apartment units worldwide at 401,997 in 6,722 locations. Figures 1 - 3 show the increase in the number of apartments and locations served by apartments over this five year period.

Two years later we estimated there were 599,187 units in 8,362 locations. This has now risen to 748,437 units in 9,875 locations, showing a four-year growth in supply of 86.2% and 14.1% respectively.

Figure 2 demonstrates that the rate at which supply of extended stay product is increasing recovered in 2014 following a significant slowdown in 2013.

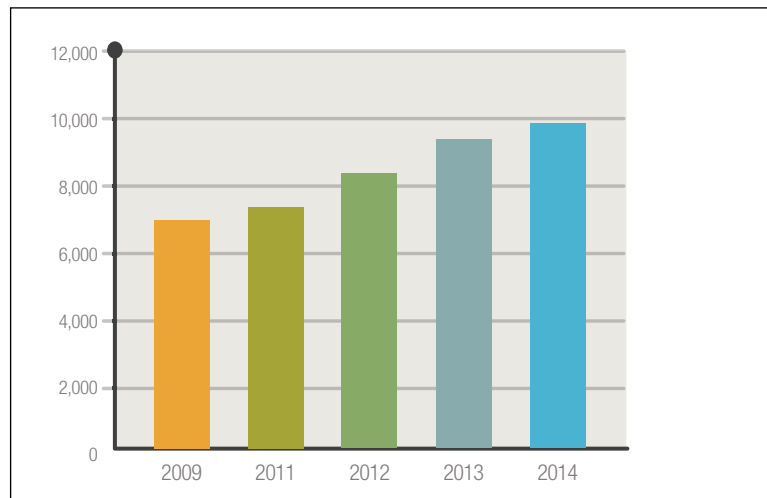
As Figure 4 illustrates, the US continues to be the biggest market for serviced apartments, accounting for 59.6% of the world's extended stay (i.e. excluding corporate housing) units and 61.23% of all locations. North America has also seen the highest increase in supply year-on-year, from 418,950 units in 5,702 locations to 446,059 units in 6,046 locations.

Figure 2. Annual rate of increase in unit supply



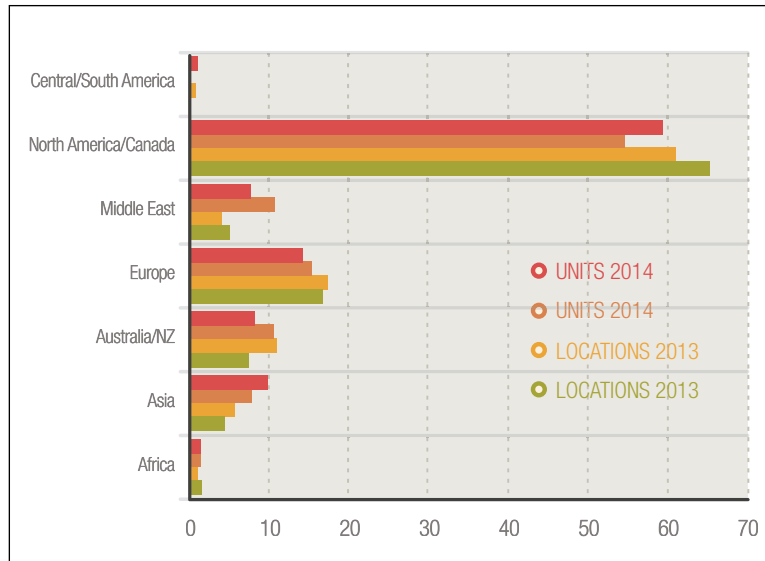
Source: *The Apartment Service*

Figure 3. Number of locations with serviced apartments



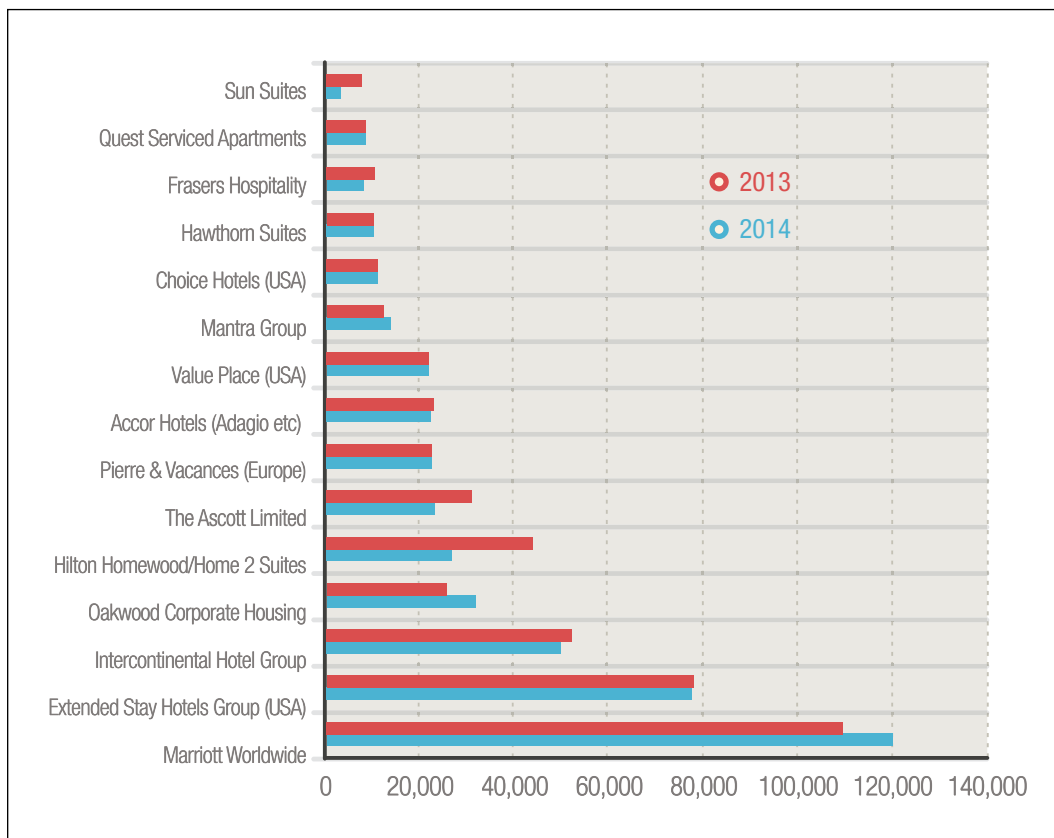
Source: *The Apartment Service*

Figure 4. Extended stay units & locations as % of global supply 2014 vs 2013



Source: The Apartment Service

Figure 5. Top 15 serviced apartment operators by units 2014 vs 2013



Source: The Apartment Service

There is little change in the rankings of the world's leading serviced apartment operators. The composition of the top 15 remains un-changed other than a few changes in position. The risers in the table for 2014 are Hilton (Homewood and Home 2 suites), Accor (Adagio) and the Fraser Group.

Sector growth

Looking ahead, the air of optimism amongst operators continues unabated.

Many branded serviced apartment operators have grand plans for future expansion. In the US, for example, Value Place aims to double the size of its brand over the next five years with a mix of owned and franchised properties. But what of others?

In April 2014, US based Oakwood Worldwide announced a joint venture with Asia’s Mapletree Group that will expand its branded apartment portfolio around the world by an estimated 100 properties over the next five years.

As well as strengthening Oakwood’s position as a global provider, the deal enhances the brand’s ability to provide global housing solutions. It’s a message echoed elsewhere. Marriott will be focussing on growing its presence in the Middle East, Africa and Asia.

Adagio has been rapidly expanding since launching in 2007 and aims to reach 150 aparthotels in 15 countries by 2016. To date, the network comprises more than 100 Aparthotels in 10 countries. The company has 30 projects in the pipeline and is targeting high-potential markets, such as Latin America, the Middle East, Russia and shortly Africa too.

Ascott currently has more than 38,000 serviced apartments across Asia Pacific, Europe and the Gulf, of which 12,000 units are under development. The company is aiming to achieve 40,000 apartment units globally by 2020 and announced strategic alliances with leading

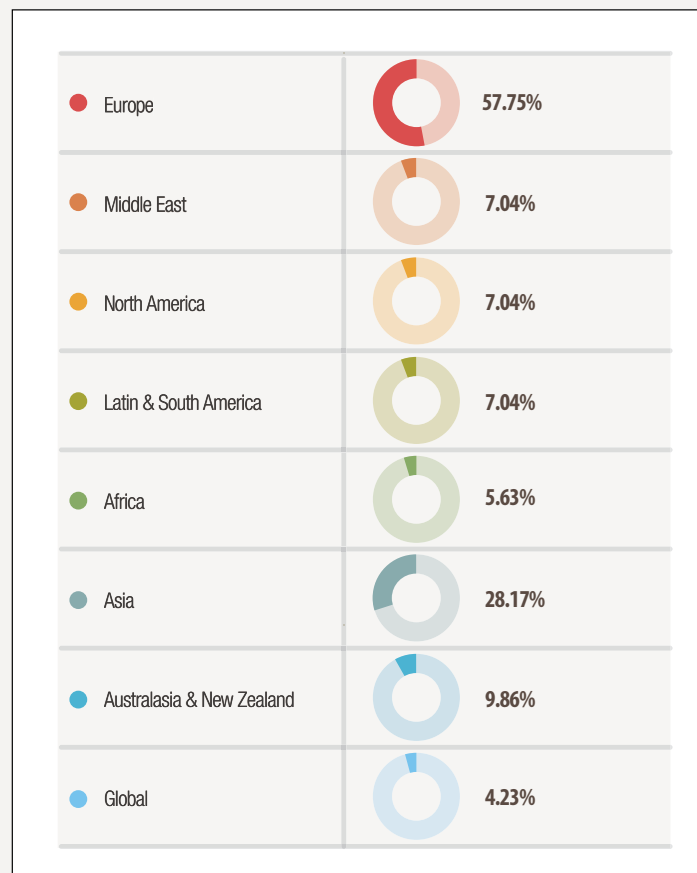
property developers such as Quest Apartments in Australia, China’s Beijing Vanke and Yuexiu, who will develop serviced residences in China. Franchise will be another of Ascott’s growth drivers for the future and will allow them to build scale rapidly in their existing markets and expand into new ones.

We surveyed operators across all regions (Fig 6 refers) about current and predicted demand and supply in their local markets. 82.6% of operators’ reported growth in supply, with 77.9% also reporting increased demand.

Our research suggests that expansion will continue in many areas.

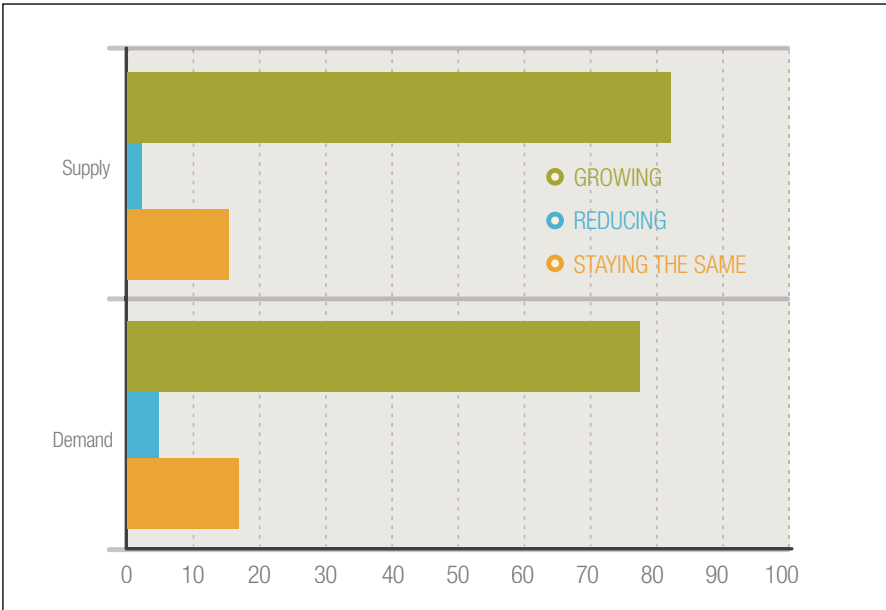
- 69.12% of operators are planning to increase the number of apartments in their existing locations, predominately in Europe and Asia.
- 64.29% are planning to open in new locations in all regions surveyed.
- 66% are planning to provide additional guest amenities.

Figure 6. Location of serviced apartment operators surveyed for GSAIR 2015/16



Source: The Apartment Service

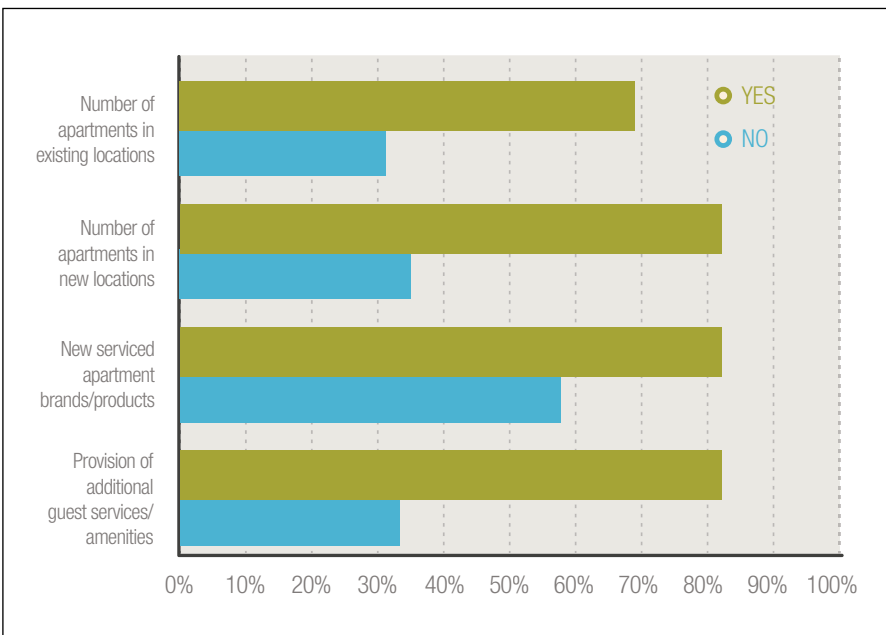
Figure 7. Is supply and demand increasing in your local market?



Source: The Apartment Service

2013-14
73.53%
OF OPERATORS
REPORT INCREASE
IN OCCUPANCY ON
2011-12

Figure 8. Operators planning to expand in units, locations, new products or amenities



Source: The Apartment Service

61.19%
OF OPERATORS
OPTIMISTIC ABOUT
OCCUPANCY IN
THE 12-24 MONTHS
AHEAD

Occupancy & Average Daily Rate (ADR)

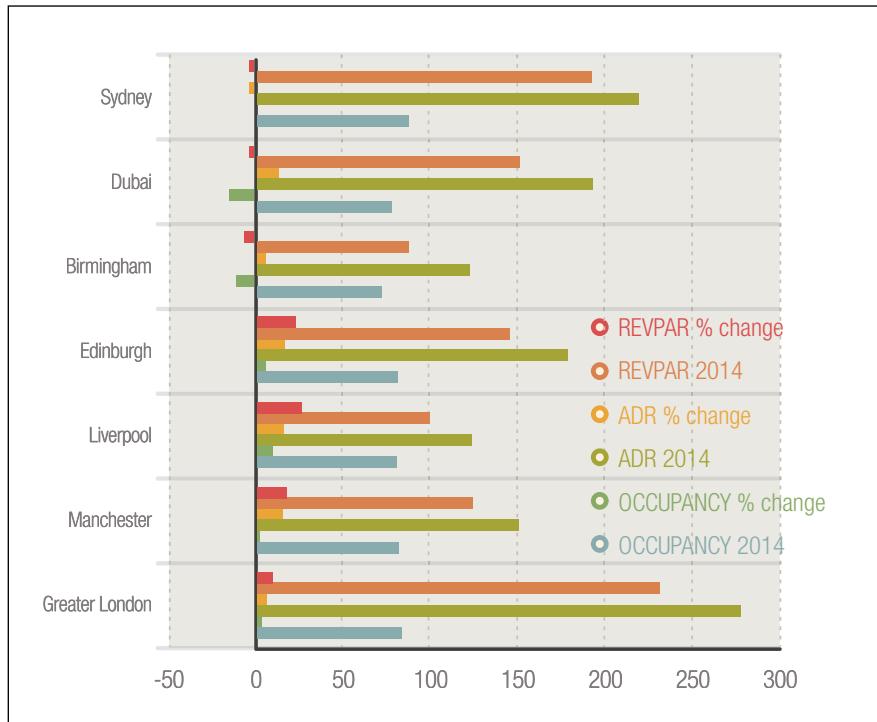
The buoyancy in the market is evidenced by Occupancy, ADR and RevPAR figures. In our survey, 73.53% of operators reported increased year-on-year occupancy levels, whilst 61.19% were optimistic about occupancy in the 12 - 24 months ahead.

Figures from STR Global show occupancy growing in most international destinations, including regional UK locations, exceeding that of hotels in the 4 - 5 star bracket. (NB. The provision of benchmarking occupancy and ADR data for serviced apartments is currently limited to a few leading destinations).

For example, as Fig 9 shows, London's serviced apartments enjoyed average occupancy levels of 83.2% in the period January to August 2014, compared to 81.9% for hotels. Internationally, average serviced apartment occupancy in Sydney reached 87.5% compared to 83% for hotels. In Dubai the figures for serviced apartments and hotels were 78% and 77.4% respectively.

These figures demonstrate both a shortage of supply and growing demand; two trends that have been evident over the last 5 years despite global recession.

Figure 9. Serviced apartments performance 2014 vs 2013



Source: STR Global

83.2% OCCUPANCY IN LONDON IN THE 12 MONTH PERIOD TO AUGUST 2014

Significantly, London leads the way internationally in average daily rate, achieving £167.29 per night, whilst Sydney is second in the ADR rates and Dubai is third. As figure 10 shows, both occupancy and average daily rates in UK serviced apartments outstripped hotels in 2014. In London they did so by 21.64%.

“Europe is showing the strongest occupancy growth of all the global regions” says Thomas Emanuel of STR Global, “whilst rate growth is a strong indicator that the market is coming back with a vengeance.”

In the Middle East, the pipeline of serviced apartments under construction shows Saudi Arabia and UAE as the dominant countries. This increase in supply is driving down occupancies but reflects growing demand.

According to May 2014 YTD data, the more mature Asian market has seen a more modest 2.2% increase in occupancy, but average rates are down 4.8%. This is due to a combination of factors; an austerity drive in China, a weak Japanese currency and high supply across the region.

Data for Africa illustrates a tale of two continents but an overarching theme of great opportunity. North Africa, dominated by Egypt, continues to struggle due to the Arab Spring. By contrast, sub-Saharan Africa has seen demand and supply increase slightly, albeit in specific (and stable) locations such as Accra and Dar es Salaam.

Terrorism-hit countries are struggling but Nigeria goes from strength to strength, especially in Lagos where ADR is outpacing London and New York due to limited supply, security fears, but rising oil-driven demand. The scale of opportunity in Africa for operators is highlighted by the fact that 13 countries currently have no branded supply of serviced apartments.





Operator perspective

“Value Place is experiencing an extremely strong year in 2014 compared to 2013, and that positive trend is projected to continue for the coming years. We report RevPAW – average per week – rather than RevPAR. Our average RevPAW this year has increased substantially, to the tune of 11 to 12%, and this growth is driven primarily by strong increases in average weekly rates.”

Bruce Haase, Value Place, USA

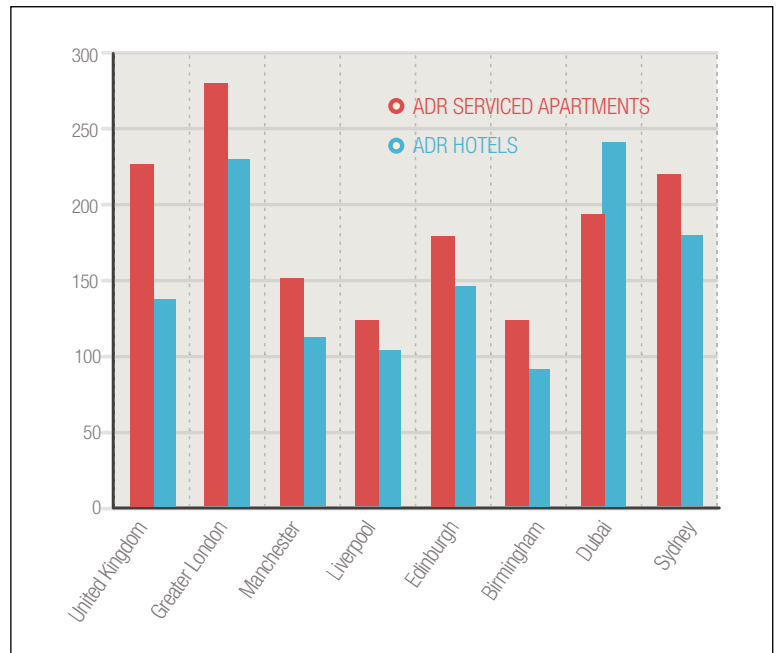


Operator perspective

“In some destinations we see much more long stay demand than last year resulting in a lower average rate and a higher occupancy rate, which results in a higher RevPAR and lower operational costs – this is exactly the focus of our brand.”

Vangelis Porikis, Adagio

Figure 10. ADR - Serviced apartments vs hotels 2014



Source: STR Global

The power of the brand

An often-cited difference between the serviced apartment and mainstream hotel market is that the former has fewer brands that are instantly recognisable to the average consumer. Hilton may mean hotels, even to someone who has never stayed in one, but there are few global brands in the serviced apartments sector to re-assure consumers or to create realistic expectations in terms of guest experience.

However things are changing. More serviced apartment brands are benefitting from the profile and awareness generated by selling their stock through the OTAs. Staybridge Suites, Homewood and Adagio are all serviced apartment brands marketed under the umbrella of their parent hotel groups, IHG, Hilton and Accor respectively.

Regionally, names like Frasers in Asia and Europe, Derag in Germany, Quest in Australia and Roomspace in Europe are gaining more and more consumer awareness, whilst others such as Ireland-based Stay City have turned to TV advertising to build their brand.

Some serviced apartment operators have launched multiple brands. For example, The Ascott Limited now operates three brands to cater for their customers' different lifestyle needs. Ascott The Residence targets top business executives looking for 'luxurious living', Citadines Apart'hotel targets independent business travellers, whilst Somerset Serviced Residences targets families with young children.

Having worked with branded operators on an international basis for many years, STR Global is now receiving occupancy, ADR and RevPAR data from independent operators and smaller chains. Thomas Emanuel believes this is reflection of wider recognition of yield and revenue management and the associated benefits.

“Serviced apartments are now behaving more like hotels in manipulating (sic) rates for different lengths of stay. The work being done to categorise the sector is also helping bring greater transparency and more interest from investors. There’s a definite change in mind-set from property to hospitality”.

“The UK’s serviced apartment sector is also seeing more growth in rate than occupancy. Once you get to a certain level of occupancy you can only push rate, and serviced apartments have the scope to do so because they have more space.” Emanuel says.

USA provider BridgeStreet went even further, re-branding themselves as BridgeStreet Global Hospitality and un-veiling six sub-brands. “Brands give an identity to a range of options. It also helps tackle commoditisation. With corporates asking for pricing for one or two bedroom apartments, or studios, branding adds definition. Not all apartments are created equal and it is critical for differentiation” explained Director of International Operations Shaun Hinds.

Adagio’s Vangelis Porikis is convinced that brand recognition will increase development opportunities and expansion. *“As a global network we have more chances to evolve as our customers recognise our brand instinctively and we have a loyal customer base that choose Aparthotels Adagio. As the leading operator in Europe, this helps elevate our strong development pipeline and growth for the serviced apartments sector.”*

John Wagner of Cycas Hospitality underlines Porikis’ point. *“The support of a global brand is the icing on the cake for our guests as they are able to tap into their familiar global reservations systems and loyalty programs and know that they will get the consistency of product and assured service levels that are so familiar to them.”*

A new kind of serviced apartment?

As supply increases, so too does the diversification of products under the serviced apartment umbrella.

One example is the increasingly-popular practice of locating serviced apartments in the same buildings as hotels. In 2014 Intercontinental Hotels Groups announced that their next Staybridge Suites development in Manchester will share the same building with the group’s Crowne Plaza hotel brand. This follows the successful co-location of Staybridge Suites in the Holiday Inn London Stratford City. Both projects are operated by Cycas Hospitality.

According to Cycas CEO John Wagner, these experiences have shown that *“business and leisure guests welcome being able to make the choice of which guest accommodation suits them better for which ever occasion they have a need.”*

“Building two hotels on the same site saves the developers money and maximises the value of the land. The costs of undertaking a ‘dual’ branded hotel development are lower than investing in two standalone buildings, whilst you only need one laundry, one housekeeping, one maintenance and one security team for example.”

“In our experience short stay customers often fill in the gaps between the long stay customers and give us, as the operator, the chance to maximize revenue and still provide the availability of suites when long stay customers demand them” says Wagner.

Despite – or perhaps because of – concerted attempts to bring about greater understanding of serviced apartments, the supply chain is fragmenting with new types of product and new channels through which to access them. The vacation rental sector is a good example and has attracted a great deal of media attention over the last 12 months.

Airbnb is probably the best known player, offering leisure (and some corporate) travellers overnight accommodation in privately owned houses for less than the cost of a hotel and mainstream serviced apartments. A recent valuation put the company’s worth slightly above that of Hyatt International – a 50 year old hotel chain.

In 2014 Airbnb was among the fastest growing accommodation options for corporates. Expense management provider Concur, who process expense reports for 20,000 corporations reported that their clients’ use of Airbnb has quadrupled every year since 2010.



The product has a similar appeal to serviced apartments. As Airbnb founder Brian Chesky told Serviced Apartments News *“try staying at a friend’s house for 30 days and see how they feel. Try staying at a hotel for 30 days and see how you feel.”*

The accommodation on offer from Airbnb ranges from a single room in a family home to a shared room in a house of multiple occupancy or a self-contained apartment. Both the service levels and standards practiced by owners whose properties are available on Airbnb vary widely.

Many in the hospitality industry are reacting furiously to the new boys on the block. Others are treating Airbnb as a distribution channel, loading their inventory onto a platform popular amongst Millennial Travellers.

It’s all reminiscent of hoteliers’ response to the arrival of the OTAs. Ironically, OTAs like Hotels.com and Expedia are now starting to move into the private rental sector too, the impact of which will no doubt be the subject of further comment in future editions of this report.

Loren Nalewanski of Marriott regards the vacation rental sector as *“a totally different and unique experience. Our guests come to us to stay in an established, permanent location. , It’s difficult to legally bind someone for a stay of two-three years in the private community. Our guests are seasoned travellers, global citizens and they need to count on their residence as a permanent place for their length of stay.”*

Others believe that the Airbnb phenomenon is part of a wider social change.

Ian Merrick, Operations Director at Essential Living, explains. *“Developers, financiers and politicians from all parties are backing the development of a new, corporately backed sector more reflective of the hospitality world than traditional rented property.*

A rapid growth in demand is transforming what’s known as the private rented sector (PRS). Modelled on America’s multifamily sector and backed by institutional investors (the people who take long-term interests in shopping malls and office blocks), this has the potential to provide a much-needed source of new housing.

The outcome of this will be a wholesale change in the way the property industry approaches renting and the customer experience and perception that goes with it. There are, of course areas in the

serviced apartments sector we will be keen to avoid, yet its overriding concern with providing the best service for customers is something the emerging brand-driven landlords will need to emulate if transforming perceptions of renting is to become reality”.

Challenges

The sense of optimism amongst serviced apartment operators is tempered with a large dose of reality.

Joel van Miller, CEO at Brussels-based operator BBF (serviced apartments) says that a changing customer profile and distribution landscape is having a big impact. *“There’s greater customer interaction via Trip Advisor nowadays which can cause false or inaccurate expectation from guests”* he says.

Pilar Morais, of Hong Kong’s CHI International believes that some regions need government-driven change. *“Hong Kong is still a very new market. Here development and construction costs are amongst the most expensive in the world. Anyone who wants to develop a serviced apartment project has to find 60% of costs.”*

“In China the barriers have been loosened so it’s easier for operators to gain a foothold, abut there are different licensing policies for different districts which makes it tough.”

Despite these barriers, Morais is positive about 2015 and beyond. *“In Hong Kong we are still seeing a lot of buildings converted to hotels or serviced apartments. Sometimes they convert to a hotel just to get the licence but they can only let for up to 28 days at a time, whereas you don’t need a licence to be a serviced apartment operator.”*



Figure 11. Comparison of leading serviced apartment brands' products

The average review ranking column relates to the average scores from reviews on Trip Advisor and Booking.com as at November 2014.

	24 Hour Reception	Limited Reception	Onsite Security	Minimum Stay	Full Kitchen	Kitchenette	F&B Facilities	Roomservice	Daily Housekeeping	Housekeeping other	Business Facilities	Leisure Facilities	Pets Allowed	Average review rating*
Fraser Residence	✓		✓	L.S.	✓		✓	✓	✓		✓	✓		8.8
Staybridge Suites	✓		✓	No	✓		✓	✓	✓		✓	✓	✓	8.8
Fraser Suites	✓		✓	L.S.	✓		✓	✓	✓		✓	✓		8.6
Capri	✓		✓	No		✓	✓	✓	✓		✓	✓		8.6
Residence Inn		✓	✓	No		✓	✓			✓	✓	✓	✓	8.6
The Sebel	✓		✓	No	✓	✓	✓	✓	✓		✓	✓		8.5
Candlewood Suites		✓	✓	No	✓		✓			✓	✓	✓	✓	8.5
Marriott Executive Apartments	✓		✓	No	✓		✓	✓	✓		✓	✓		8.5
Towne Place Suites		✓	✓	No	✓		✓			✓	✓	✓	✓	8.5
Modena Residence	✓		✓	No	✓		✓	✓	✓		✓	✓		8.4
Citadines	✓		✓	L.S.		✓	✓		✓		✓	✓		8.3
Quest Serviced Apartments	L.S.	✓	✓	No	✓		✓			✓	✓	✓		8.3
Mercure Apartments	✓		✓	No	✓		✓		✓		✓	✓		8.2
Ascott The Residence	✓		✓	No	✓		✓	✓	✓		✓	✓		8.2
Somerset	✓		✓	L.S.	✓	✓	✓	✓	✓		✓	✓	L.S.	8.2
Fraser Place	✓		✓	L.S.	✓		✓	✓	✓		✓	✓		8.2
Suite Novotel	✓		✓	No		✓	✓	✓	✓		✓	✓		7.9
Protea Hotels		✓	✓	No		✓	✓		✓		✓	✓		7.8
Adagio Aparthotels	✓		✓	No	✓		✓		✓		✓	✓	✓	7.6
Extended Stay America		✓	✓	No	✓		✓		✓		✓		✓	6.9
Crossland	✓		✓	No		✓	✓			✓	✓		✓	6.4

* Based on Trip Advisor and Booking.com reviews/ratings

L.S. : Location Specific

Note 1: Staybridge is pet friendly all throughout the USA. Outside US, only Staybridge Birmingham in the UK has pet friendly facilities

Note 2: Where Housekeeping is not daily, it is weekly, or On Request, as and when the client it requires. Extra housekeeping is possible in all, at extra cost

Note 3: Most Fraser properties can be booked for one night, but specifically in Singapore (1 week minimum) and Beijing (30 night min.) there are exceptions

Source: *The Apartment Service*



70%
OF GLOBAL GROWTH
2015-2018 FROM
EMERGING MARKETS
40%
FROM CHINA & INDIA



Three trends are driving the adoption and use of serviced apartments for business; globalisation, talent mobility and duty of care.

Nowadays businesses are having to look further afield – even beyond their national borders – to attract new customers. Although much of this business growth comes from established markets such as London, Toronto and Singapore, growth is increasingly coming from the emerging BRIC (Brazil, Russia, India, China) or MINT (Mexico, Indonesia, Nigeria, Turkey) countries.

According to Ernst & Young, 70% of global growth over the next three years will come from emerging markets, with China and India accounting for 40% of that growth. Consequently employers are sending more employees on assignments outside their home countries.

Organisations are recognising the benefit of having an effective extended-travel and relocation programme in place so that travelling employees can be placed quickly and businesses can be up and running as efficiently as possible.

Talent mobility

According to the *Cartus Trends in Global Relocation Report*, more than a quarter of companies active in the relocation arena have up to 100 employees on assignment every year. 17% have over 1,000 employees deployed in this way.

Brookfield estimates that 56% of international assignments relate to the country in which the sponsoring company is headquartered. The USA remains the top destination, followed by China and the UK, leading positions which have remained un-changed since 2000.

Of the emerging nations, Brazil has now overtaken China as the top emerging country, whilst Mexico is now coming onto corporate radar.

The companies that provide the best accommodation solutions have an edge over their competitors in attracting top talent. Conversely, organisations that fail to make the proper investment into their mobility programmes, including accommodation, training, mentoring and assimilation programs, along with a clear plan for career success, risk their assignees becoming disenchanted and less productive.

Corporates are now taking a more centralised approach to global mobility programmes; 92% of companies standardise their policies on a global rather than regional or local level.

For successful long-term business growth, companies will need to invest in extended stays for long-term project assignments and, where necessary, relocation of key employees.

However cost remains the most critical challenge. 72% of companies are actively reducing their international assignment costs.

Duty of care

Corporates' duty of care to their travelling employees includes the steps required to safeguard their safety and security, as well as compliance with global data and privacy regulations. It is critical for businesses to have a comprehensive crisis management plan that takes all of these factors into consideration.

But simply having a plan in place that responds to a crisis is not enough. Responsibilities for Duty of Care are not restricted to travel, security and medical departments but also to HR, public affairs, operations, legal, risk management, and especially senior management.

Serviced apartments help corporates maintain these responsibilities by providing a secure environment in which to live whilst on assignment.

Serviced apartment adoption

Our research shows these trends converging to maintain the year-on-year rising rate of adoption of serviced apartments by businesses.

According to the latest GS AIR survey, usage of serviced apartments is growing for both transient (i.e. short stay) travel and, assignment and relocation purposes.

84.62% of companies are now using apartments for business travel, slightly down on 2013's figure of 85.7%.

43.48% of travellers surveyed had stayed in a serviced apartment during the previous 12 months, whilst 76.47% of TMCs now book their clients into serviced apartments for transient corporate travel.

Apartment usage for assignment/project working is growing in 72.73% of companies, whilst usage for relocation is up 58.33% year-on-year.

In fact, half of corporates now use serviced apartments for more than 80% of their assignment/project work.

These figures are substantiated by the operators.

CHI International's Pilar Morais believes that relocation is the biggest driving force. *"People are looking for one stop [relocation] solutions. Serviced apartments are the only option for assignments and the temporary workforce."*

Adagio's Vangelis Porikis agrees the adoption of serviced apartments is continuing to grow, particularly in the UK and France where serviced apartments are well known among the travel buyers. *"In Central Europe usage of serviced apartments is lower for business travel due to the lack of awareness, but for project work adoption and consumption is higher."*

Average length of stay is also increasing. Just over a quarter of travellers stay in serviced apartments for up to seven days, with the similar proportion staying for between 14 and 30 days.

At Adagio the length of stay correlates to the local business and tourism activity. *"Our core business is 4 nights and above. Due to our tiered pricing structure the longer you stay the less you pay"* says Vangelis Porikis. *"The majority of our stays last between 4 and 90 nights although city properties with many international corporation clients have a higher length of stay due to the existence of project work and assignments."*

"Stay length varies more in cities with a popular leisure offering, particularly for families seeking the flexibility and autonomy of aparthotel living during vacation periods. In our properties around the world we have and had had long stay guests living with us for a year or more" continues Porikis.



Achieved rental rates

Average achieved rental rates are rising. 65.67% of operators report increased average rental rates during 2013/14 compared to 39.7% in 2011/12.

Incorporating serviced apartments into corporate travel or mobility (and sometimes merged) programmes can bring significant savings.

As figure 12 shows, 35.71% of corporates report that they achieved an average discount of over 16% on 'rack' rate.

Operators reported an average discount of 17.9% whilst agents claim to have negotiated an average 31.6% discount for their clients.

Why serviced apartments?

As Fig 13 shows, rate remains the primary benchmark behind the decision to book a serviced apartment or hotel.

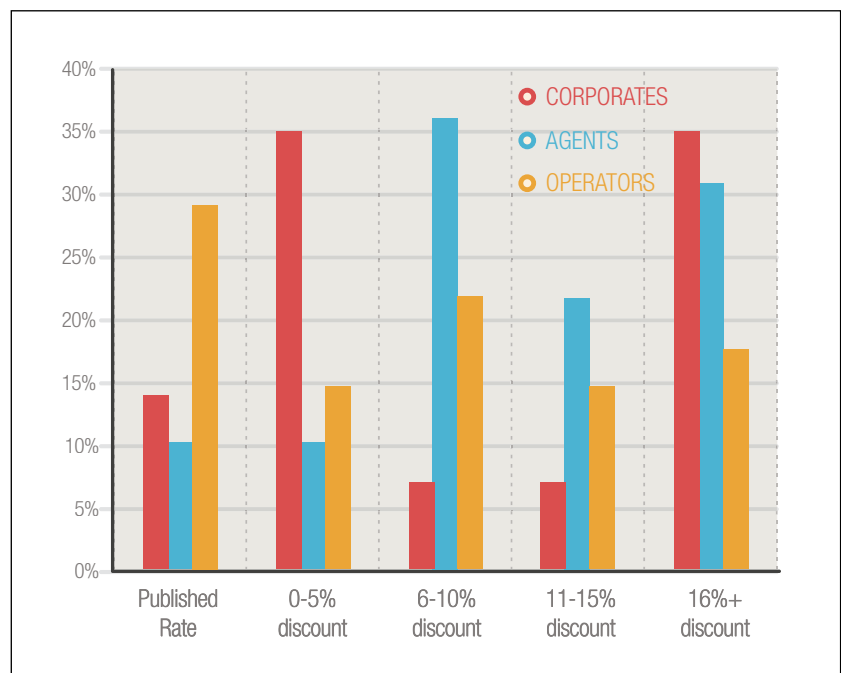
The 2014 GSAIR survey found this to be the case for 75.4% for corporates and 86.25% of agents, although the total cost of stay is now the second most important criteria for corporates and the main concern for 91.25% of agents.

Duty of care is the third-ranked purchasing criteria, with traveller/assignee feedback in fourth place with an average score of 55.4%. 81.48% of travellers who have stayed in a serviced apartment prefer them to hotels (78.1% in 2013).



65.67%
OF OPERATORS REPORT
INCREASED AVERAGE
RENTAL RATES DURING
2013-2014

Figure 12. Average achieved rental rates 2014



Source: The Apartment Service

Despite the greater consistency that branding is bringing to the sector, our survey found that brand or serviced apartment product is important to only 57.8% of corporates. As in previous surveys, the three main drivers for travellers are the ability to cook their own meals or entertain (71.6%); privacy (66.6%) and environment (58.3%).

Taking Control

Over the last 12 months, more corporates have consolidated their travel and mobility programmes, bring greater leverage to overall spend on serviced apartments and reinforcing their duty of care delivery.

However a global approach is not always appropriate. Availability of serviced apartments varies dramatically from country to country, with a knock-on effect on rates. Corporates are having to develop relationships – whether direct or via their TMCs – with a roster of suppliers in order to secure the required coverage.

This has led to a ‘glocal’ approach, where global policies are adapted to regional needs in order to remain relevant to the company and the traveller. It has also produced greater co-operation between HR, procurement and mobility as costly and time-consuming RFPs are consolidated to suit all stakeholders’ needs.



Figure 13. Why use serviced apartments?

	Corporates	Travellers	Agents	Operators
1	Price/quality comparison	Length of stay	Location (of apartments)	Convenience (i.e. to work)
	(87% average score)	(78.4% average score)	(82% average score)	(79.8% average score)
2	Convenience (i.e. to work)	Price/quality comparison	Length of stay	Cost
	(86% average score)	(77.6% average score)	(81% average score)	(78.8% average score)
3	Cost	Cost	Convenience (i.e. to work)	Length of stay
	(85.8% average score)	(77% average score)	(76% average score)	(78.8% average score)
4	Location (of apartments)	Location (of apartments)	Price/quality comparison	Price/quality comparison
	(82.8% average score)	(76.2% average score)	(75.8% average score)	(78% average score)
5	Length of stay	Convenience (i.e. to work)	Amenities	Location (of apartments)
	(80% average score)	(75% average score)	(74.4% average score)	(76.2% average score)
6	Amenities	Amenities	Cost	Amenities
	(78.4% average score)	(69.6% average score)	(73% average score)	(71.2% average score)

Source: The Apartment Service

Millennial travellers

In recent years, much has been made of the emergence of Generation Y or the Millennial Traveller.

"Multinational corporations and companies around the world have identified business travel as their primary revenue stream through sales and service", says Greeley Koch, Executive Director of the Association of Corporate Travel Executives (ACTE).

"Generation Y business travelers who meet that corporate objective are the most connected and computer conversant executives in history. They have specific preferences for the handheld devices they use and book their own trips. They rely on apps to save time and money. And they demand the appropriate level of comfort and support from the hospitality industry. Their independence, and the success of their mission, is often supported by a serviced apartment."

CL Apartments' Max Thorne is in no doubt about the importance of an audience that is more travel-aware and demanding than its forebears. *"The needs of the millennial traveller is the only influencer that will successfully change the extended stay sector."*

"Travel and frequency of travel have changed. Travellers are more prepared to be adventurous because they are more familiar with and less corned about the experience. Cities are now very cosmopolitan, so travellers no longer stick to Marriott or Hilton because they recognise them. We are all more familiar with more brands and accepting of new concepts such as Airbnb."

"Ebay has had a big impact on consumers who are now prepared to accept some risk when purchasing. It's less vital to be safe - there's little reluctance to putting credit card details on line amongst Gen Y."

Research published in 2013 by HVS highlighted a number of trends characterising the Millennial Traveller. First is their expectation for accommodation providers to provide comprehensive content on their websites.

Millennials also expect speed and efficiency whilst travelling, as well as good, fast food like the offerings from the Aloft and Yotel brands. The hospitality industry may pride itself on service, but kiosk and technology are the experience millennials prefer. HVS have found that 36% of millennials prefer automated kiosk check-ins without staff interaction compared to 19% of the older generations.



Social media fuels millennials' expectation for real-time reporting. Twitter and Facebook are the millennial's life-support system, enabling them to share their life's activities and opinions instantly with friends and colleagues.

Millennials are cynical and un-receptive to traditional marketing media. A millennial will reference at least 10 sources before booking, turning to TripAdvisor on their mobile devices whilst deciding where to eat or stay. Apps such as Yelp deliver reviews and tips automatically upon check-in, thereby delivering current information instantly.

Millennials also have a shorter booking window; 75 days compared to 93 days for older generations according to HVS. Millennials make snap decisions in real time, making it essential for serviced apartment operators and hoteliers to provide up-to-date information to monitor social media and review sites.

Many millennials are business travellers. Instead of the traditional desk in a hotel room, millennial business travellers prefer 'third space' working - in reception areas and coffee shops. According to HVS, 36% of millennials prefer to work in the lobby area. An example of that need being met comes from Marriott Courtyard's Bistro Lobby concept

which offers bar seats, pod seating and networking areas.

Marriott's Loren Nalewanski believes that the millennial traveller will greatly impact the extended stay sector. *"The expectations of technology and modern, upscale design will and should be reflected at our locations. Additionally, a more robust rewards and recognition programme will be important as this is an expectation of this generation. We also believe that millennial travellers will start to make up more business mix for our properties, instead of the predominant C-Suite traveller that we currently see today."*

What else will travellers in 2020 demand from a serviced apartment? Max Thorne predicts that non-hotel accommodation will remain restricted to dedicated serviced apartment blocks, serviced apartments in residential blocks, hostels and shared accommodation. *"I think we'll have the same amenities but there will be greater conformity. The biggest changes will be in travellers' understanding of what to expect, and the choices available to them."*



Bleisure

Further evidence of a wider yet fragmented profile of serviced apartment consumers comes in the form of bleisure travel; the term given to the blurring of the personal and professional lives of the international traveller.

One example of the bleisure principle is that, according to Pullman Hotels, 43% of travellers always take their business mobile devices on holiday. Research by BridgeStreet Global Hospitality found that 83% of serviced apartment guests use free time on business trips to explore the city they're visiting. 60% have taken bleisure trips, with most adding two vacation days to business trips, whilst 94% of travellers under the age of 35 are likely to take a bleisure trip in the next five years.

BridgeStreet's vice president of marketing Kelly Murphy told Serviced Apartment News: *"Employees feel bleisure opportunities benefit them and add value to work assignments, contributing to higher job satisfaction and loyalty."*

Operators like BridgeStreet regard bleisure as a separate market segment and are shaping product offers accordingly, aiming to generate incremental leisure stays from business users. But how can serviced apartment operators tap in?

Miriam Rayman is a Cultural Intelligence Strategist and was responsible for first coining 'Bleisure' in 2009.



"Gone are the days of the dichotomous work/life paradigm but that doesn't mean we don't hunger for a bit of structure now too. People are developing their own rituals to act as anchors in this increasingly fluid world. We are putting some seams back into our seamless lives because we've realized it is actually quite stressful and can leave us exhausted."

So whilst the bleisure traveller will want to be able to access the new utilities of high-speed connectivity and other business facilities they will also require space to switch off, disconnect from work and plug into their locale. Smart brands are those that can design products and services for our blurred lifestyles and also help us to compartmentalise when needed too.

Social media and mobile play a major role in tapping this particular market segment. Many of the luxury hotel chains such as Marriott, Hilton and Starwood use social media extensively to engage the business user, especially in the 18 - 30 age group that statistically takes most leisure trips:- 4.2 per annum compared to 2.9 amongst 31 - 45 year olds and 3.2 amongst 46 - 65 year olds (source: Expedia/Egencia).

Unsurprisingly, younger travellers are also the most vocal on sites like Trip Advisor. The always-on generation was brought up on sharing information, as Miriam Rayman explains. *"Apps like Foursquare and Dopplr help you to connect with people you know in the city so you feel more like a local. It's about instantly plugging into local life and feeling immersed in the life of the city."*

"The point about bleisure is that you don't want to feel like you are a tourist" says Rayman. "Plus One Berlin is an example of the kind of service (where you go around with a guide but feel more like a 'plus one') Hotels that happen to be the heart of a 'scene' with events in the lobby are what they are looking for. They want to be instantly plugged in."

Relocation



Serviced apartments and relocation are a natural fit, and relocation is arguably the most mature of the sector's source markets, as Jo Layton from The Apartment Service explains.

Opportunities to connect, consolidate and understand the total picture of relocation and travel expenditure still exist today for the majority of corporate buyers.

The cost of relocating an employee is (on average) 3-4 times their annual salary per year, and the highest cost in relocating an individual for a company is in the areas of 'housing allowances' and 'tax'.

For the majority of companies across the globe, 'travel & expenses' (T&E) costs represent the second-highest controllable annual expense, exceeded only by salary and benefits - this cost is commonly higher for a company than IT and/or real estate costs.

Travel buyers are becoming more and more immersed in the relocation sector due to the size, shape and direction of their companies and more recently, they are working more closely with their global mobility and HR departments.

This can be for many reasons, not least is the need for 100% visibility to traveller tracking, health, safety and security. In the most recent global mobility survey - security ranked the highest in the combined high and medium priority along with internal HR policy, and above most other areas survey. Knowing the location of your travellers and being able to access information on them 24/7 is a key driver for the connection of these important disciplines.

For most travel buyers, the relocation sector continues to be an area of discovery and as such, is still a place to potentially deliver savings through education, partnership and consolidation. These savings can also be driven through higher compliance in the control of vendor/supplier cost management.

The total expenditure on apartments in a company can be up to 10 times higher than 'tracked' revenue by their TMC, and by bringing all departmental spend onto the table, there is an opportunity to leverage scale, discuss local terms and conditions and standardise processes to achieve consistent delivery.

Advice for travel managers, buyers and procurement teams is to close the gap in knowledge of this area starting with the undertaking to research and understand where 'relocating' the company's workforce falls in terms of your company operation and P&L.

Bringing together, travel, HR, procurement and global mobility departments to understand how many moves take place for each of these business areas every year for more than 7 nights will help to understand the demand experienced currently in 'extended stay' business.

Finding out what drives this number of moves for your company - i.e. new sales operations; leadership and/or graduate development programmes; opening/moving to new offices; new acquisitions or new clients helps to build a clearer picture.

Understanding the allowances and support that is currently given to each assignee, including company policies/procedures for STA's (short-term-assignments); LTA's (long-term-assignments); commuters; permanent transfers or project workers will help everyone to understand the shape of the business.

Relocation companies, much like TMC's and travel managers, are handling multiple aspects of the traveller or assignee experience - and bringing together the buying power and priorities of each facet of the business into one purchasing unit is a definite opportunity for all.



Case study – a buyers perspective

Financial institutions in general, and banks in particular, were early adopters of serviced apartment. Here the travel manager of one high street bank explains how the company uses serviced apartments.

“We use apartments for travel, assignment working and relocation. As the bank’s Travel Manager, travel and some project work falls under my remit but we have a separate team in HR that deals with international relocation assignments” he says.

Usage is global, but procurement is undertaken through a hybrid of a global supplier for travel complemented by some country-specific RFPs. This is driven by the business’ requirements, as the Travel Manager explains.

“Procurement wants to centralise but the firm is so big that business areas can do their own thing. We try to steer them down a specific path but although 100% of our transient travel is booked through preferred suppliers, relocation is often a de-centralised activity.”

The impetus for serviced apartment adoption in the bank is coming from employer and employees alike.

“Initially it was the savings on both accommodation and total trip cost, but in many cities serviced apartments are no cheaper than

hotels, so the main benefit is one of comfort. The accommodation cost issue becomes secondary when compared to the F&B and ancillary savings made over a two week period. “

Although the bank does not mandate the use of serviced apartments, it is strongly recommended for stays of seven nights or more, although the decision is usually based around budget. *“If you don’t stay in a serviced apartment you’d be in a poor standard of hotel”* says the buyer.

There are a couple of areas in which serviced apartments need to catch up to their hotel competitors, this travel manager believes. *“The booking process is too slow; no operator has a slick process yet. We require everyone to book through our TMC but the TMC don’t like booking serviced apartments because it takes too long. They want to book via GDS, but so few serviced apartments are available on GDS.”*

“From the traveller’s perspective, key pick-up is a big issue, so there either have to be more 24 hour reception desks or a better process such as doors unlocked by smartphone.”

So does this corporate foresee serviced apartments usage in the bank growing over the next 18 – 24 months? His answer is unequivocal: *“If the booking process was easier it would grow a lot. It’s stopping serviced apartments getting business.”*



Case study – Interdean International Relocation

As part of the Santa Fe Group, Interdean provides a full range of mobility services to suit the needs of companies who relocate their employees to locations across the globe.

“We see a number of different categories of relocating employees who require serviced accommodation ” explains Interdean’s UK Relocation Director Andrew Hoppood.

The traditional long term assignment where the employee will require support for perhaps 30 days initially, before moving into a permanent residence, and the short term assignment where the employee (usually unaccompanied) will move into a serviced apartment on arrival in the host location for the duration of their assignment”.

“There are also a myriad of other- usually short term, typically between 3 and 12 months - assignment types, driven by business need or talent development, which require serviced accommodation. These include graduate programmes, secondments, rotational and project-based assignments and for which the length of stay and travellers requirements can vary significantly. Shorter term assignments have become more common in recent years as companies focus on ROI and decide whether the objectives of an assignment can be achieved over a shorter period. “

“As part of the process of implementing new client engagements, we will work with the client to review their temporary housing budgets and requirements; we often arrange tours of serviced apartments at this stage, to ensure HR teams are aware of the options available and any limitations of supply. Clients are naturally sensitive to assignee feedback and their health and safety, but are generally pleasantly surprised at what they see” says Andrew.

Interdean, as part of the Santa Fe Group, has formalised its approach to the procurement of serviced apartments to ensure a consistent standard of service to its clients, globally.

“Historically, Interdean used multiple providers, but choosing a single provider with a global solution means we have been able to streamline processes, leverage scale, and achieve the consistent delivery globally our clients are seeking”. Like other corporates, Andrew regards health and safety as critical. “Duty of care and assignee tracking are essential. Health & safety remains a major consideration for Santa Fe Group and our clients.”

“In terms of the booking process, we need clarity, especially around what you are booking and when. Equally, with the changing nature of assignments, and more permanent relocations, it can be difficult to satisfy requirements for pets, wheelchairs, families, etc. which is where we are looking for creative solutions from our partners.”

Andrew believes that serviced apartment usage by Interdean’s clients will continue to grow in the immediate future. *“2014 saw a definite increase in relocation activity in traditional expatriate destinations such as London. While the supply of apartments is increasing, so is demand from the leisure sector, so this market can be problematic at peak periods.”*

“However we are also seeing increasing demand from our clients in new markets, where serviced apartments are in limited supply or non-existent; recent moves to Albania, Columbia, Kyrgyzstan and Mongolia to name but a few have all provided different challenges in identifying serviced apartments.”



Distribution and engagement

As Savills' 2014 European Serviced Apartment Report details, booking technology remains a major challenge for many serviced apartment operators and their customers.

Although hotels have been offering live booking systems for some time, surprisingly few serviced apartment operators do so. The issue is the balancing act between the longer stay and shorter stay guest because short term leisure bookings can conflict with the interests of long stay corporates who require the flexibility of short-notice extensions.

Previous editions of this report have charted the gradual exodus of serviced apartment operators from GDS towards both direct (usually web-based) and indirect channels such as TMCs and now OTAs.

Our latest GSAIR survey found that the ratio of serviced apartment bookings via direct to indirect channels is around 60:40 – almost the reverse of other business travel products. 69.23% of corporates and 40% of agents book serviced apartments direct via operators' websites.

75% of all operators reported that they receive bookings from OTAs, with 58.33% receiving up to a third of their bookings via this channel.

Sicco Behrens runs Amsterdam Housing and heads the Dutch chapter of the Association of Serviced Apartment providers. "We are targeting

more direct relationships with corporates. OTA bookings are much shorter, so relocation companies are of more interest to us. We are not on GDS and are monitoring social media from a distance. We believe this will be a major source of bookings in the future."

It's a similar position at US's Value Place, as Bruce Haase explains. "The vast majority of Value Place's business is booked directly through our website or our national call centre. We do very little business through OTAs, and as a result, our franchisees and owners don't suffer the high costs associated with dealing with those third parties."

BBF (serviced apartments) in Brussels also try to avoid OTAs, as Joel van Miller explains. "Apart from the cost, OTAs are all focussed on hotel-type one or two night stays. We don't see any leisure business, just corporates – both direct and through agencies."

By contrast, OTAs account for 25 – 30% of CHI International's Hong Kong business, with direct corporate accounts delivering 30% and TMCs 40% of turnover. "We have to maintain our spread across the channels until corporates start using OTAs" says Pilar Morais.

From Adagio comes a slightly different perspective. "OTAs are an important distribution channel in capturing long haul markets that are important in our strategy" says Vangelis Porikis. "On the other hand we invest many resources on

our own web sales capabilities and profit from a strong reservation system from our parent company Accor. This enables us to have an efficient direct website booking channel, as well as launching a mobile application."

In our survey, 65.22% of operators claimed their inventory is bookable online, down from 75% in 2013, whilst 55% of TMCs still book apartments by phone. The latter probably reflects the non-transactional nature of many enquiries, the need to shop around and to source detailed information before committing. It's hard to commoditise serviced apartments.

Despite the increasing use of OTAs as a distribution channel, most operators agree that human interaction or 'touch' is essential in the selection process, especially when the stay is for more than a few weeks, as Karen Marlborough of Roomspace Serviced Apartments explains.

"Our experience shows that when clients book an apartment for longer stays, it inevitably requires a level of personal service from operators or their agents that an automated booking system cannot provide. Clients want to know about the local amenities and be satisfied that the apartment will meet their needs. They need to be able to ask whether it really will be home away from home."

The role of diversified audiences in the distribution chain is highlighted by Max Thorne of CL Serviced Apartments. *"We will be selling to digital natives - which means people used to choice and customisation. Our approach will be to listen to the consumer and discover whatever their preferred route is to our properties. If they prefer to book via a travel agent, or an OTA, then who are we to say that they shouldn't? We still want the guest, however they arrive."*

55%
**OF TMCs STILL BOOK
APARTMENTS BY PHONE**



Association perspectives

Industry associations have played a central role in educating corporate buyers, TMCs and other agencies about serviced apartments. How do these trade bodies perceive the sector and the potential for future expansion?



The Association of Corporate Travel Executives, (ACTE), has a 25-year reputation for leading the way corporate travel is conducted, says **Caroline Allen** – Regional Director Europe & Middle East, ACTE.

“As a global, non-profit trade association, comprised of executive-level members in more than 100 countries representing more than 12 million business travellers, ACTE pioneers educational and technological advances that make business travel productive, cost-effective and straightforward.”

“ACTE advocacy and initiatives continue to support impactful changes in safety and security, privacy, duty of care and compliance along with traveller productivity that supports the growth of global commerce.”

“Serviced apartments are a growing trend within the corporate travel sector after early adoption of extended stay products across the globe in key cities. Corporate housing and serviced apartments are now used by buyer communities around the world alongside hotel programmes. ACTE welcomes continued research and education to adopt best practices around new and innovative accommodation solutions to support corporate objectives, recognising the needs of the individual business traveller by promoting wellbeing and productivity.”



Worldwide ERC® has served for 50 years as the membership association and foremost centre for the workforce mobility industry, explains **Peggy Smith** SCRP, SGMS-T – President & CEO, Worldwide ERC.

“Through conferences and seminars on five continents, industry research, webinars, a monthly magazine and professional designation programs, we deliver talent mobility specific information, as well as opportunities for industry professionals to demonstrate their unique knowledge and expertise.”

“We provide many ways for members in the serviced apartment sector, among many others, to connect with a community dedicated to global workforce mobility. Our members come from a wide variety of professions, such as HR, recruiting, government, real estate, and mobility service providers representing more than 180 different categories. Worldwide ERC® is headquartered in the Washington, DC metropolitan area, with offices in Belgium and China.”



EuRA (the European Relocation Association) has been working with serviced apartment and corporate housing providers for the last decade, says **Dominic Tidey** – Chief Operating Officer, EuRA – The European Relocation Association.

“There is a great synergy between our two industry sectors and the growth and development of the serviced accommodation sector over the past few years has been of great benefit to the relocation providers who form 80% of the membership of EuRA.”

“Knowing that the high quality delivered by companies like The Apartment Service is consistent from country to country is of paramount importance to relocation providers and corporates alike when structuring mobility programmes. The global competition for talent means that the relocation process must be seamless and the transferee and family are immediately settled into their new location. The serviced apartment sector is crucial to achieving these goals.”



The Global Business Travel Association (GBTA) is the world's premier business travel and corporate meetings organization, with 6,000-plus members worldwide, explains **Paul Tilstone** - Senior Vice President, Global Development, Global Business Travel Association.

"The apartment sector is increasing in importance to the corporate travel and events community each and every year."

"The barriers to distribution and product knowledge that create the silo'd approach to corporate accommodation are breaking down and any information which provides insight into the nature of the sector is as valuable as the increasing velocity of inventory we are seeing to help further remove these barriers."

"GBTA's corporate buyer members are widening their accommodation scope and the apartment sector has gained in importance as a key component to an effective travel and meetings programme."



The Guild of Travel Management Companies (GTMC) is the UK's leading professional body for travel management companies, says CEO **Paul Wait**.

"Our diverse membership accounts for over 80% of UK expenditure on managed business travel, delivering value for money and great service to business travellers in the private, public and not-for-profit sectors."

"We have been working with the serviced apartment sector for the last 2 years as supplier partners to our association. The opportunity to further develop business and solutions with our membership represented by the GTMC through education, understanding and relationships should be a key priority for serviced apartment operators globally."

"Our membership is open to developing greater conversion into extended stay properties, but as noted in the survey, booking serviced apartments not through the GDS does have some challenges for our membership."



ITM is the UK's only not for profit association representing the voice of the Business Travel Buyer, as Chief Executive Officer **Simone Buckley** explains.

"Apartment stays are becoming increasingly important in a corporate's travel programme, many including them in their travel policies as well as their long stay mobility policies. Our members recognise that the extra space, comfort and often cost savings that apartment stays can bring to their travelling workforce outweigh the challenges that currently exist around the reservation process."

"Corporate travel buyers recognise that the perceived issue with key pick up and safety for travellers will be insignificant compared to the benefits as soon as apartment availability is displayed alongside hotels as part of a cost efficient, automated booking process that sits within the corporates preferred booking channels."



Sector challenges

“Some traditional barriers are starting to come down” says STR Global’s Thomas Emanuel, citing categorisation and transparency as two reasons why investment decisions are becoming easier in the serviced apartment sector.

Although there is still much work to be done around various issues (not least classification) to help the user understand the benefits of serviced apartments, as Fig 14 shows, there are differences of opinion amongst stakeholders about the scale of each problem.

For example, according to our latest GSAIR survey, although 74.24% of operators do not want tougher planning laws, 47.76% do not want a relaxation of planning laws either. And whilst planning is an issue for some operators, new competitors entering the market will concern others.

Corporates regard the principal barriers to greater use of serviced apartments as a shortage of apartments in required locations, inconsistent levels of amenities and inconsistent quality of the apartment product. For travellers and TMCs, the primary issues are the same, albeit in a different order.



Figure 14. Barriers to greater use of serviced apartments

Corporates		Travellers		Agents	
Shortage of apartments in required locations	72%	Inconsistent quality	75%	Shortage of apartments in required locations	80%
Inconsistent levels of guest amenities and services	66%	Inconsistent levels of guest amenities and services	70.60%	Inconsistent quality	72.60%
Inconsistent quality of serviced apartments	63.60%	Shortage of apartments in required locations	67.20%	Inconsistent levels of guest amenities and services	72.60%
Booking process takes too long	58.20%	Booking process takes too long	57.60%	Inconsistency agency remuneration	62.20%
Lack of recognised brands in the sector	57.80%	Lack of recognised brands in the sector	50%	Lack of recognised brands in the sector	61%

Source: *The Apartment Service*

72%

OF CORPORATES BELIEVE THERE IS A SHORTAGE OF APARTMENTS IN THE LOCATIONS THEY REQUIRE



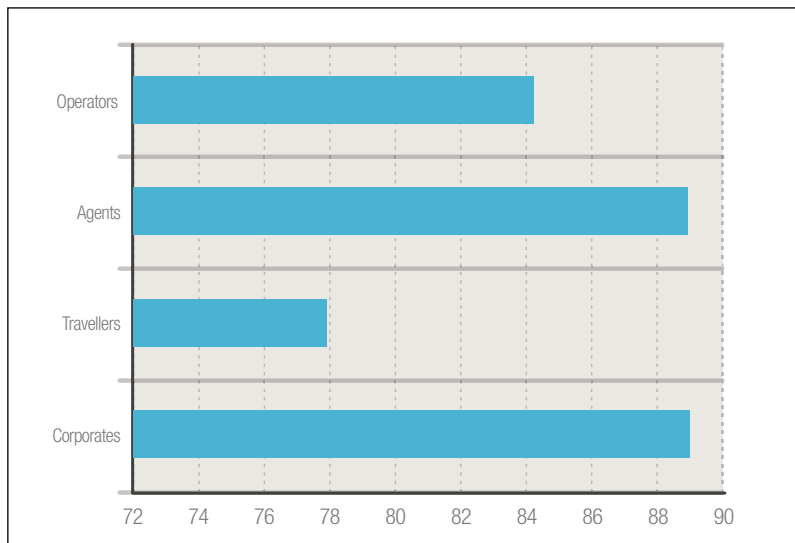
Global Code of Conduct

Over the last two editions of this report we have tracked the growing clamour for a global code of conduct to be established for serviced apartment operators.

Our latest survey shows that demand for greater consistency remains overwhelming, but slightly reduced at 90% of corporates compared to 100% in 2013. The survey also showed that consistency is more important to corporates than it is to travellers, probably due to their legal duty of care obligations.

It appears that serviced apartments are becoming more consistent in their delivery but there's still a long way to go. 74.63% of operators want greater regulation of product quality, but whilst 87% see self-certification as desirable, only 58% believe it to be feasible.

Figure 15. Code of conduct desirability

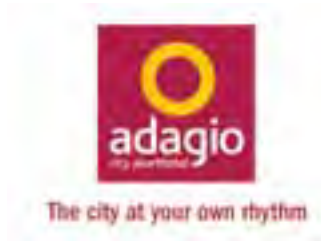


Source: *The Apartment Service*

Adagio's Vangelis Porikis is clear on what the sector's priorities should be. *"We still have to overcome the barrier of low awareness in many countries. In addition we have to create clarity among our concepts."*

"An aparthotel is different than corporate housing. Thirdly, the real estate market in some key European capitals and gateways is booming, and aparthotels are competing with budget hotels, offices and residential. There we have to convince investors on the long-term value of the aparthotel concept."

Adagio



The brand Aparthotels Adagio is the European market leader in providing urban accommodation solutions for extended stays in major European destinations. The brand has the largest network, with more than 110 properties and 12,000 apartments in ten countries.

Aparthotels Adagio benefits from the knowhow and quality standards of its two shareholders; Pierre & Vacances Center Parcs Group, the European leader in leisure residences; and Accor, the world's leading hotel operator.

The network, which is present in 10 countries around the world with 110 Aparthotels across the UK, France, Germany, Belgium, UAE, Brazil, Italy, Austria, Switzerland and Russia; is set to expand to 130 Aparthotels worldwide by 2016. New openings include Adagio access München City Olympiapark, the first Adagio access property in Germany located in a business hub in Munich offering modular apartments that customers can adapt as they please; Paris in March 2015, Dubai in Q1 2015 and Birmingham in Q2 2015. Plus there are more properties planned to open in the UK in 2016 with two new Aparthotel properties due to open in London, marking the arrival of Aparthotels Adagio in the capital.

Aparthotels Adagio offers a perfect solution for long term stays with privacy, autonomy and flexibility across relevant city centre location a tiered pricing scheme from the 4th night onwards, so the longer guests stay the less they pay, and are less expensive than other hotels of the same category.

The apartments allow guests to experience the city at their own pace. Different types of apartment are available from studio to 2bedroom apartments. Their main strength is to provide spacious and modern apartments along with a full range of included and optional services, such as 24/7 reception, free internet access, housekeeping, breakfast buffet, laundry, etc.

Aparthotels Adagio ensures a high level of comfort and service for a fully satisfying guest experience. The fully equipped kitchen is the ideal solution for continuing with your usual eating habits, saving money and eating a balanced diet. Also, thanks to movable furniture, they can adapt the space according to their needs (for example in studios, the wardrobe-bed makes it possible to turn the bedroom into a living space). The Aparthotels also include a unique and stylish lobby area to give guests an additional space to relax or work in, as well as providing an area to socialise with colleagues and friends.

The brand offers two different product ranges and geographical locations to meet the needs of the business travellers:

- Adagio: the upper midscale Aparthotels in the heart of Europe's leading cities;
- Adagio access: economic range, functional Aparthotels located on cities' doorstep.

Paris, Berlin, Vienna, Liverpool... Your apartment in the heart of Europe's finest cities.

APARTHOTELS ADAGIO®

- 100 locations in Europe.
- Modern and spacious apartments with hotel services.
- Tiered pricing from 4th night onwards.



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No.1 FOR APARTHOTELS
IN EUROPE

Partner Perspectives



Frasers Hospitality

Despite the global economic uncertainty, the demand for serviced apartments has grown significantly in recent years.

This has been fuelled by several factors including the increase in talent mobility, a better overall understanding and awareness by companies of the advantages of serviced apartments both from a cost and lifestyle benefit perspective and also the higher uptake of serviced apartments by leisure travellers.

While globalisation has been intensifying efforts to explore growth opportunities and strengthen long-term strategic relationships across markets - with the relocation of senior level management to drive expansion and the deploying of business executives on short to medium-term projects - recessionary economic conditions have also brought home the realities of shrinking corporate travel budgets.

The accelerating demand for value-for-money hospitality services has given rise to a game-changing approach to global corporate travel.

Serviced residences, where the convenience and service of a hotel come with the comfort and amenities of home, have now become an integral part of the accommodation sector for business travellers, as the alternative cost effective option to hotels. According to the Global Serviced Apartments Industry Report 2013/2014, the number of extended stay apartment units has grown more than 9% from 2011 to over 650,000 in 8,800 locations in three years.

As one measure of the demand, Frasers has grown from two properties in 1998 to 92 properties in over 49 key gateway cities in just 16 years, making it one of the fastest growing industry players worldwide.

In line with the vision to be the premier global leader in the extended stay market, the group is on track to double our global inventory to 30,000 serviced apartments over the next five years. This includes new openings in strategic locations such as Brisbane, Tianjin, Nanchang, Shanghai,

Shenzhen, Jakarta, Kuala Lumpur, Bahrain, Dubai, Doha, Saudi Arabia, Barcelona, Frankfurt, Berlin and Abuja.

With growing consumer awareness driven by the influence of social media, and the access to shared knowledge and information, the potential for increased leisure use of serviced apartments is also gathering greater momentum. The attraction of space, home comforts, lifestyle flexibility, strategic locations as well as the value-for-money proposition has great appeal for consumers who want to experience the cities they visit like locals. Cognizant of this demand for the serviced residence space has given rise to serviced residence categories within the portfolios of major international hotel brands.

Brand recognition and trust will continue to be an important factor as the market for serviced residences grows and competition intensifies. The delivery of a quality, consistent service with a differentiated appeal to that of other brands will be crucial, in demonstrating the ability to understand and meet the changing needs of the business and leisure traveler.

Frasers' accelerated growth has been buoyed by strong demand for our serviced residences as reflected in high occupancy rates at 85 percent across the board on average as well as the numerous industry awards received over the years, making Frasers one of the most highly awarded extended stay providers in Asia, Europe, and the Middle East.

These accolades most recently include Best Serviced Apartment Operator 2014 by TTG; Europe's Leading Serviced Apartment Brand, and Middle East's Leading Serviced Apartment Brand by World Travel Awards 2014.

Capitalising on the demand for extended stay accommodation, which is expected to remain strong in the years ahead, we will continue in our quest to deliver new innovations and initiatives that will not only set industry standards, but also drive the Frasers brand towards further global growth.



FRASER SUITES TOP GLORY, SHANGHAI

FROM SYDNEY TO SINGAPORE TO LONDON, YOU'RE NEVER FAR FROM FRASER

With scintillating views of the famous Bund, the lavish Fraser Suites Top Glory, Shanghai is well located within the bustling Lujiazui CBD Shanghai district. With 92 exceptional properties in 49 key gateway cities, you too can experience the award-winning Fraser Difference.

THE FRASER COLLECTION

BAHRAIN • BANGALORE • BANGKOK • BARCELONA • BEIJING • BUDAPEST • CHENGDU • CHENNAI • DOHA • DUBAI
 EDINBURGH • GLASGOW • GUANGZHOU • GURGAON • HANOI • HO CHI MINH CITY • ISTANBUL • JAKARTA • KUALA LUMPUR
 LONDON • MANILA • MELBOURNE • NANJING • NEW DELHI • OSAKA • PARIS • PERTH • RIYADH • SEOUL • SHANGHAI
 SHENZHEN • SINGAPORE • SUZHOU • SYDNEY • TIANJIN • WUHAN • WUXI • ABUJA (2015) • BRISBANE (2015)
 FRANKFURT (2015) • HEFEI (2015) • JOHOR (2015) • KUNMING (2016) • YANGON (2016) • BALIKPAPAN (2017)
 CHANGZHOU (2017) • LAGOS (2017) • NANCHANG (2017) • TOKYO (2017)



Partner Perspectives



Go Corporate Housing

Furnished Housing

By Peter Meyers, GO Furnished Housing Providers

GO Furnished Housing is seeing a significant increase in market demand for corporate housing and serviced apartments. Due to constricted supply, this trend equates to large rent increases in major markets.

In 2014, median rents exceeded 30% gross median income in 90 U.S. metropolitan markets. In Northern California, New York and multiple markets in Texas, these rate increases exceeded fifteen (15) percent. Fortunately, new apartment inventory is increasing and should help meet the demand in 2015 and beyond.

Growth within the U.S. corporate housing and serviced apartment space has been the result of two major attributes - the economy and geography. The basic foundations of the U.S. economy continue to improve for the third quarter in a row.

Businesses still need to boost more investment and consumer spending must increase to fully turn the corner, but the other favorable attributes have helped create positive impacts for the industry overall.

Geography has been equally important to fuel positive growth. The traditional large market areas in Northern California and New York have been predictably favorable along with the overall economic improvement. Texas's pro-business culture and thriving economy has made three of its cities among the top migration locations in the United States.

Business is booming in Texas and its corporate housing growth is in alignment. Interestingly, geography in association with the energy segment growth has driven progress in remote areas within Louisiana, Mississippi, and the Dakotas. This has created additional opportunity for innovation and new supply needs expanding beyond traditional locations.

Despite its unfortunate name, "bleisure", the combination of business and leisure travel, is an important trend to be considered within the corporate housing and serviced apartment world. There has been a significant increase in leisure

travel in combined business travel. This trend is skewed heavily towards a younger demographic particularly the millennial generation. On the positive side, this may extend traditional occupancy.

As a challenge, the push to mixing business and leisure needs to be considered along with the legislative pushes for existing and future 30 day minimums in major US cities.

The globalization of corporate housing is a reality. The conversation continues to evolve away from national versus international needs to simply global needs. The influx of inbound and outbound global corporate housing has increased the need for corporate and serviced apartment solutions. This trend greatly affects the market in the Americas and drives proper partnership to properly service the need.

Corporate housing has the opportunity to extend beyond being a commodity market. This will require innovation and a recast on the general whitewash environment that exists within the industry.

Ultimately, corporate housing companies are in a supply chain business. How we work with our partners is as important as who we work with. This perspective allows for local and regional providers to illustrate their unique value propositions and offer personalized services to customers. This is one of the many GO Furnished Housing Providers differences.

GO Furnished Housing's business model makes it uniquely well suited to provide corporate housing and serviced apartment solutions to the market place, now and in the future. With the continued push towards commoditisation, GO's out-of-the-box solutions, client-centric simplicity and innovative supply chain offers a different voice in the space.

GO Furnished Housing provides exceptional local, regional and global furnished housing solutions through personalization, innovation and customization. At our core, GO is about taking care of people and ensuring we deliver an exceptional experience to every guest we serve.

Wherever
business
takes you,
we're there



After 25 years of experience and unrivalled growth, Quest is now the largest serviced apartment network in Australasia, with almost 150 locations across Australia, New Zealand and Fiji.

This successful journey stems from our commitment to provide business travellers of all kinds with exceptional accommodation, that's located wherever you need to be.

Regional Report Africa



Introduction

Africa is currently two continents in one. According to the World Travel & Tourism Council (WTTC), although GDP grew by 3.5% in 2013, Sub Saharan Africa (SSA) continues to outpace North Africa due to the level of political upheaval following the Arab Spring affecting Egypt, Tunisia and Libya.

Sub Saharan Africa grew by 4.3% compared to 2.0% in North Africa, driven by increased international investment from the US, Europe, China, India and others. Private capital is outstripping official development assistance, whilst direct investment from overseas is higher than in India.

The World Bank has stated that SSA could be on the verge of an economic take-off akin to that witnessed in China and India 30 and 20 years ago respectively. However there are constraints, including taxes on tourism investments, low levels of tourism skills, high crime levels, public health, visa requirements and bureaucracy.

In terms of accommodation supply, just 10% of the region's 390,000 hotel rooms are estimated to meet international standards, with South Africa housing around half of this inventory. PwC's 2014 Hospitality Outlook predicts that by 2018, overall hotel occupancy across South Africa will increase to 71.1%, a year-on-year rise of 12.2%.

Kenya, Mauritius and Seychelles have established hotel investment/development markets, although Kenya's hotel market declined for the second consecutive year in 2013 according PwC. The more mature hospitality markets are in Nigeria, Senegal, Tanzania and Zambia. Nigeria's hotel market grew by 9% in 2013 – its smallest gain since 2010.

Hotel construction costs in Africa are high. In Nigeria a mid-market hotel costs around US\$400,000 per room, compared to US\$250,000 per room in Ghana and US\$200,000 per room worldwide. Nevertheless, 23 international hotel corporations currently operate in SSA and the accommodation sector is expanding rapidly with several large projects in the pipeline.

Extended stay in Africa



With all the hype surrounding Sub Saharan Africa, what's happening in the region's extended stay market? Jonathan Seex of the Tamarind Group finds out.

Investing in Africa seems to be in vogue right now, with China investing heavily in infrastructure, construction and energy while the US is trying to drum up interest in its private sector. The Africa Summit took place in Washington DC during 2014 with African heads of state hosted by President Obama.

Africa is a massive continent of 30.2 million km², which can house the surface of USA, China, Western Europe and India, combined and is the home of 1.11 billion people. Its population is growing fast and the middle class is slowly but surely growing into a market with disposable income, which is raising the interest of consumer market chains and distributors from the EU and USA.

This is particularly the case in East Africa. Kenya, Uganda, Tanzania, Burundi and Rwanda have a population of 150 million which swells to more than 300 million when combined with the land-locked countries of South Sudan and Ethiopia.

Trevor Ward MD of W Hospitality Group explains. *"Outside South Africa and Nairobi the serviced apartments sector is severely under-served. None of the major groups were prepared to bring their brands to Africa despite the fact that virtually every capital and major city could take the product. However recently Residence Inn has been looking to Accra and Lagos, while Marriott has signed deals for Marriott Executive Apartments in Abuja, Nigeria, and Addis Ababa, Ethiopia. Fraser, The Ascott Ltd and Accor (Suite Novotel and Adagio) are also looking to enter the Sub Sahara market."*

"There is huge demand for extended stay here. The distance of most African markets from demand generators in Europe, Asia, North America and others means that people stay longer. The nature of the emerging economies also means that there are teams of consultants in situ for long periods."

Nairobi in Kenya is the hub of East Africa, housing multinational companies and organisations. The city has seen an increase in hotel inventory of approximately 1,500 (35%) rooms in the past 4 years with the arrival of Sankara, Tribe, Eka Hotel, Ole Sereni, Best Western and most recently three international brands:- Kempinski, Radisson Blue and Park Inn.





Net ADR exclusive of taxes and breakfast has over the past couple of years been US\$150 - 200 with occupancy rates of 65 -85% depending on the hotel. The walk in rate for most hotels of international standard in Nairobi is between US\$220 - 350 per night inclusive of taxes.

Currently there are approximately 5,500 hotel rooms of international standards in Nairobi (not including serviced apartments or extended stay), which is relatively low considering its status as a regional economic hub. The East African region is still undersupplied with affordable hotel options of international standard. As the lower cost brands enter the market there will be correction of rates for the high end hotels because alternatives will be more readily available.

In Nairobi and across East Africa there are very few international brands in the serviced apartment segment. However there are countless smaller owner/operator properties offering similar services. These properties originally started as residential apartment developments that were later converted into serviced apartments although the back of house functions and operating systems were not considered at the development stage. This left these properties offering sub-standard services making it much harder to attract international travellers.

There are no official statistics covering inventories of these owner-operated serviced apartments but it is estimated that there are around 70 -100 properties in Nairobi alone with a total of 3,500 to 5,000 apartments offering mid to long term rentals for US\$1,000 - 3,000 per month

depending on size and services offered. The majority of these properties do not offer any amenities except housekeeping and most rely on rentals from small adverts from local real-estate agents.

The Tamarind Group has been operating in Kenya since 1972 predominantly in the restaurant and entertainment industry and today serves more than half a million guests per year in its restaurants and entertainment venues in Kenya. The group is leveraging its brand and operating platform and will enter the serviced apartment market after 20 years of successfully having operated Tamarind Village Mombasa.

Tamarind Tree Residence and Suites will open with 130 keys in December of 2015, which will be followed by the 110 key Tamarind Tree Suites – Rosslyn in Nairobi, ideally located for the UN complex in Gigiri and the Village Market retail complex - in June 2016 and the 160 key Tamarind Tree Residence Migaa in January 2016. Apartments will be rented on short to long-term basis with full hotel services including restaurants, bars, gym, meeting space and more. The group's aim is to become the premiere extended stay brand and management company in the region in the next 5 -7 years.

There is significant demand from local investors who see the benefit and competitive edge by partnering with a local brand to sell apartments to free up cash and risk from developments while retaining units that will generate future cash flows from letting apartments under a professional management contract.



To ensure good occupancies and letting rates The Tamarind Group will tap into global serviced and corporate apartment distribution systems offering loyalty programmes to attract international corporate travellers as well as its own central reservations and local loyalty programme covering all major corporations in Kenya and the region.

The main threat locally is security, demonstrated by the recent terrorist attacks in Nairobi and the coastal region of Kenya. The government is being pro-active and is increasing its efforts in ensuring that Kenya is a safe destination. These recent security issues together with declining numbers from traditional source markets have resulted in a decline of tourists arrivals in 2013 compared to 2011 and 2012. There is optimism however, due to an increase in foreign direct investments and acquisitions of local companies by multi international corporations wanting to establish a regional presence.

The oil, gas and renewable energy sector has received a boost in recent years with significant oil and gas finds in the region that will result in increased demand for short and long term accommodation.



Supply

Our research has highlighted 8,802 serviced apartments in 102 locations in Africa, compared to 4,634 serviced apartments in 76 locations in 2013/14. This represents a rise of 89% and 34% respectively.

Based on our estimates of the world's total supply of serviced apartments, Africa accounts for just 1.1% of the global serviced apartments market in 2013/14. Figure 16 shows the major operators in the region.

Rates

As Fig 17 shows, there is a significant disparity between the average rental rates for a studio apartment in the primary South African market and the emerging markets. A studio apartment costing EUR 59 per night in Nairobi for stays of up to one week will cost EUR 72 in Cape Town.

Internationally, serviced apartments in Africa cost, on average, less than anywhere else in the world except Central and South America.

Figure 16. Leading serviced apartment operators in Africa

		Locations	Apartments
Atalayoun Golf Resort		1	2,400
Protea Hotels - South Africa, Nigeria, Tanzania	Marriott Hotels & Resorts	29	2,320
Southern Sun Resorts		4	610
Courtyard Apartments - South Africa		6	451
Executive Apartments and Hotels	Sandton - RSA	6	253
Village and Life		6	221
Bantry Bay & Mandela Rhodes Place - Cape Town	Three Cities Group	2	125
Belaire Suites - Durban		1	124
Relais Hotels		4	116
Suite Novotel Marrakech	Accor	1	112
	Sub-total	60	6,732
	Total for the region:	102	8,802

Source: *The Apartment Service*



Figure 17. City rates analysis - Africa

	STUDIO						ONE BEDROOM						TWO BEDROOM							
	2012/13 rate		2014/15 rate		YoY variance		2012/13 rate		2014/15 rate		YoY variance		2012/13 rate		2014/15 rate		YoY variance			
	Local currency	US\$	Local currency	Euro	%	Local currency	US\$	Local currency	Euro	%	Local currency	US\$	Local currency	Euro	%	Local currency	US\$	Euro	%	
AFRICA																				
Cape Town (ZAR)																				
1-6 nights (nightly rate)	ZAR 1,000	USD 93	ZAR 1,030	EUR 72	3%	ZAR 1,050	ZAR 1,135	ZAR 1,600	EUR 79	8%	ZAR 1,710	USD 154	ZAR 1,600	EUR 119	7%	ZAR 1,710	USD 154	EUR 119	7%	
7 nights + (weekly rate)	ZAR 6,440	USD 581	ZAR 6,450	EUR 450	0%	ZAR 6,350	ZAR 6,623	ZAR 9,875	EUR 463	4%	ZAR 10,300	USD 928	ZAR 9,875	EUR 719	4%	ZAR 10,300	USD 928	EUR 719	4%	
One month + (monthly rate)	ZAR 14,275	USD 1,243	ZAR 13,800	EUR 964	-3%	ZAR 12,975	ZAR 14,000	ZAR 17,500	EUR 978	8%	ZAR 18,600	USD 1,676	ZAR 17,500	EUR 1,299	6%	ZAR 18,600	USD 1,676	EUR 1,299	6%	
3 month + (monthly rate)	ZAR 12,500	USD 1,163	ZAR 12,900	EUR 901	3%	ZAR 12,500	ZAR 13,650	ZAR 16,350	EUR 953	9%	ZAR 17,300	USD 1,558	ZAR 16,350	EUR 1,208	6%	ZAR 17,300	USD 1,558	EUR 1,208	6%	
Nairobi (KES)																				
1-6 nights (nightly rate)	KES 6,100	USD 76	KES 6,725	EUR 59	10%	KES 9,000	KES 9,800	KES 10,850	EUR 86	9%	KES 11,900	USD 134	KES 10,850	EUR 104	10%	KES 11,900	USD 134	EUR 104	10%	
7 nights + (weekly rate)	KES 32,500	USD 384	KES 34,100	EUR 298	5%	KES 57,200	KES 61,350	KES 63,000	EUR 535	7%	KES 66,100	USD 744	KES 63,000	EUR 577	5%	KES 66,100	USD 744	EUR 577	5%	
One month + (monthly rate)	KES 115,000	USD 1,361	KES 121,030	EUR 1,056	5%	KES 170,000	KES 181,225	KES 208,000	EUR 1,581	7%	KES 211,450	USD 2,379	KES 208,000	EUR 1,845	2%	KES 211,450	USD 2,379	EUR 1,845	2%	
3 month + (monthly rate)	KES 110,000	USD 1,310	KES 116,500	EUR 1,016	6%	KES 160,000	KES 169,450	KES 196,000	EUR 1,478	6%	KES 203,500	USD 2,289	KES 196,000	EUR 1,775	4%	KES 203,500	USD 2,289	EUR 1,775	4%	

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Regional Report Asia

Introduction

The World Travel & Tourism Council estimates the Asia-Pacific region's GDP grew by 4.2% in 2013, with the major economies in the region of China and Japan leading the field.

At 7.7% China's growth continues at the same pace as it did in 2012. The government rebalanced the Chinese economy away from investment and towards domestic consumption with the latter now accounting for 40% of total GDP.

Japan - the world's third largest economy - enjoyed its fastest rate of GDP growth (1.6%) since 2010. This was driven by increased exports and a return to inflation for the first time since 2008.

By contrast, India - the second most populated country in the world - is expected to grow by its slowest rate since 2002.

According to Ernst & Young's 2014 Global Hospitality Insights, hotel transactions in the Asia-Pacific region have decreased by 11% over the previous year, but still show a substantial rise on 2012 levels. Hotel construction costs in the region are estimated at US\$295,300 per room and rising, due to increased demand from both leisure and business travel.

The region is also witnessing renewed investor interest in secondary markets, reflecting a perception that primary cities such as Hong Kong

and Singapore may have reached a peak in the investment cycle. However, as Ernst & Young point out *"it should be noted that gateway cities still dominate trades in the Asia-Pacific region, where the top 10 cities in the market account for 60% of deal flow."*

Asia is also home to two of the world's biggest global serviced apartment operators; The Ascott Limited and Frasers Hospitality. However other Singapore-based developers are flexing their international muscles too.

Mapletree Group has formed a JV with Oakwood Worldwide and plans to acquire and develop US\$4 billion worth of serviced apartments, opening over 100 new properties around the world over the next five years. The JV will see Mapletree acquire a 49% stake in Oakwood Asia Pacific.

Mapletree's Singapore neighbours Frasers launched in 1998 with 400 apartments. They now manage 10,075 units across 60 properties and plan to reach 30,000 by 2019. Meanwhile Thai developer VMPC is investing 6 billion baht (£113 million) to develop a serviced apartment and hotel development in Chon Buri's Si Racha district to tap rising demand, particularly among Japanese expats working in Thailand.



China

In 2013, Shanghai hosted the inaugural Serviced Apartment Expansion Summit. The conference was attended by around 150 hotel and serviced apartment investors, developers and operators. Demand is growing for serviced apartments in China as secondary and tertiary cities mature and more companies want to do business in these regions. As a result, China probably has the highest levels of investment and development in the region.

For example, of the 80,000 new apartment units that The Ascott Limited plans to have in operation worldwide by the end of 2020, 20,000 will be in China. Nine properties will open their doors in 2014 alone. To drive its expansion plans in China Ascott has formed a strategic alliance with developers such as Vanke and Yuexiu.

The Ascott has also bought an operational serviced apartment block in Hong Kong and will rebrand it to Citadines Mercer Hong Kong. CEO Lee Chee Koon told delegates at the Serviced Apartment Expansion Summit: *“One of Ascott’s growth strategies is to look for prime operating serviced residences in gateway cities which will provide us with faster time to market.”*

At the Shanghai summit representatives from the major hotel chains also confirmed their commitment to the growing Chinese hospitality market. Although IHG already has 200 hotels operating locally and a further 180 in the pipeline, it is expected that their Staybridge brand will soon open in China as more hotel developers consider serviced apartment development.

Also at the summit, IHG’s Murphy Zhu explained why serviced apartments have not expanded as quickly as their hotel competitors to date. *“China hotel developers have been very ambitious and aggressive, whereas Serviced Apartment developers have a more conservative approach. There may be 10 locations right for a hotel versus only three for serviced apartments.”*

Developers face a changing dynamic. The Shanghai property market may have increased ten-fold in recent years but ADR and RevPAR remain virtually static. With commercial mortgages at around 7% and overseas interest rates at 2%, new build developers are having to decide where their yield will come from; by selling on completion or by owning over time. Future models may include working partnerships between developer, operator and tenant.

However extended stay brands are definitely growing stronger in Asia. The Onyx Hospitality Group’s portfolio includes luxury boutique serviced apartment Shama Luxe and Shama Lay in addition to select service hotel brand Ozo, hotel brands Saffron, Amari hotels and the Mosaic collection of small hotels and resorts. Onyx’s strategy is to achieve a strong presence in Hong Kong and in main Chinese cities, capitalizing on both short and long stay business.

Despite the relative maturity of the extended stay market, Asia’s serviced apartments sector faces the same challenges as other global regions. The Asian market still suffers from a lack of consumer awareness – especially amongst leisure travellers – although Chinese relocation agents are becoming an increasingly important source of business.

The opportunities and threats to the extended stay sector in Asia offer both similarities and contrasts with other regions. Operators are keen to reduce headcount and maximise revenues. Automated check-in and check-out, environmental cost savings and technology improvements that will bring the business centre into the apartment will all be introduced in the near future.

Better telephone conferencing facilities and broader Internet bandwidth are also required. The Chinese internet filter is currently a major issue whilst, for the domestic audience, Chinese travellers expect a very different food and beverage offering compared to the expats.

According to Pilar Morais of CHI International, which operates serviced apartments in Hong Kong and mainland China, there’s not yet any clear picture of what guests want. *“If they want greater customisation, serviced apartments in Asia could become more of a boutique product. It will all depend on the type of consumer, their tastes and attitudes.”*

“CHI International’s average length of stay in Hong Kong is 60 days compared to 6 – 9 months a few years ago”, continues Morais. “Companies still prefer to bring in specialists for a project, but on shorter contracts that can be extended later. In China, our average stay is 1 year and sometimes longer.”

Market perspective – The Ascott Limited

*The Ascott Limited pioneered Asia-Pacific's first international-class serviced residence with the opening of The Ascott Singapore in 1984. Here Chief Investment Officer **Gerald Yong** provides an insight into the key supply and demand trends in your regional markets and how they differ between each other.*

Serviced residences have come a long way from being a little known product to one that has been growing in popularity as more expatriates and travellers recognise the space premium, home comfort and value they provide. We see demand for our serviced residences rising across the Asia Pacific, Europe and Gulf regions we operate in.

China continues to be our fastest growing market. It is the world's second largest economy and a top destination for overseas assignments. Ascott entered China in Shanghai in 1998 and today we have over 12,000 apartment units in 69 properties across 23 cities in China.

Besides first-tier Chinese cities such as Beijing, Shanghai, Guangzhou, Shenzhen and Hong Kong, our footprint also covers second and third-tier cities such as Chengdu, Chongqing and Xiamen. These cities have strong potential for economic growth and foreign investments which generate a large demand for serviced residences. In 1H 2014, we saw revenue per available unit (RevPAU) for our serviced residences in China increasing by 15% over the previous year. RevPAU for Ascott's serviced residences in Japan and South Korea also increased by 11% in 1H 2014 year on year.

RevPAR for Ascott's serviced residences in Japan and South Korea also increased by 11% in 1H 2014 year on year, and we will be introducing our premier Ascott The Residence brand to Tokyo. The 129-unit Ascott Marunouchi Tokyo will open in 2017, ahead of the 2020 Olympics in the city.

Japan offers great potential for expansion. The 2020 Olympics is expected to have an economic impact of about JPY 3 trillion and attract 8.5 million visitors. Japan's government is also aggressively attracting multinational companies to set up their regional headquarters or research and development centres in the country. This will create significant demand for quality accommodation.

On our home ground of Singapore, where we have over 700 apartment units in seven properties, while increasingly competitive with more players entering into the market, demand remains strong.

This is driven by the inflow of foreign investment and various government initiatives to reinforce Singapore's position as an exciting business and leisure destination. In 2017, we will open our eighth property in the premier shopping and lifestyle district of Orchard Road in Singapore. Besides catering to expatriates, the new serviced residence will appeal to medical travellers as it is near prominent medical centres in Singapore.



Extended stay in India



The Indian extended stay market broadly consists of 2 segments, namely 3-4 star hotels and Budget/Economy hotels. India has also typically had a large number of smaller single property motels/guesthouses

*catering to the budget traveller. But there is definite emergence in the growth of dedicated serviced apartment chains, especially in commercial cities (Delhi, Gurgaon, Bangalore), as **Kunal Singh** of Perch Service Apartments explains.*

2013-14 has seen an increasing number of service apartments and other budget options emerging across India. There has also been retrofitting of conventional apartment building and conversion to serviced apartment usage - especially in Delhi-Gurgaon. Putting growth numbers is difficult but the growth of serviced apartments would be north of 20%, while the overall hospitality market is growing at 4%.

5 star hotels recorded a 5.2% dip in overall RevPAR from 2012 to 2013 whereas budget hotels recorded a growth of 10.4 % during the same duration. Serviced apartment RevPAR has been similar during the last 5 years, whereas the same for the hospitality industry has indeed grown. Fig 18 shows that the cities which have seen the most growth are all outside the top-5 top commercial cities in India.

Hence, we can deduce that supply and demand has kept up with each other at these cities but, the average room rate has gone down (a sign that the market is more competitive and there are no captive customers so as to speak). This speaks volumes about the greater choice available to customers, resulting in lower average room rate with higher volumes.

These cities are seeing a lot of commercial activity and are also emerging as corporate hubs in their region, companies are the primary drivers of demand for this sector. Corporate to tourism/ domestic demand would be about 60-40 split.

20%+
**GROWTH IN SERVICED
 APARTMENTS IN INDIA
 2013-14**

Figure 18. Supply and demand trends in India, 2009 - 2013

City	Supply	Demand	Avg Room Rate
Ahmedabad	32.70%	30.10%	-5.10%
Gurgaon	31.20%	26.20%	-5.90%
Noida	40.70%	19.30%	-3.70%
Pune	39.90%	37.50%	-14.60%
All India	17.80%	17.30%	-6.90%

Source: Perch Service Apartments



Socio-economic and other influences

The rising disposable income of the middle class and the influx of MNCs into India have resulted in the requirement of paid accommodation. India was traditionally an IT hub and 80% of the demand from 2000-10 was from the IT/ITES services. But there has been an emergence of manufacturing demand of late, especially as smaller commercial hubs have sprouted.

In Ahmadabad, for example there has been an industrial revolution of sorts resulting in job creation at 12% CAGR over the past decade. This has in turn created a skilled employee pool thus resulting in the set of factories and other industries in the area. Thus, job creation helps the hospitality industry directly.

Key & emerging cities

As illustrated above this sector is growing in numbers but the average ticket size has reduced, this implies that it has become of a volumes game. To make profits an establishment must be able to offset the low revenue per guest by having larger capacity.

The fixed cost of marketing/commission per room has remained stable or in fact gone up. This implies that to make a profit a service apartment should be large enough to sell rooms at a lower price and thus keep its occupancy percentage high and enjoy overall higher revenue compared to a smaller establishment selling at high costs. An approximate size to cover fixed marketing/commission costs in service apartments in a major commercial center is minimum 30 keys.

Most of the emerging cities are reaching the state of oversupply (both traditional as well as service apartment) which does not augur well for prospective investors but, there are certain cities where future economic growth is likely and hence these are good investment centers.

Guest profiles

Corporate travellers tend to be senior management employees and expats with an average length of stay of six months to a year. They expect clean properties, professional staff and amenities such as WiFi and free parking. Most tend to stay and work from home as well hence, the accommodation should have amenities such as printer and conference room.

Leisure travellers tend to be relocating families and individuals, international or Indian nationals on extended holiday or, family visits for one to two weeks. They expect a friendly environment, ease of location, privacy, good food, facility of self-cooking and a good entertainment lounge in the property.

Dominant & emerging brands

India is a busy market for international and local operators partnering with Indian investors and developers.

StayWell Hospitality Group has signed a management contract with developer VSR Infratech for a serviced apartments project in Sector 68 in Gurgaon, in Delhi NCR, and developer Assotech Realty has announced a 142-unit serviced apartment project in Sirdi. This will be the first in a series of serviced apartment developments in Indian pilgrim and business destinations. The apartments will be managed and operated by Sandal Suites, a subsidiary company of Assotech Realty.

BridgeStreet Global Hospitality has announced a 20-year, tri-party agreement with developers JNB Group and Homestead. BridgeStreet will provide property and facilities management for two new luxury residences by Homestead - Michael Schumacher World Tower and Ballet by Sharapova, both in Gurgaon.

The company has also signed a 10-year franchise agreement with Everlike Buildcon Pvt, a division of Silverglades, for Merchant Plaza in Sector 88 of Gurgaon. The 2.75-acre Merchant Plaza development is a mixed-use 192-unit property including 2.5 million square feet of serviced apartments, retail and commercial spaces.

Mature/oversupplied markets	Stable markets	Emerging markets
New Delhi, Kolkata , Mumbai, Goa	Noida, Gurgaon, Lucknow	Bangalore, Pune, Jaipur, Ahmadabad

Established hotel brands in India's five-star sector such as the Taj, Oberoi, Leela and ITC continue to do well. Whilst newer entrants into the budget hotels sector such as IBIS, Fortune hotels etc are certainly making the marketplace more competitive.

Taj and other top players like Leela do also offer extended stay apartments, but the prices are typically 3 - 4 times that of budget accommodation and hence have only penetrated the top 5% of the serviced apartment market.

The budget service apartment provider has choice of some top brands in a few cities, but the organized service apartment industry is dominated by local boutique organizations (typically 50-100 keys).

The new government in India is pro tourism and is taking steps for inviting investment in this sector, better laws and transparent taxation will definitely attract more Hotel brands to invest in India.

As foreign investment in the manufacturing industries is also expected to help increase the same in the hospitality industry (which been stagnant for last 3-4 years). Several mixed use projects (commercial + residential + extended stay) are coming up on the outskirts of major cities. There is no dearth of investors, but the commercial success of these ventures depends on good management.

There are roughly 15,000 dedicated serviced apartments under construction or planned till the year 2018 (would double the current capacity).

Technology & distribution

Online booking portals and Global distribution systems are making online booking easier and more convenient for serviced apartment users.

Portals such as Booking.com, Expedia and others are managing real time inventories of hotels and are also offering useful reviews for guests to help making their decision making process easier.

The adoption even by smaller chains has been constructive and approximately 35% of all serviced apartment rooms are available on GDS.

Supply

Our research has highlighted 71,543 serviced apartments in 541 locations in Asia, compared to 49,480 serviced apartments in 419 locations in 2013/14. This represents a rise of 44% and 29% respectively.

Based on our estimates of the world's total supply of serviced apartments, Asia accounts for 9.6% of the global serviced apartments market in 5.5% of the world's serviced apartment locations. The major operators in the region are shown in figure 19.

Rates

Of the region's major cities, Bangalore is once again the cheapest. Here a studio apartment costs EUR 43 per night for stays of up to one week compared to EUR 161 in Singapore and EUR 215 in Singapore.

However Bangalore has experienced the biggest year-on-year growth in average rate, with double-digit increases in all serviced apartment types.

Figure 19. Leading serviced apartment operators in Asia

		Locations	Apartments
Somerset	The Ascott Limited	49	9,031
Other Serviced Residences	The Ascott Limited	58	4,612
Ascott The Residence	The Ascott Limited	23	4,789
Citadines	The Ascott Limited	27	4,378
Oakwood	Oakwood Corp Housing (est)	27	4,014
Fraser Suites	Fraser's Hospitality	11	2,628
Co-op Residences - Seoul	Co-op Serviced Residences	8	2,195
Compass Hospitality - Bangkok		10	2,000
Nieva World Apartments		14	2,000
Tokyu Stay Apartment Hotels - Tokyo		15	1,950
	Sub-total	242	37,597
	Total for the region:	551	72,857

Source: The Apartment Service

Figure 20. City rates analysis - Asia

	STUDIO				ONE BEDROOM				TWO BEDROOM			
	2014/15 rate		YoY variance	2012/13 rate	2014/15 rate		YoY variance	2012/13 rate	2014/15 rate		YoY variance	
	Local currency	US\$			Euro	Local currency			US\$	Euro		Local currency
ASIA												
Bangalore (INR)												
1-6 nights (nightly rate)	INR 2,900	USD 56	EUR 43	17%	INR 3,400	USD 64	EUR 49	14%	INR 4,650	USD 90	EUR 70	18%
7 nights + (weekly rate)	INR 19,050	USD 369	EUR 287	18%	INR 23,500	USD 416	EUR 323	8%	INR 30,000	USD 568	EUR 447	17%
One month + (monthly rate)	INR 54,200	USD 990	EUR 770	11%	INR 69,500	USD 1,239	EUR 964	9%	INR 85,000	USD 1,531	EUR 1,190	10%
3 month + (monthly rate)	INR 51,000	USD 938	EUR 730	12%	INR 62,000	USD 1,160	EUR 903	14%	INR 76,000	USD 1,405	EUR 1,093	13%
Hong Kong (HKD)												
1-6 nights (nightly rate)	HKD 1,450	USD 206	EUR 161	10%	HKD 1,525	USD 221	EUR 172	12%	HKD 1,770	USD 251	EUR 195	10%
7 nights + (weekly rate)	HKD 9,000	USD 1,213	EUR 943	4%	HKD 10,000	USD 1,393	EUR 1,083	8%	HKD 11,500	USD 1,567	EUR 1,219	6%
One month + (monthly rate)	HKD 31,000	USD 4,064	EUR 3,160	2%	HKD 38,750	USD 5,044	EUR 3,922	1%	HKD 42,750	USD 5,547	EUR 4,314	1%
3 month + (monthly rate)	HKD 28,750	USD 3,767	EUR 2,929	2%	HKD 37,000	USD 4,844	EUR 3,767	1%	HKD 39,500	USD 5,289	EUR 4,114	4%
Mumbai (INR)												
1-6 nights (nightly rate)	INR 8,750	USD 144	EUR 112	1%	INR 12,500	USD 196	EUR 152	-4%	INR 20,000	USD 307	EUR 239	-6%
7 nights + (weekly rate)	INR 54,100	USD 891	EUR 692	0%	INR 77,000	USD 1,249	EUR 971	-1%	INR 119,000	USD 1,932	EUR 1,502	-1%
One month + (monthly rate)	INR 99,000	USD 1,666	EUR 1,295	3%	INR 112,500	USD 1,817	EUR 1,412	-1%	INR 128,000	USD 2,078	EUR 1,615	-1%
3 month + (monthly rate)	INR 88,500	USD 1,555	EUR 1,209	7%	INR 101,000	USD 1,744	EUR 1,355	5%	INR 114,000	USD 1,868	EUR 1,453	0%
Shanghai (CNY)												
1-6 nights (nightly rate)	CNY 1,175	USD 196	EUR 152	2%	CNY 1,400	USD 240	EUR 187	5%	CNY 1,950	USD 326	EUR 253	3%
7 nights + (weekly rate)	CNY 7,000	USD 1,165	EUR 906	2%	CNY 9,600	USD 1,597	EUR 1,242	2%	CNY 14,500	USD 2,444	EUR 1,901	3%
One month + (monthly rate)	CNY 27,800	USD 4,562	EUR 3,548	1%	CNY 36,000	USD 5,931	EUR 4,613	1%	CNY 46,000	USD 7,626	EUR 5,930	2%
3 month + (monthly rate)	CNY 25,800	USD 4,236	EUR 3,295	1%	CNY 34,000	USD 5,589	EUR 4,347	1%	CNY 41,800	USD 6,844	EUR 5,322	0%
Singapore (SGD)												
1-6 nights (nightly rate)	SGD 350	USD 276	EUR 215	0%	SGD 400	USD 315	EUR 245	0%	SGD 495	USD 390	EUR 303	0%
7 nights + (weekly rate)	SGD 1,775	USD 1,446	EUR 1,125	3%	SGD 2,300	USD 1,931	EUR 1,502	7%	SGD 2,750	USD 2,365	EUR 1,839	9%
One month + (monthly rate)	SGD 7,500	USD 6,302	EUR 4,717	3%	SGD 8,700	USD 6,956	EUR 5,409	1%	SGD 9,000	USD 7,291	EUR 5,669	3%
3 month + (monthly rate)	SGD 7,000	USD 5,517	EUR 4,291	0%	SGD 8,400	USD 6,715	EUR 5,222	1%	SGD 8,675	USD 6,935	EUR 5,393	1%
Tokyo (JPY)												
1-6 nights (nightly rate)	JPY 13,750	USD 140	EUR 109	11%	JPY 17,000	USD 175	EUR 136	12%	JPY 23,300	USD 230	EUR 179	7%
7 nights + (weekly rate)	JPY 75,000	USD 710	EUR 552	3%	JPY 95,000	USD 895	EUR 696	2%	JPY 119,000	USD 1,114	EUR 866	2%
One month + (monthly rate)	JPY 206,300	USD 1,902	EUR 1,479	0%	JPY 220,000	USD 2,052	EUR 1,596	2%	JPY 254,000	USD 2,354	EUR 1,830	1%
3 month + (monthly rate)	JPY 198,600	USD 1,838	EUR 1,429	1%	JPY 203,000	USD 1,889	EUR 1,469	1%	JPY 231,000	USD 2,135	EUR 1,661	1%

Disclaimer: 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 23 September 2014. Source: The Apartment Service

225,000 ROOMS IN AUSTRALIA



“Expect the emergence of a cookie-cutter branded concept. Local entrepreneurs have picked up on the trend as evidenced by developments like the Emporium in Brisbane. As global operators are progressively rolling out their new strategies, Australia will eventually see the emergence of these products as well.” Deloitte

Introduction

According to Deloitte the Australian accommodation sector consists of 4,300 hotels, motels, guesthouses and serviced apartments, with just over 225,000 rooms. The sector employs around 90,000 people according to the Australian Bureau of Statistics.

Although the majority of these properties are small, budget-standard, unbranded businesses located in regional Australia, the remainder of room inventory is concentrated in a smaller number of larger, up-scale, branded hotels in major city and resort destinations.

The 2008 Olympics was the catalyst behind the last round of major development in Australia, adding several thousand rooms to the Sydney market alone. Post-Olympics, a combination of pandemic, natural disaster and terrorism put the blocks on international investment as tourism traffic fell by a third between 2008 and 2010.

Domestically, Prime Minister Tony Abbott’s austerity programme has left leisure spending low on the priority list, whilst the Australian dollar’s near-parity with its American counterpart makes Australia expensive for international tourists.

The result of the slowdown in new hotel supply has helped to drive high occupancy levels in Australia’s accommodation sector. Today, sustained economic recovery and a resurgent resources sector is driving renewed demand and record occupancy levels. City markets are already back to record occupancies, with average room rates likely to follow.

According to STR Global, Australian cities enjoy some of the best occupancy rates in the world, although the same cannot be said of average room rates - yet. In the regions, the accommodation product is in need of upgrading, which is reflected by lower occupancies.

Deloitte’s report Hospitality 2015 – the Australian perspective predicts that an efficient, low-cost, limited-service product will replace the traditional owner-operated motel, pointing to the success of brands like Aloft and Express by Holiday, Indigo and Hyatt Place outside Australia.

Australia

In 2014 Chinese real estate giant Wanda Group purchased what has been dubbed 'the Jewel project' on Australia's Gold Coast. Wanda will jointly develop the project with its original owners and plans to invest US\$900 million to build a five-star Wanda Vista hotel and serviced apartments.

Australian developer/operators Meriton and Toga have spent a combined AUS\$260 million on two Sydney sites earmarked for serviced apartments, whilst the region's largest operator (in terms of locations serviced) Quest is developing up to 10 new serviced apartment schemes, each valued at up to AUS\$50 million.



New Zealand

The New Zealand tourism sector is also enjoying a period of sustained growth, with several new hotel developments and investors from home and overseas actively seeking properties in new markets.

This is largely due to record numbers of international visitors, up 6% to 2.7 million in 2013 according to Statistics New Zealand. However this comes against a background of little new supply in recent years. The only addition to the Auckland market since 2011 has been 178 rooms by Quest. By contrast, Christchurch's hotel market has seen significant new supply entering the market.

Lack of supply has driven both occupancy and room rates. Occupancy rose by 3.8% to 78.8% in Auckland between 2012 and 2013, whilst room rates improved by 3.4% to an average of \$140 per night.

As Jones Lang LaSalle (JLL) reports, investors are challenged by a lack of prime stock being available for sale. *"Although several hotels were offered for sale prior to 2012, such as Auckland's Hyatt (now Pullman) and Hilton hotels and Wellington's Intercontinental Hotel, only one prime city hotel transacted in 2013. This has led to many active investors, particularly those with existing hospitality properties in the Asia Pacific region, seeking to secure sites for new hotel development."*

JLL research indicates that 2,900 rooms are currently being speculated over 16 projects throughout New Zealand, which would add 12% more inventory to the market. Almost one-third of projects are being proposed by offshore developers with no existing interests in New Zealand hotels.

6%
INCREASE IN INTERNATIONAL
VISITORS TO NEW ZEALAND
DURING **2013**





Market perspective - Quest Apartments

The serviced apartment sector in Australia is beginning to pick up momentum in what leading operator Quest's chairman Paul Constantinou sees as a snowball effect.

Companies' growing awareness of serviced apartments is very much by word of mouth. The investment is starting to flow too, driven by greater awareness amongst major institutions.

The difficulty is getting them to understand the true asset class. Here we've been held back by traditional attitudes towards hotels in Australia, although overseas investment is coming through thanks to greater certainty of income from both corporate and leisure travel segments. Tourism is certainly growing here.

We have also seen a shift in customer profile over the last 12 months. From an almost exclusively corporate audience, around 30% of our bookings are now for leisure customers which reflects their growing understanding of the product. The leisure market prefers serviced apartments for self-sufficiency and lifestyle. Leisure travel is discretionary, so can be affected by many factors such as what's new, the exchange rate, what's best value and even the weather. The size of the leisure market also varies between destinations, because so much of it is based around events like the Grand Prix.

Here corporate spend is entirely non-discretionary and frequently mandated. Quest originally focussed on traditional corporate road warriors – executive nomads – but nowadays we are seeing more international travel, especially from Asia. There's a more affluent traveller staying for business and leisure although the markets don't always mix in the same property.

2014 has seen steady growth in corporate business and we are projecting a further 5% growth in 2015. An important part of our growth will be into new locations as Australia becomes more de-centralized and more corporate activity takes place outside the city.

The assignment worker population is growing too. 10 - 14% of the global workforce is now working on projects outside their home countries, and this is pushing serviced apartment usage. There's a lack of skilled labour in certain areas too, so we are housing the expertise brought in to fill the skills gap.

10% of our guests are now coming from overseas as companies such as BaE and Rio Tinto bring in workers from the UK. And when overseas corporates move their teams into Australia contracts are often extended due to more work being won. At this point the assignees become residents.

Quest is not restricted by any minimum length of stay requirement, so we can trade in short stays too. In city locations, our average length of stay is 4 - 5 days, although in outer city locations this could be 2 - 3 weeks or as much as 2 - 3 months.



Paul Constantinou,
Quest Apartments



We are very focussed on guest retention. In some cases a guest could return to us up to three times a year either on business or for leisure, so we measure satisfaction through repeat business. These stays influence the corporate procurement decision because the guest experience helps us to keep or lose accounts, so we have to enable the traveller to do in the apartment whatever they'd do at home.

One of the big things we are finding is that travellers don't need big apartments, but they do need to be well-equipped. Although they want the amenities and enough space to walk around, many Millennial Travellers work in confined spaces. They want to be in total control so we have to provide the connectivity to enable them to hook up their laptops and other devices to the big screens in their rooms.

Unsurprisingly for a company tapping into the leisure market, Quest regards OTAs as good for business. They exist to facilitate a transaction in return for a commission. It is our job to own the customer and the customer relationship, but we still regard Trip Advisor as the best star rating we can have.

Some say that brand recognition will drive the expansion of the serviced apartments sector, but I believe this is already happening. Hotels' extended stay brands are growing and people are becoming aware of them. However Millennial Travellers are not brand loyal; they choose brands based on the outcome or experience that they want at that time.

The top end brands are the ones who are winning because they stand for quality. That's why we focus on guest experience AND brand. Guests need a warm welcome, comfortable bed and good shower - if you don't provide these you will fail. These are the basics of hospitality. It's not about the amenities; it's about the room.

Quest Apartments is ready for growth now. In 2015/16 we will invest in other international markets, making sure we allocate the resources in the right way, building relationships with investors and taking a view that is strategic rather than opportunistic.

For me, the most exciting thing about travel and tourism is the continual demand. This is reflected in the number of new airplanes being built and deployed. The issue now is whether we can provide enough rooms to house these travellers. I believe that the next 10 - 20 years will be the golden era of tourism because tourism has become a necessity of life.



Market perspective - Mantra Group

*Like Quest, Mantra Serviced Apartments are also seeing solid year-on-year growth in RevPAR, driven largely by occupancy in leisure destinations and rate in Central Business District locations, as **Ken Davidson** explains.*

We are confident of continued growth both in terms of our existing portfolio and our ability to grow our rooms under management.

The impact of low-cost carriers and the emergence of the middle classes of China and Indonesia are having a positive impact on the market and will continue to do so in this part of the world.

We operate in a variety of markets around Australasia so it is difficult to draw a direct line of comparison against our competitors, but where we do have good visibility, in CBD locations in Australia, we tend to operate at the head of our competitive sets.

We offer large rooms, strong brands, a good strategy and clear people direction. We are a highly centralised local model and this makes us aggressive and nimble to opportunity. Global positioning can provide some advantages to our competitors, but it can also be cumbersome in regional markets.

Corporate business is currently very strong in the non-mining sector cities such as Sydney and Melbourne.

Domestic leisure is also in a particularly good place in Australia at the moment, and international demand is only escalating regional performance.

Corporate relocation business is excellent, thanks to our Live@Mantra programme that has driven exceptional growth.

We're not seeing much impact from the vacation rental sector in Australia as yet, but as an industry we need to be vigilant and push for these entities to have to be compliant to the same sort of legal rigors as the hotel industry.

Looking forward, we have made it known Mantra will continue to aggressively pursue opportunities that suit structure and business model throughout Australia and overseas. We are particularly excited by the prospect of continued growth in Asia.

Brand, and more particularly brand clarity is critical in the online space which is the new battleground for customer acquisition. Customers must not only recognise your brand but be clear what it stands for and what type of value proposition is on offer.



Supply

Our research has highlighted 59,169 serviced apartments in 1,073 locations in Australia and New Zealand, compared to 40,814 serviced apartments in 448 locations in 2013/14. This represents a colossal rise of 31.1% and 139% respectively.

Based on our estimates of the world's total supply of serviced apartments, Australasia accounts for 7.8% of the global serviced apartments market in 10.7% of the world's serviced apartment locations.

The major operators in the region are as follows:

56,169

SERVICED APARTMENTS IN AUSTRALIA AND NEW ZEALAND

Figure 21. Leading serviced apartment operators in Australia

		Locations	Apartments
Mantra Group (Australia, New Zealand)		113	11,622
Quest Serviced Apartments (Australia, NZ & Fiji)	Quest Serviced Apartments	148	8,251
Mercure/Grand Mercure	Accor	41	4,367
Oaks Apartments (Australia, New Zealand)		48	5,896
Meriton Serviced Apartments		15	3,696
Adina Apartment Hotels	TFE Hotels	19	1,931
Waldorf Serviced Apartments		27	1,900
The Sebel	Accor	16	1,644
Punt Hill Serviced Apartments (Brisbane, Melbourne)		15	707
Melbourne Shortstay Apartments	Shortstay Group	6	600
	Sub-total	448	40,614
	Total for the region:	1,073	59,169

Source: *The Apartment Service*

Rates

Although there is a disparity in average rental rates between serviced apartments in Australia and New Zealand, in Oz itself rates are broadly comparable. A studio apartment in Auckland costs EUR 96 per night for stays of up to one week compared to EUR 127 in Canberra, EUR 137 in Sydney and EUR 138 in Melbourne.

The biggest year-on-year growth in rate has come in Sydney, with double-digit increases across all apartment types.



Figure 22. City rates analysis - Australia & New Zealand

	STUDIO					ONE BEDROOM					TWO BEDROOM					
	2012/13 rate		2014/15 rate			2012/13 rate		2014/15 rate			2012/13 rate		2014/15 rate			YoY variance
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	YoY variance	
AUSTRALASIA																
Auckland (NZD)																
1-6 nights (nightly rate)	NZD 145	NZD 155	USD 120	EUR 96	7%	NZD 175	NZD 185	USD 144	EUR 114	6%	NZD 225	NZD 230	USD 179	EUR 142	2%	
7 nights + (weekly rate)	NZD 900	NZD 945	USD 734	EUR 583	5%	NZD 1,100	NZD 1,190	USD 925	EUR 734	8%	NZD 1,375	NZD 1,400	USD 1,088	EUR 864	2%	
One month + (monthly rate)	NZD 3,100	NZD 3,175	USD 2,467	EUR 1,959	2%	NZD 3,720	NZD 3,750	USD 2,914	EUR 2,313	1%	NZD 4,900	NZD 4,900	USD 3,807	EUR 3,022	0%	
3 month + (monthly rate)	NZD 2,950	NZD 3,000	USD 2,331	EUR 1,851	2%	NZD 3,400	NZD 3,425	USD 2,661	EUR 2,113	1%	NZD 4,500	NZD 4,650	USD 3,613	EUR 2,868	3%	
Canberra (AUD)																
1-6 nights (nightly rate)	AUD 183	AUD 185	USD 164	EUR 127	1%	AUD 206	AUD 225	USD 196	EUR 154	9%	AUD 283	AUD 315	USD 279	EUR 218	11%	
7 nights + (weekly rate)	AUD 1,084	AUD 1,165	USD 1,033	EUR 804	7%	AUD 1,371	AUD 1,421	USD 1,260	EUR 981	4%	AUD 1,490	AUD 1,545	USD 1,370	EUR 1,067	4%	
One month + (monthly rate)	AUD 3,300	AUD 3,420	USD 3,032	EUR 2,361	4%	AUD 3,600	AUD 3,710	USD 3,290	EUR 2,562	3%	AUD 4,000	AUD 4,125	USD 3,658	EUR 2,849	3%	
3 month + (monthly rate)	AUD 3,000	AUD 3,200	USD 2,837	EUR 2,209	7%	AUD 3,250	AUD 3,340	USD 2,962	EUR 2,306	3%	AUD 3,550	AUD 3,670	USD 3,254	EUR 2,534	3%	
Melbourne (AUD)																
1-6 nights (nightly rate)	AUD 200	AUD 200	USD 177	EUR 138	0%	AUD 226	AUD 240	USD 213	EUR 166	6%	AUD 352	AUD 330	USD 293	EUR 228	-6%	
7 nights + (weekly rate)	AUD 1,247	AUD 1,247	USD 1,106	EUR 861	0%	AUD 1,529	AUD 1,560	USD 1,383	EUR 1,077	2%	AUD 2,357	AUD 2,195	USD 1,946	EUR 1,516	-7%	
One month + (monthly rate)	AUD 3,850	AUD 3,900	USD 3,458	EUR 2,692	1%	AUD 4,150	AUD 4,150	USD 3,680	EUR 2,865	0%	AUD 4,300	AUD 4,295	USD 3,808	EUR 2,966	-0%	
3 month + (monthly rate)	AUD 3,500	AUD 3,675	USD 3,259	EUR 2,537	5%	AUD 3,850	AUD 4,000	USD 3,547	EUR 2,762	4%	AUD 3,900	AUD 4,100	USD 3,635	EUR 2,832	5%	
Sydney (AUD)																
1-6 nights (nightly rate)	AUD 172	AUD 200	USD 174	EUR 137	16%	AUD 210	AUD 245	USD 217	EUR 169	17%	AUD 313	AUD 357	USD 317	EUR 247	14%	
7 nights + (weekly rate)	AUD 950	AUD 1,120	USD 993	EUR 773	18%	AUD 1,000	AUD 1,200	USD 1,064	EUR 829	20%	AUD 1,200	AUD 1,425	USD 1,242	EUR 978	19%	
One month + (monthly rate)	AUD 3,000	AUD 3,550	USD 3,148	EUR 2,451	18%	AUD 3,200	AUD 3,750	USD 3,325	EUR 2,589	17%	AUD 3,875	AUD 4,200	USD 3,724	EUR 2,901	8%	
3 month + (monthly rate)	AUD 2,800	AUD 3,320	USD 2,944	EUR 2,292	19%	AUD 2,900	AUD 3,500	USD 3,104	EUR 2,417	21%	AUD 3,400	AUD 4,000	USD 3,547	EUR 2,762	18%	

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Regional Report Central & South America

Introduction

Whilst the bigger North American market has grown moderately of late, the South American market has continued to soar. South America is now one of the world's boom travel regions.

In 2013, there was a 10% increase in trips within the Americas, a 2% rise in overseas travel but a 16% rise in trips of less than 4 nights according to the WTTC.

Inbound travel to the Americas is growing more moderately, by 3.4% in 2013 according to UNWTO, although the 2014 FIFA World Cup in Brazil was expected to attract over 600,000 international visitors from other parts of Latin America, North America and Europe. The 2016 Olympic Games in Rio de Janeiro will stimulate further economic growth, foreign investment and demand for accommodation.

International arrivals to Brazil rose from 4.8 million in 2009 to 6.0 million in 2013, thanks in part to government efforts to promote tourism in neighbouring countries such as Argentina. South and Central America accounted for 50.9% of the total international arrivals in 2013.

Hospitality sector

According to Ernst & Young, the hotel market outlook in Latin America is mostly positive. Brazil, Mexico, Colombia and Peru account for almost 70% of the region's population and 75% of the region's GDP.

Real estate transaction activity is anticipated to be led by Mexico and Peru over the next two years. Standard & Poor's upgrade of the country's long-term local and foreign currency rating has made Peru an attractive option for hotel investment.

According to the 2014 STR Global Construction Pipeline Report, 400 hotels totaling 65,479 rooms are under construction across Central and South America. Brazil has the most with 44,100 rooms, followed by Colombia (4,893 rooms), Panama (3,631 rooms), Argentina (2,771 rooms) and Chile (2,437 rooms).



Over the next 10 years the pipeline will get even bigger according to Jones Lang La Salle. This expansion will take Brazil's hotel supply to an estimated 190,000 rooms across all hotel and extended stay segments, and the country's Hotel Supply Ratio (HSR) from 1.4 to 2.2. The HSR ratio is calculated by dividing the total room supply by population per '000.

Columbia will add a further 25,000 hotels rooms, moving its HSR from 0.8 to 1.1. Peru will see the most significant expansion, 78,000 new rooms taking the country's HSR from 0.7 to 1.1 by 2022, whilst Mexico's HSR will grow from 2.7 to 4.0 thanks to the creation of a further 191,000 rooms.

The combined HSR for these countries is predicted to reach 1.6 by 2022. This roughly equates to 10% of the existing supply in North America (HSR 15.5). The UK's Hotel Supply Ratio is currently 8.6.

Overall, the Latin American hotel industry will increase its room supply by 65% over the next decade to meet growing demand, adding 425,000 rooms. However this is not necessarily good news for serviced apartment operators. *"Conditions in Santiago have declined for apartment operators due to the growth of hotel stock combined with a slowdown in the mining sector ... losses have been offset however by currency exchange gains"* says Ximena Cabezas of Sebastiana Suites in Chile.

"Every calculation points to a disproportionate increase in the amount of hotel development required to satisfy projected demand within those target countries" declares Clay Dickinson, executive vice president of JLL's Hotels &

Hospitality Group, Latin America. *"These countries are still at the initial stage of their transformation toward services-oriented economies."*

One of the primary drivers of economic growth in the region is the increasing prevalence of service-oriented industries that generate hotel demand. Another driver is the volume of public and private sector investment that includes the world's largest iron mine in Parauapebas Brazil, which is expected to create about 30,000 new jobs.

The \$4 billion Bicentenario pipeline will connect Yopal, Colombia and its newly discovered oil fields to the Caribbean at Puerto Conveñas by 2015, whilst Mexico's new Durango-Mazatlan superhighway will substantially reduce travel time. Meanwhile Peru has a \$50 billion backlog of announced gold, copper and other mining activity which will stimulate road and maritime infrastructure projects including a \$600 million investment in the Almirante Miguel Grau Port facility.

"Our bullish outlook on hotel development in the region for the long term is based upon the countries' fundamental economic transformation, significant capital investments already committed in infrastructure...increasing productive capacity and rapid increases in accumulated domestic savings" JLL's Clay Dickinson says.

"We believe these factors, along with the emergence of a solid middle class, create a virtuous circle of increasing affluence which will spur further spending on commercial and leisure travel, boosting hotel demand and benefiting investors in the region."



Infrastructure

The prevailing issue in Central and South America is infrastructure, affecting security, traffic congestion and reliable services, all of which influence long stay visitor's decisions.

Everywhere there is extensive property construction, but in the meantime companies still need to source accommodation, so these factors will continue to play an important role in where to stay and who with.

"Safety is of utmost importance to visitors with some districts being almost 'no go' areas, some right in the centre of main cities" comments Mariel Martinez Aragunde, The Apartment Service's business Manager for LATAM.

"Many cities have popular expat districts where security firms maintain prominent visibility. This is also a prime consideration for the company manager responsible for staff mobility when choices must be made, and always after careful and extensive research."



LATAM serviced apartments

Gated compounds, secure condominiums or operator branded blocks all with onsite staff are the popular choices for serviced accommodation. There are also private rentals available for short or long stays, often in blocks that are safe, others that are in more secondary locations. However every option needs to be checked and evaluated locally.

There are a number of reputable agencies that manage private owners' homes, usually with the owner's furniture and belongings still in situ. Most of these units are located in condominium blocks with online support and services arranged.

Serviced apartment offerings and standards vary widely. For example, some may be cleaned daily whereas in others cleaning is a chargeable extra. In some cases apartment furniture is of poor quality, basic, and not particularly modern in design. Inventories are not always comprehensive either.

Traffic is a big problem throughout LATAM. For instance, Sao Paulo also has severe traffic congestion - especially during rush hour. A 5km journey can take up to an hour here, so proximity to a work location in a safe areas is highly recommended.

However the frenzy of development activity in Brazil also impacts corporates trying to do business there. There is a huge demand and, currently inadequate supply. As one corporate says, *"Brazil is a real issue for us. We look at the allocation of hotels but it is hard to pay the right price in Rio de Janeiro and Sao Paulo as the hotels are not forthcoming with long-stay rates because they are always full. The serviced apartment offering is not as developed as in London or New York."*

Most Brazilian serviced apartment properties have parking facilities but most visitors and locals take taxis instead.

In Buenos Aires, where the local cable system is prone to collapse, especially during summer, leading to frequent blackouts. Consequently many aparthotels and hotels have their own electricity generators to ensure their guests remain unaffected.

Aparthotels are the most common form of serviced apartment product in LATAM countries, most offering long as well as short term stays.

Most offer similar services such as daily cleaning and breakfast; some have a modest swimming pool and relaxation areas.

Many hotel operators have already announced plans to launch extended stay brands in Mexico. In April 2014 Hyatt Hotels confirmed that its Hyatt House brand would open its first building in Mexico City's Santa Fe neighbourhood, the main business and commercial district in the western part of the city. This will be the first extended stay hotel in the Santa Fe area backed by an international hotel brand.

Six months before Hyatt's announcement, Marriott International announced its plans to operate 20 hotels across five Marriott brands in key Mexican cities by 2016. The first six hotels will add approximately 800 rooms to the Mexican market.

"With a portfolio of 23 hotels across five Marriott brands, Mexico is one of the largest, most important and dynamic international markets for our company," said Craig S. Smith, President of the Caribbean and Latin America at Marriott. *"In the past five years we have seen a strong emerging Mexican middle class eager to travel. Economists predict that by 2020, Mexico's economy will be among the ten largest in the world, reinforcing the fact that we are living the Mexican Moment."*

Supply

Our research has highlighted 6,899 serviced apartments in 86 locations in Central and South America, compared to 6,115 and 65 in 2013/14. This represents a rise of 12.8% and 32% respectively.

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 0.8% of the world's serviced apartment locations.

The major operators in the region are as follows:

Figure 23. Leading serviced apartment operators in Central & South America

	Locations	Apartments
Othon Suites - Brazil	15	2434
Mercure	17	1682
Oasis Collections	11	800
LOI Suites	6	400
Clarion Suites - Guatemala	1	172
Other	36	1411
Total for the region:	86	6899

Source: The Apartment Service



Rates

As Figure 24 illustrates, the growing demand of serviced apartments in LATAM is reflected by average rates. A studio apartment in Buenos Aires cost 230% more in 2014 than it did a year earlier, EUR 33 per night for stays of up to one week compared to EUR 65 in Rio de Janeiro and EUR 84 in Sao Paulo.

6,899
SERVICED APARTMENTS
IN 86 LOCATIONS IN
CENTRAL AND SOUTH AMERICA

Figure 24 City rates analysis - Central & South America

	STUDIO						ONE BEDROOM						TWO BEDROOM							
	2012/13 rate		2014/15 rate		YoY variance	2012/13 rate	2014/15 rate		YoY variance	2012/13 rate	2014/15 rate		YoY variance	2014/15 rate		2012/13 rate	2014/15 rate		YoY variance	
	Local currency	Local currency	US\$	Euro	%		Local currency	Local currency	US\$		Euro	%	Local currency	Local currency	US\$		Euro	%	Local currency	Local currency
SOUTH AMERICA																				
Buenos Aires (ARS)																				
1-6 nights (nightly rate)	ARS 300	ARS 360	USD 43	EUR 33	20%	ARS 420	ARS 470	USD 56	EUR 43	12%	ARS 575	ARS 600	USD 71	EUR 55	4%					
7 nights + (weekly rate)	ARS 1,875	ARS 2,130	USD 252	EUR 196	14%	ARS 2,500	ARS 2,895	USD 343	EUR 270	16%	ARS 3,400	ARS 3,500	USD 415	EUR 323	3%					
One month + (monthly rate)	ARS 7,100	ARS 7,850	USD 931	EUR 723	11%	ARS 7,600	ARS 7,936	USD 942	EUR 731	4%	ARS 8,650	ARS 8,599	USD 1,020	EUR 792	-1%					
3 month + (monthly rate)	ARS 6,700	ARS 7,350	USD 872	EUR 677	10%	ARS 6,900	ARS 7,745	USD 918	EUR 714	12%	ARS 7,875	ARS 7,880	USD 934	EUR 726	0%					
Rio de Janeiro (BRL)																				
1-6 nights (nightly rate)	BRL 174	BRL 200	USD 84	EUR 65	15%	BRL 260	BRL 305	USD 127	EUR 99	17%	BRL 310	BRL 360	USD 150	EUR 117	16%					
7 nights + (weekly rate)	BRL 1,100	BRL 1,225	USD 511	EUR 166	11%	BRL 1,575	BRL 1,750	USD 731	EUR 568	11%	BRL 1,900	BRL 2,150	USD 898	EUR 697	13%					
One month + (monthly rate)	BRL 3,750	BRL 4,250	USD 1,774	EUR 1,379	13%	BRL 5,100	BRL 5,800	USD 2,422	EUR 1,881	14%	BRL 6,800	BRL 7,341	USD 3,065	EUR 2,381	8%					
3 month + (monthly rate)	BRL 3,300	BRL 3,700	USD 1,545	EUR 1,200	12%	BRL 4,750	BRL 5,200	USD 2,171	EUR 1,687	9%	BRL 6,100	BRL 6,723	USD 2,807	EUR 2,381	10%					
Sao Paulo (BRL)																				
1-6 nights (nightly rate)	BRL 225	BRL 260	USD 106	EUR 84	16%	BRL 300	BRL 350	USD 143	EUR 112	17%	BRL 375	BRL 435	USD 177	EUR 140	16%					
7 nights + (weekly rate)	BRL 1,200	BRL 1,400	USD 618	EUR 480	17%	BRL 1,900	BRL 2,100	USD 877	EUR 681	11%	BRL 2,400	BRL 2,733	USD 1,141	EUR 886	14%					
One month + (monthly rate)	BRL 4,750	BRL 5,200	USD 2,171	EUR 1,687	9%	BRL 6,500	BRL 6,900	USD 2,881	EUR 2,238	6%	BRL 8,000	BRL 9,150	USD 3,820	EUR 2,965	14%					
3 month + (monthly rate)	BRL 4,500	BRL 4,800	USD 2,004	EUR 1,557	7%	BRL 6,000	BRL 6,500	USD 2,714	EUR 2,108	8%	BRL 7,500	BRL 8,175	USD 3,413	EUR 2,649	9%					

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Regional Report Europe

Introduction

Europe is the world's largest tourism destination with over 560 million international tourist arrivals in 2013. And as the post-recession recovery gathers momentum, the region's tourism sector is starting to boom once again.

According to the World Travel & Tourism Council, in 2013 travel and tourism directly contributed US\$63.7bn to the European economy - 3.1% of total GDP. This is predicted to rise by 2.9% per annum every year reaching US\$91.7bn or 3.3% of total GDP by 2024.

The sector accounts for 3.1% of direct employment, and this is expected to rise by 2.4% every year over the next decade, when it will support 14,509,000 jobs and account for 3.6% of total employment.

In 2014, European companies will spend US\$343.5 billion (£210.4 billion) on business travel, rising by 2.8% per annum to US\$453.5 billion (£277.9 billion) by 2024. This represents 23.7% of the total spent by Europeans on all travel, the remaining 76.3% on international and domestic travel delivering a further US\$1,068.1 billion, projected to rise by 3.1% a year.

Hospitality sector

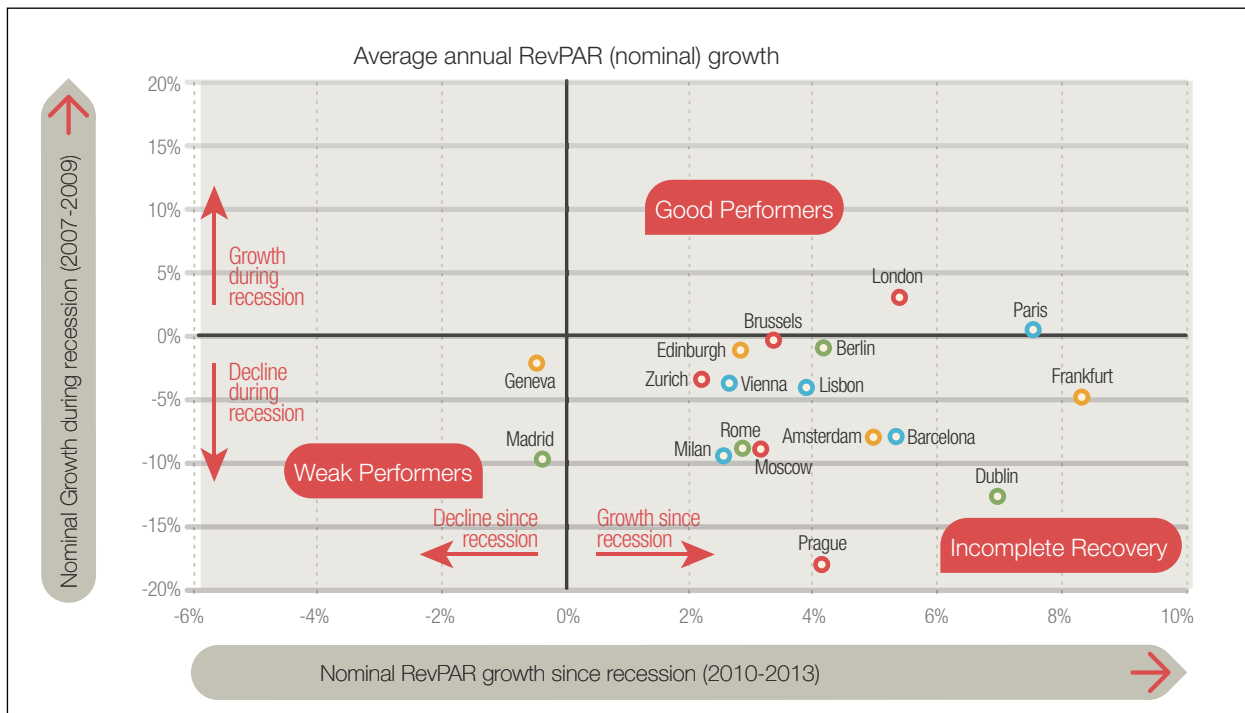
Although the region's hospitality sector seems to have almost recovered to pre-recession levels, according to PwC's 2014 European cities hotel forecast, appearances can be deceptive.

For example, European ADR is now only 5.7% below its pre-recession levels in nominal terms but 17.9% lower in real terms, with no double-digit growth to be seen. The pace of growth also varies amongst the top 18 European cities that dominate the region's hospitality sector and house over 680,000 hotel rooms.

The cities seeing the biggest RevPAR growth in 2014 are Dublin, London and Paris, followed by Edinburgh, Berlin, Frankfurt, Vienna and Moscow. PwC predicts future growth in all of the 18 cities in either 2014, 2015 or both of the two years, except in Madrid, which is still feeling the effects of the financial crisis.

The challenge for hotels is to capitalise on the improved environment and the new opportunities a changing world offers, such as growing demand, a changing customer profile, new hotels and brands, fragmenting distribution channels and investment opportunities.

Figure 25. European cities struggling to recover lost ground



Source: PwC European cities hotel forecast 2014 and 2015, STR Global



Extended stay - Europe

In terms of supply, Europe is the second largest global region for serviced apartments, although the relative maturity of individual country markets varies considerably.

Investment hotspots include Berlin, Munich, Frankfurt, Paris, Amsterdam, Barcelona and Rome.

BridgeStreet Global Hospitality has announced a 10-year agreement with Short Stay Group in Amsterdam, the first member of its regional affiliate programme. Meanwhile in Ireland, PREM Group bought and converted historic Merrion Hall in Dublin into serviced apartments.

Serviced apartment units in Zurich and Brussels account for 17% and 15% of hotel supply. In Zurich, local players dominate the market whereas in Brussels there is a better mix of local and international branded operators. Across Europe, Savills estimate that international branded supply accounts for 50% of existing serviced apartment stock.

Despite the impressive numbers, the sector is still relatively new in Europe. The UK, France and Germany lead the way, with other countries such as Belgium, Switzerland and Spain seeing demand and supply concentrated on their major cities.

As HVS' 2013 report Here to Stay explains, there are a number of aspects to consider. The immaturity of the serviced apartment sector "makes it difficult for developers...to find financing for projects and limits their ability to expand through franchises and management agreements.

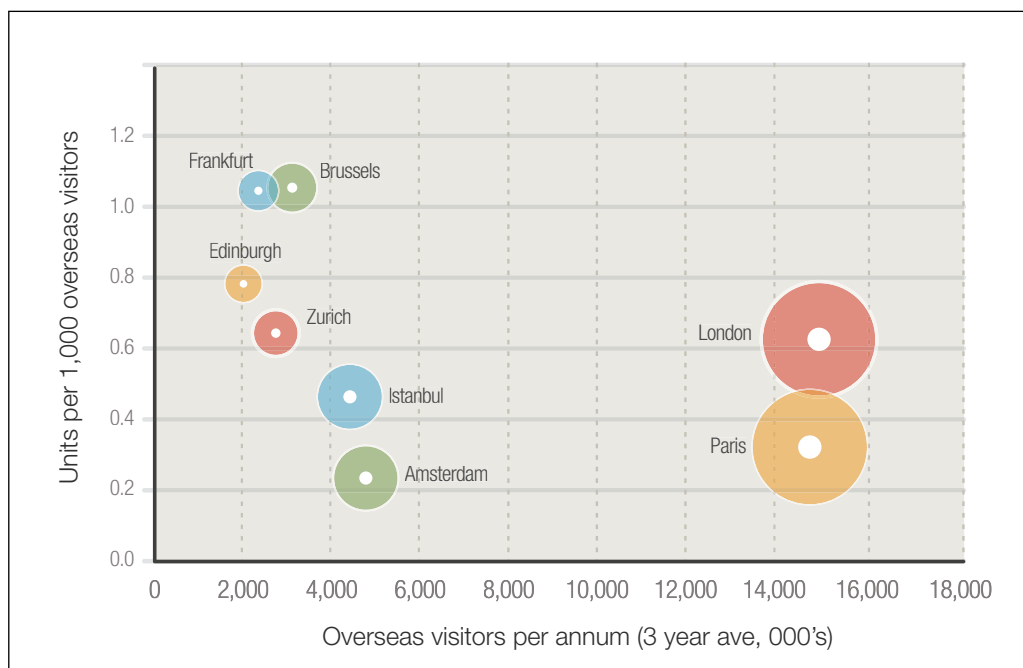
In order for them to launch their own brands, and expand at a faster pace, the operators would have to use their own funds to show the profitability of such an investment."

Distance has been a factor too. The core market for serviced apartments is assignment working but the travelling distances in Europe are much shorter, making it easier to commute. Greater mobility leads to shorter stays, and it is in this market that the European serviced apartments industry are increasingly focussed, compared to earlier expansion in Europe which was led by local operators taking on single units in traditional residential blocks.

As Savills' 2014 European Serviced Apartments report confirms, an increasing number of operators are basing their expansion strategies on key gateway cities, and specifically those with thriving financial and business services sectors.

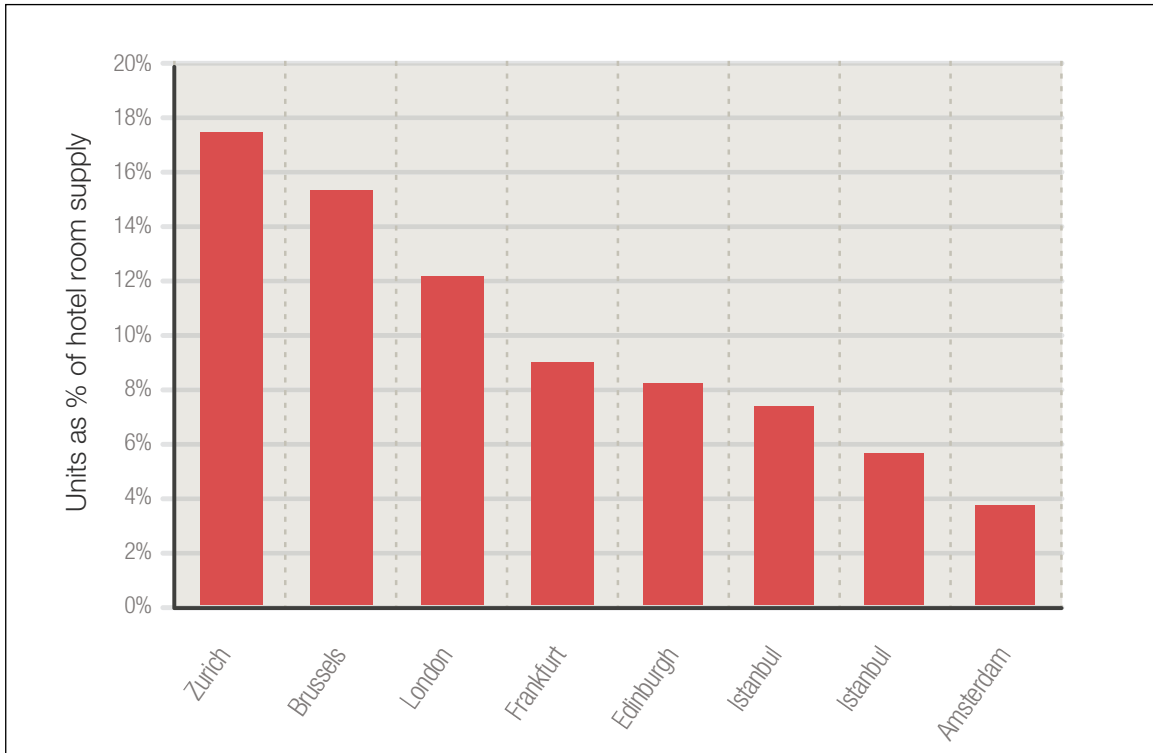
"The expansion of purpose built branded stock across Europe should help legitimise the sector for investors, in turn boosting transaction levels" Savills' report concludes.

Figure 26. Serviced apartment supply by European cities by visitors & relative to hotels



Source: Savills: National Statistics

Figure 27. Serviced apartment supply by European cities by visitors & relative to hotels



Source: Savills: National Statistics

Extended stay - Belgium

*The Belgian serviced apartments sector is centred on Brussels, home of the European parliament and NATO, as **Bernard Kerkhof** of BBF (serviced apartments) explains.*

In terms of serviced apartment adoption, here in Belgium we are seeing much the same trends as the rest of Europe. Project work and relocation are out two biggest source markets, although local relocation providers are losing clients to more global players, so we are seeing more churn in their clientele, but less new business.

Brussels attracts more ex-pat's and professional travellers than many other international hubs because all of the multi nationals are based there. Fortunately for us, new countries joining the EU bring new business to serviced apartment operators in Brussels.

Here serviced apartments score over hotels because of price and the attraction of apartments for long term stays. We get lots of visitors from Asia who prefer to do their own cooking and appreciate the privacy of apartments.

Although most of our properties have improved their occupancy levels over 2013, our first priority is still occupancy. On average our guests stay for 5 - 6 months, and their minimum stay will be three months because that is the rule here. Some of our competitors like Adagio have been affected by this.

The level of inventory is growing as new competitors from hotels entering the serviced apartment market and established operators expand as well.

We rent studios right up to three bedroom units, although there is a bigger demand for studio and one bed apartments locally. The ex-pats are not bringing their families as much as they used to.

5-6 MONTHS
AVERAGE STAY IN BELGIUM

Extended stay – France

The serviced apartments market in France is well-established, as evidenced by the number of branded operators, who make up roughly 50% of all supply. The sector is growing, albeit at a rate slightly below that of the UK and Germany, with 2013 occupancy at 75%

The hospitality giant Accor first noticed a need for an extended-stay hotel product in its home market 10 years ago, launching its Adagio Aparthotels brand in 2007 in a joint venture with Pierre et Vacances, and subsequently acquiring its biggest competitor Citea.

Today Adagio has as 100 properties under this and its suburban economy brand Adagio Access in eight European countries, the United Arab Emirates and Brazil. 79 of these properties are in France.

The maturity of the market is also highlighted by the existence of a dedicated classification system for serviced apartments in France – Residence de Tourisme – which categorises apartments between one and five stars.

To obtain a grading, apartment operators must meet criteria for both equipment and amenities. For example, kitchens or kitchenettes are mandatory, although others are optional.



Extended stay – Finland

*Serviced apartments are increasingly the accommodation choice for businesses in Finland, with the sector expanding locally and into neighbouring countries says **Juha Hämäläinen**, Area Manager for Forenom.*

At 5 – 10 years old the serviced apartment industry is pretty young in Finland in terms of international operators, although more local companies have been in the market for up to 20 years. Around a third of corporates use apartments for everyday business travel. Many companies still arrange serviced apartments themselves by renting an apartment and bringing some furniture in. They are looking for cost savings and personal space, although some trade unions in Finland are lobbying businesses to increase the space they provide to their employees, creating opposing pressures for the companies concerned.

In Finland, relocation business is actually decreasing due to temporary and permanent lay-offs. For us this sector is quite small although the potential is much bigger.

In 2013 our average occupancy was 85.6% and our average length of stay was 20 nights. In smaller cities where we have individual apartments the average length tends to be longer than in bigger cities where we have also aparthotels.

In 2015 we hope to increase ADR and RevPAR by developing our sales processes. Investments are gradually increasing in Finland but are concentrated regionally. Here the biggest industrial investments will take place in Porvoo, Riihimäki, Kouvola, Naantali, Tampere, Lappeenranta, Varkaus and Raahe.

20 NIGHTS AVERAGE STAY IN FINLAND

Extended stay – Germany

*Due to changes in the working environment and the increasing aim for individualisation the serviced apartment industry in Germany has constantly been growing in the past years, reports **Anett Gregorius**, founder and managing director of Boardinghouse Consulting.*

Nowadays, next to budget hotels serviced apartments are the second most invested sector of the hotel industry. At the moment around 430 apartment buildings (or Apartment Houses) with more than 15 units provide 22,500 serviced apartments all over Germany. The highest density of Apartment Houses can be found in Berlin, Munich and Frankfurt, but although the major cities remain the target market, secondary destinations are becoming more attractive to investors.

In contrast to the English speaking regions, the term Boardinghouse is synonymous with serviced apartments in the German language. Serviced apartments in Germany range from classic apartments, Aparthotels and Apartmenthotels to hotel concepts incorporating serviced apartments as well as hotel rooms and serviced apartment sharing the same building.

Unlike other countries the market in Germany is generally characterized by midsized Apartment Houses with a maximum of fifty units, with almost 75% of these run by private operators.

Lately chains such as Adagio Aparthotel, Adina Apartment Hotel and Citadines Apart'hotel have shown great interest in the German market and have rapidly increased their number of properties in the country. Today, Adina Apartmenthotels (five in three locations) and the Germany's Derag Livinghotels (eleven in six locations) are the biggest players.

With the entrance of international brands on the German market the standards for serviced apartments have been raised for private as well as chain operators, as those international companies have a fundamental know-how and long term experience in the segment.

In 2005 Boardinghouse Consulting and the TÜV Rheinland developed a certification system to make the variations in serviced apartment standards more transparent to guests. In 2014 the certification system was transferred to the Verband Deutsches Reisemanagement e.V. (VDR).

Serviced apartments can now be classified in the categories: economy, comfort, superior and excellent. Boardinghouse Consulting continues to act in an advisory capacity.

The supply of serviced apartments is dominated by studios, especially from international hotel brands whose apartments are similar in size to their hotel rooms. However there is great demand for larger apartment units too, which is not being met by the market.

During the recession many companies were forced to save money hence the amount and duration of business journeys were cut back. Due to those developments the demand for long term accommodations decreased. At this time more than half of the Apartment Houses rented out their units for less than three days and the proportion of long term guests dropped to 20%.

With the end of the recession the duration of stays has normalised and today more than 50% of the guests stay longer than a week, while business travellers are the biggest target group.

Although the German market is in good shape, occupancy rates have slightly decreased compared to last year. 60% of all Apartment Houses in Germany achieved occupancy rates of over 70% in 2013, so it can be assumed that large parts of the market operate sustainably.

The German market still has great growth potential in the long term segment. In 2013 business travellers have booked 27.36 million room nights for mid-term accommodations with more than 4 nights. The number of room nights of all existing Apartment Hotels can be estimated around 5.7 million, which partly explains the 29 new projects that are planned for next year.

International and German brands are extending their supply with a focus on cities, while privately operated houses plan to open also in secondary destinations. Beyond that, international brands such as Frasers and Staycity Aparthotels will enter the German market and establish new locations in major cities.



Extended stay – Holland

*Amsterdam has the most constrained supply of the eight European cities examined, with 0.2 units per 1,000 overseas visitors; something the Dutch authorities need to address says **Sicco Behrens** of Amsterdam Housing and ASAP in Holland.*

The authorities in Amsterdam need to realise they are lagging behind. They see Amsterdam as a financial centre but don't behave as such. Over the last few years minimum stay has been increased from five to seven nights to protect the hotels.

I believe we are five years behind other markets in this respect, although from a demand point of view, adoption of serviced apartments by corporates here in Holland is growing even faster. European companies are really starting to discover serviced apartment now, and we are getting more relocation stays than we used to.

We believe the market will grow even faster in the future due to better awareness, the realisation that serviced apartments provide value for money and also personal preference – especially in the leisure market where Amsterdam performs well. Although our economy wasn't hit as badly as those in southern Europe, we rely on in-bound traffic for our leisure business as there's very little usage of serviced apartments for domestic leisure travel.

Although our big inbound markets are all over Europe it's getting harder to target larger corporates because the branded operators are targeting them to increase their market share.

Smaller operators like us have to stay as close to corporates as we can. Legislation is working against us here too; the Dutch government is not giving out new licences in Amsterdam unless you go outside of town. They are worried over saturation of the hotel market so they want operators to look for secondary sites.

Extended stay – Spain

*Spain is recovering very slowly from the recession and the local serviced apartments market is in its infancy, as **Mariel Martinez Aragunde** from The Apartment Service's Madrid office explains.*

This is the main reason why many Spanish companies have stuck to their preferred agreements with hotels, although the situation is slowly changing as corporates realise there are other, more cost effective options – especially for longer stays of a week or more.

The last 12 months have been mixed for us. Our occupancy is well up but our average daily rate is down by 20%. We expect to have occupancy up to an average of 85% or more this year

We get a lot of repeat business in Spain because we work hard to win our clients' trust, and we benefit from positive word-of-mouth as a result. Existing clients visit us at least two or three times a year.

The average length of stay by those who do use serviced apartments varies from one month by relocation companies, and between two to six months from oil and gas companies.

In Spain, the differences in serviced apartments between Madrid and Barcelona are huge, although both cities are seeing more activity from international corporates. The product is regulated in Barcelona, but not in Madrid. Barcelona is also more tourism-orientated than Madrid and attracts a lot of European tourists who tend to use serviced apartments for their holidays.

Many in Spain still see serviced apartments as a luxury product, and the market is actually very price-sensitive. A lot of the serviced apartment properties here are locally-operated and have around 30 units or even less, relying on a small number of regular clients.

The barriers to our industry in Spain are a lack of education about the benefits of serviced apartments, and the low prices hotels are offering.

Extended stay - Switzerland

*Demand for serviced apartments is growing rapidly in Zurich, which is reflected in high occupancy levels, reports **Jose-Luis Hummel** of Visionapartments.*

Demand for long stay is very strong, not just for Zurich but over the border in Munich and Berlin too.

In 2014 we are expecting to achieve occupancy of 99% in our Swiss properties and 92 -95% in our German apartments. Ever since 2011, hotels here in Zurich have been adjusting their offer to long-term stays. Although, as the largest operator in Switzerland, we enjoy a degree of brand awareness that undoubtedly helps us, even smaller independent operators are seeing high occupancies too.

Our strength is the effort we put into the design of our apartments, as well as the fact that all of our units are fully equipped. This is not always the case in Switzerland.

Extended stay - United Kingdom

*The UK's serviced apartment sector has seen a flurry of investment activity over the last 18 months, as **George Sell** of Serviced Apartment News elaborates.*

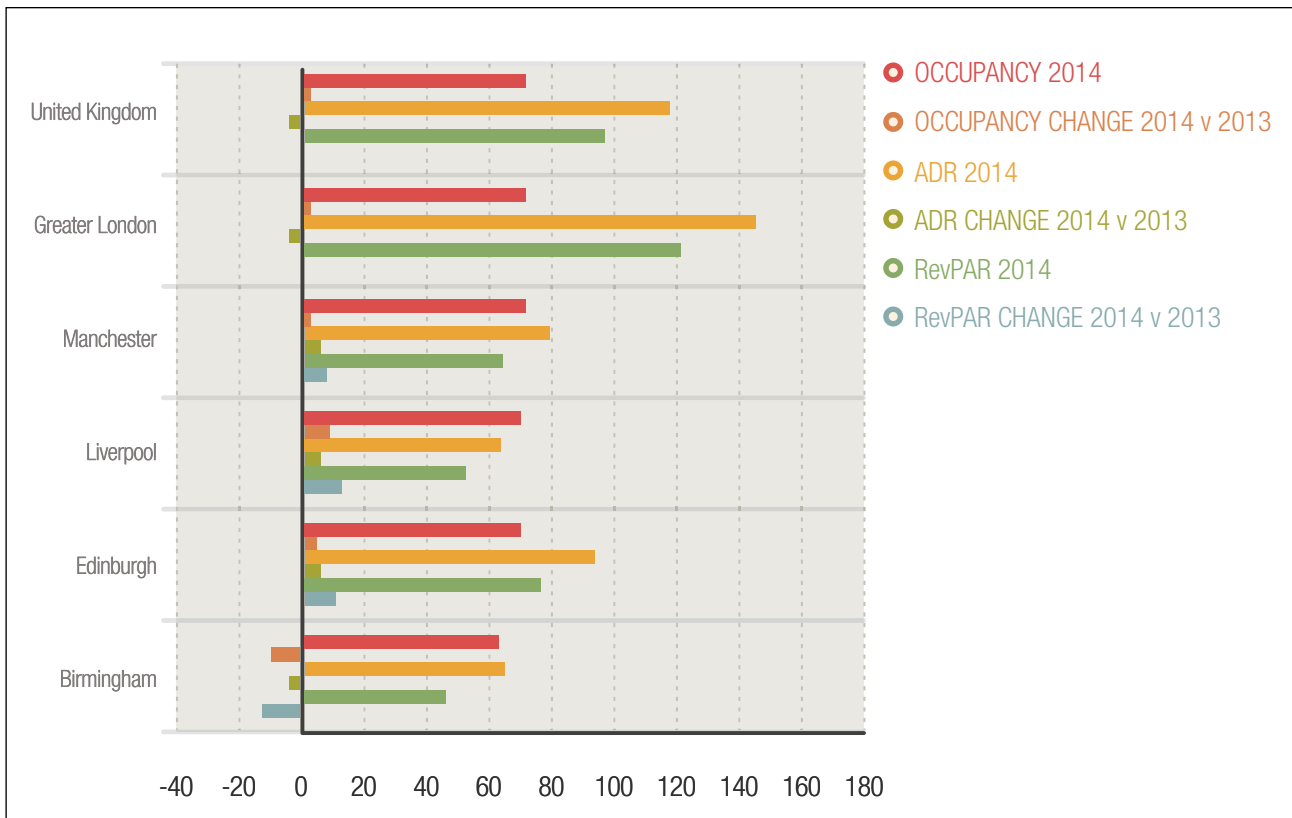
The serviced apartments industry is the focus of attention, and finance, from a range of sources including institutional investors, asset managers, commercial and residential developers, standalone serviced apartment operators and the major hotel chains.

The 2014 Serviced Apartment Summit in London saw a noticeable increase in investor interest, with the likes of Starwood Capital, Macquarie Bank, GIC Real Estate, M&G Real Estate and RBS in attendance.

The Summit also saw the signing of a charter of industry definitions by many leading operators - a step towards improving both investor and consumer understanding of the sector.



Figure 28. Serviced apartments performance - 2014 vs 2013



Source: STR Global

As Fig 28 shows, London is the UK’s top performing city for serviced apartment operators. London is also the sector’s investment hub and is likely to witness a busy couple of years with plenty of capacity in the market. Savills estimate that London has 1.6 serviced apartments per 1,000 business visitors compared with 5.7 for New York and 5.3 for Hong Kong.

Among the prime movers in the London market are US equity funds. Oaktree Capital has allocated a £300 million development and acquisition war chest to the newly established CL Serviced Apartments, while Patron Capital has already funded and sold serviced apartments in London and is looking for further opportunities.

The forthcoming £121 million InterContinental hotel in Greenwich, funded by Queensgate Investment Fund, will also include the 23-storey Peninsula Tower offering 100 serviced apartments.

Adagio Aparthotels, a JV between Accor and Pierre & Vacances, will open two properties in east London by 2018. A 217-apartment property will open on Whitechapel Road in 2016 following the conversion of an office building called Black Lion House.

The conversion of office buildings in to serviced apartments is likely to be a growing trend in London due to the lack of new-build opportunities and the strength of the residential sales market.

In 2018, Accor will open Adagio London Stratford, a 137-unit new-build development on the Olympic Park site. Both developments will see Accor partnering with Union Hanover and EquityBridge Asset Management.

Union Hanover has also acquired 100 apartments from house builder Barratt London at its Great West Quarter (GWQ) scheme in Brentford. The purchase will result in the first extended-stay hotel under Union Hanover’s Urban Villa brand opening in November 2014.

The apartments were acquired on a 999-year lease and are in the landmark 25-storey tower on the 12.5 acre GWQ mixed-use scheme, which includes 800 homes, retail, restaurants, offices and a Novotel Hotel.

Also active in the London market is Cheval Residences. The Qatari-owned company (check) trades at the luxury end of the market, and is developer, owner and operator of all its properties.

In the last year it has opened two London properties Cheval Three Quays, near Tower Bridge (155 units) and Harrington Court (50 units) in South Kensington.

Elsewhere in the UK, the lack of inventory is even starker. Although Edinburgh fares slightly better than London in boasting 1.7 apartments per 1,000 business visitors, Manchester has 0.9 and Birmingham 0.6.

However momentum is building. Aberdeen has seen a mini-boom in serviced apartment development to cater for workers in the oil and gas industry.

Adagio has announced the signing of a 146-apartment property in Edinburgh's Old Town. It is part of the £150 million New Waverley development, by Artisan Real Estate Investors. The Bloc Hotel in Birmingham's Jewellery Quarter is to be extended with 30 apart-hotel rooms aimed at business travellers.



Market perspective



The city has a mature, if under-supplied, serviced apartments sector. Apartments currently account for 12% of all hotel rooms with international branded operators accounting for 30% of serviced apartment inventory; 70% of stock is internationally operated by the likes of Ascott, Frasers, Staybridge Suites and BridgeStreet.

But some, like **George Westwell**, Director of Cheval Residences, believe that London is yet to wake up to the true potential of the serviced apartment sector.

London is massively underrepresented with serviced apartments compared to other parts of the world. I predict that 2015 is the year that corporates and investors finally wake up to the opportunity for the UK's capital city.

There are more than 725,000 serviced apartments in more than 9,500 locations around the world, but London is still massively under represented. Things are changing. But they are changing slowly.

ASAP is predicting 10% growth in London for serviced apartments this year and Savills is predicting 50% growth over the next two years in Europe. In 2012 London alone saw 11 new serviced apartment businesses and 798 new apartments. In 2014 Cheval Residences opened the new build luxury Cheval Three Quays next to the Tower of London. We also acquired, renovated and opened Cheval Harrington Court in South Kensington. This is still not enough.

UK HR professionals, relocation experts and business travellers and local planning authorities are not all aware of the incredible value and benefits offered by serviced apartments.

We have undertaken comparisons with similar quality five-star hotels. Accommodation of 64square meters at our luxury properties Cheval Three Quays or Cheval Phoenix House in London would cost £271 excluding VAT for the night. That is £3.53 per square metre.

If you booked into a comparable five star hotel at say, Grosvenor House a 44 square metre room would cost you £449 per night, or £10.21 per square metre. Two thirds the size and three times the cost.

Supply

Our research has highlighted 105,818 serviced apartments in 1,723 locations in Europe compared to 57,856 serviced apartments in 593 locations in 2013/14. This represents substantial rises of 82% in units and three-fold in terms of locations served.

Based on our estimates of the world's total supply of serviced apartments, the region accounts for 14% of the global serviced apartments market in 2013/14. This represents 17.3% of the world's serviced apartment locations.

The major operators in the region are as follows:

Rates

As Fig 30 shows, average rental rates across Europe are buoyant and range between EUR 10 for a studio apartment in Lisbon to EUR 195 for the equivalent in London (both on stays of up to one week).

Figure 29. Leading serviced apartment operators in Europe

		Locations	Apartments
Maeva	Pierre & Vacances	177	13,193
Adagio / Adagio Access	Accor	88	10,175
Pierre & Vacances	Pierre & Vacances Group	80	9,059
ResidHome + Sejours et Affaires - France	Reside Etudes Group	65	5,233
Park & Suites		55	4,937
Citadines	The Ascott Limited.	43	4,962
Suite Novotel	Accor	28	3,447
Derag Apartmenthotels		16	2,812
ResidHotel - France		33	2,437
ATA Hotels - Italy		8	1,601
	Sub-total	593	57,856
	Total for the region:	1,723	105,818

Source: The Apartment Service



Figure 30. City rates analysis - Europe

	STUDIO						ONE BEDROOM						TWO BEDROOM								
	2012/13 rate		2014/15 rate		YoY variance		2012/13 rate		2014/15 rate		YoY variance		2012/13 rate		2014/15 rate		YoY variance				
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro		
EUROPE																					
Amsterdam (EUR)																					
1-6 nights (nightly rate)	EUR 125	EUR 135	USD 173	EUR 173	8%	EUR 185	EUR 200	USD 257	EUR 200	8%	EUR 235	EUR 235	USD 302	EUR 235	USD 302					0%	
7 nights + (weekly rate)	EUR 820	EUR 844	USD 1,085	EUR 1,085	3%	EUR 1,200	EUR 1,250	USD 1,606	EUR 1,250	4%	EUR 1,600	EUR 1,575	USD 2,024	EUR 1,575	USD 2,024					-2%	
One month + (monthly rate)	EUR 3,250	EUR 3,352	USD 4,273	EUR 4,273	3%	EUR 4,680	EUR 4,720	USD 6,064	EUR 4,720	1%	EUR 5,500	EUR 5,300	USD 6,810	EUR 5,300	USD 6,810					-4%	
3 month + (monthly rate)	EUR 3,050	EUR 3,094	USD 3,976	EUR 3,976	1%	EUR 4,250	EUR 4,400	USD 5,653	EUR 4,400	4%	EUR 5,150	EUR 5,150	USD 6,617	EUR 5,150	USD 6,617					0%	
Brussels (EUR)																					
1-6 nights (nightly rate)	EUR 100	EUR 120	USD 154	EUR 154	20%	EUR 160	EUR 185	USD 238	EUR 185	16%	EUR 200	EUR 225	USD 289	EUR 225	USD 289					13%	
7 nights + (weekly rate)	EUR 695	EUR 735	USD 944	EUR 944	6%	EUR 1,008	EUR 1,100	USD 1,413	EUR 1,100	9%	EUR 1,310	EUR 1,385	USD 1,779	EUR 1,385	USD 1,779					6%	
One month + (monthly rate)	EUR 3,000	EUR 3,175	USD 4,080	EUR 4,080	6%	EUR 3,950	EUR 4,150	USD 5,332	EUR 4,150	5%	EUR 5,450	EUR 5,575	USD 7,163	EUR 5,575	USD 7,163					2%	
3 month + (monthly rate)	EUR 2,875	EUR 2,980	USD 3,829	EUR 3,829	4%	EUR 3,875	EUR 3,995	USD 5,133	EUR 3,995	3%	EUR 5,275	EUR 5,380	USD 6,912	EUR 5,380	USD 6,912					2%	
Frankfurt (EUR)																					
1-6 nights (nightly rate)	EUR 108	EUR 135	USD 172	EUR 172	25%	EUR 165	EUR 207	USD 266	EUR 207	25%	EUR 210	EUR 260	USD 330	EUR 260	USD 330					24%	
7 nights + (weekly rate)	EUR 695	EUR 847	USD 1,088	EUR 1,088	22%	EUR 1,050	EUR 1,121	USD 1,440	EUR 1,121	7%	EUR 1,275	EUR 1,500	USD 1,927	EUR 1,500	USD 1,927					18%	
One month + (monthly rate)	EUR 2,750	EUR 3,518	USD 4,520	EUR 4,520	28%	EUR 4,150	EUR 4,225	USD 5,428	EUR 4,225	2%	EUR 5,375	EUR 5,525	USD 7,099	EUR 5,525	USD 7,099					3%	
3 month + (monthly rate)	EUR 2,550	EUR 3,157	USD 4,056	EUR 4,056	24%	EUR 3,775	EUR 3,900	USD 5,011	EUR 3,900	3%	EUR 4,900	EUR 5,275	USD 6,778	EUR 5,275	USD 6,778					8%	
Lisbon (EUR)																					
1-6 nights (nightly rate)	EUR 100	EUR 110	USD 140	EUR 140	10%	EUR 145	EUR 150	USD 193	EUR 150	3%	EUR 220	EUR 220	USD 283	EUR 220	USD 283					0%	
7 nights + (weekly rate)	EUR 590	EUR 650	USD 826	EUR 826	10%	EUR 875	EUR 953	USD 1,224	EUR 953	9%	EUR 1,150	EUR 1,175	USD 1,510	EUR 1,175	USD 1,510					2%	
One month + (monthly rate)	EUR 2,300	EUR 2,620	USD 3,331	EUR 3,331	14%	EUR 3,400	EUR 3,650	USD 4,689	EUR 3,650	7%	EUR 4,400	EUR 4,625	USD 5,943	EUR 4,625	USD 5,943					5%	
3 month + (monthly rate)	EUR 2,000	EUR 2,300	USD 2,925	EUR 2,925	15%	EUR 3,200	EUR 3,420	USD 4,394	EUR 3,420	7%	EUR 4,200	EUR 4,430	USD 5,692	EUR 4,430	USD 5,692					5%	
London (GBP)																					
1-6 nights (nightly rate)	GBP 175	GBP 195	USD 320	EUR 249	11%	GBP 275	GBP 280	USD 459	EUR 357	2%	GBP 345	GBP 345	USD 566	GBP 345	USD 566					0%	
7 nights + (weekly rate)	GBP 1,225	GBP 1,240	USD 2,034	EUR 1,583	1%	GBP 1,700	GBP 1,850	USD 3,035	EUR 2,362	9%	GBP 2,200	GBP 2,300	USD 3,773	GBP 2,300	EUR 2,937					5%	
One month + (monthly rate)	GBP 3,975	GBP 4,250	USD 5,972	EUR 5,426	7%	GBP 5,975	GBP 5,975	USD 9,802	EUR 7,629	0%	GBP 7,800	GBP 7,830	USD 12,846	GBP 7,830	EUR 9,997					0%	
3 month + (monthly rate)	GBP 3,750	GBP 4,000	USD 6,562	EUR 5,107	7%	GBP 5,500	GBP 5,430	USD 8,908	EUR 6,933	-1%	GBP 7,250	GBP 7,437	USD 12,201	GBP 7,437	EUR 9,495					3%	

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Figure 30. City rates analysis - Europe

	STUDIO				ONE BEDROOM				TWO BEDROOM						
	2012/13 rate	2014/15 rate			2012/13 rate	2014/15 rate			2012/13 rate	2014/15 rate			YoY variance		
EUROPE	Local currency	Local currency	US\$	Euro	% variance	Local currency	Local currency	US\$	Euro	% variance	Local currency	Local currency	US\$	Euro	YoY variance
Madrid (EUR)															
1-6 nights (nightly rate)	EUR 95	EUR 115	USD 146		21%	EUR 165	EUR 195	USD 251		18%	EUR 200	EUR 210	USD 270		5%
7 nights + (weekly rate)	EUR 610	EUR 675	USD 867		11%	EUR 1,040	EUR 1,200	USD 1,542		15%	EUR 1,200	EUR 1,375	USD 1,766		15%
One month + (monthly rate)	EUR 2,115	EUR 2,225	USD 2,859		5%	EUR 3,350	EUR 3,400	USD 4,369		1%	EUR 4,350	EUR 4,350	USD 5,588		0%
3 month + (monthly rate)	EUR 2,000	EUR 2,000	USD 2,570		0%	EUR 3,200	EUR 3,200	USD 4,112		0%	EUR 4,100	EUR 4,100	USD 5,267		0%
Moscow (RUB)															
1-6 nights (nightly rate)	RUB 6,205	RUB 6,000	USD 156	EUR 122	-3%	RUB 7,100	RUB 6,305	USD 164	EUR 128	-11%	RUB 9,000	RUB 8,800	USD 229	EUR 179	-2%
7 nights + (weekly rate)	RUB 34,800	RUB 32,500	USD 847	EUR 660	-7%	RUB 33,700	RUB 33,000	USD 860	EUR 670	-2%	RUB 47,000	RUB 48,200	USD 1,256	EUR 978	3%
One month + (monthly rate)	RUB 118,300	RUB 117,250	USD 3,056	EUR 2,379	-1%	RUB 118,200	RUB 119,000	USD 3,102	EUR 2,415	1%	RUB 168,300	RUB 170,000	USD 4,432	EUR 3,450	1%
3 month + (monthly rate)	RUB 114,200	RUB 115,000	USD 2,998	EUR 2,334	1%	RUB 113,250	RUB 115,000	USD 2,998	EUR 2,334	2%	RUB 164,000	RUB 165,500	USD 4,314	EUR 3,358	1%
Paris (EUR)															
1-6 nights (nightly rate)	EUR 160	EUR 175	USD 225		9%	EUR 240	EUR 256	USD 329		7%	EUR 375	EUR 415	USD 527		11%
7 nights + (weekly rate)	EUR 950	EUR 1,000	USD 1,285		5%	EUR 1,500	EUR 1,625	USD 2,087		8%	EUR 2,550	EUR 2,550	USD 3,275		0%
One month + (monthly rate)	EUR 3,750	EUR 3,592	USD 4,615		-4%	EUR 5,800	EUR 5,859	USD 7,526		1%	EUR 10,000	EUR 9,500	USD 12,203		-5%
3 month + (monthly rate)	EUR 3,500	EUR 3,383	USD 4,346		-3%	EUR 5,200	EUR 5,565	USD 7,148		7%	EUR 9,300	EUR 8,300	USD 10,661		-11%

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Regional Report Middle East

Introduction



In the Gulf Cooperation Council (GCC) region, international travel has increased at a compound annual growth rate of 3% between 2011 and 2013. It is further forecasted to surge by 6% per annum between 2014

*and 2017. This growth is mainly attributed to a large pipeline of infrastructural developments, as **Filippo Sonna** of Colliers International reports.*

Development of industrial cities (Knowledge Economic City, King Abdul Aziz Economic City, etc.) in Saudi Arabia, along with infrastructural projects and the relocation of international company headquarters in Qatar and UAE have all led to rising expatriate work related stay. As a result, serviced apartments have been growing in appeal.

Household size is also an influential factor in GCC guests' preference towards serviced apartment as they often travel in large family groups during vacations.

Additionally, increasing rents and high property prices are another reason for expatriates to choose serviced apartments over residential accommodation.

GCC Serviced Apartment Market

The serviced apartment markets in the Kingdom of Saudi Arabia (KSA), Bahrain, Kuwait and Oman are still immature, with little consistency in product or amenities due to the conversion of residential buildings into serviced apartments, a majority of unbranded supply and vague or unenforced classification criteria.

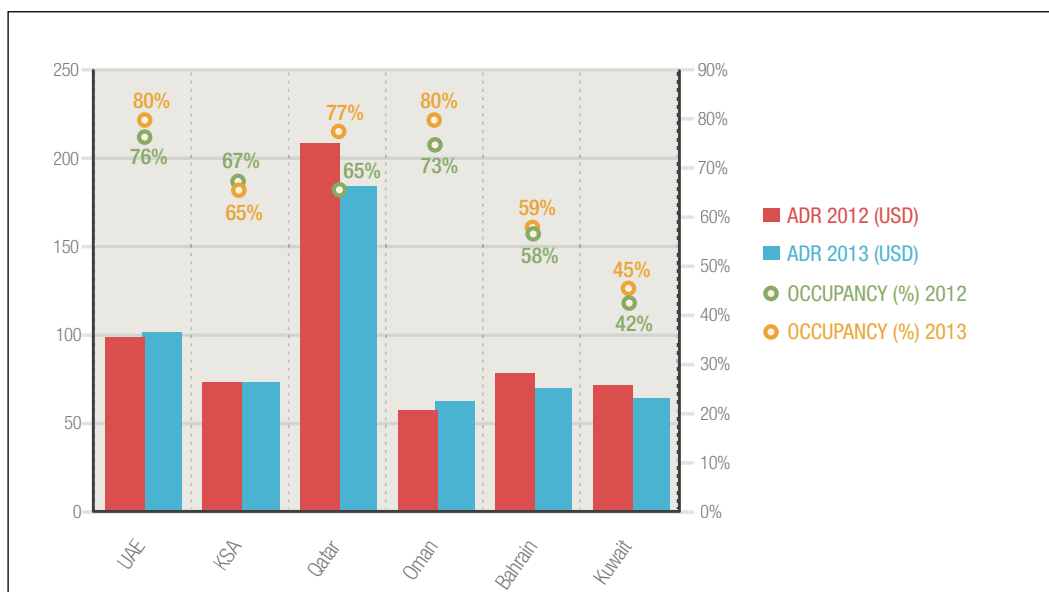
Nonetheless KSA is making advances in the field by conducting more thorough classification audits, with a move to enhance the availability of quality properties.

As Fig 31 shows, Qatar has witnessed intense demand growth in recent years, with occupancy levels surging year-on-year by 18%. Meanwhile, the average rate decreased by 12% in 2013 with RevPAR up by 4% from 2012.

Occupancy levels in the UAE saw positive growth in 2013, with year-on-year increases of 6% in Dubai, 5% in the capital Abu Dhabi, and 3% in neighboring Sharjah. This positive trend of increasing occupancy is expected to continue in Qatar and UAE since YTD June 2014 occupancy levels in Doha, Abu Dhabi and Sharjah have increased by over 13%, 11% and 6% respectively.

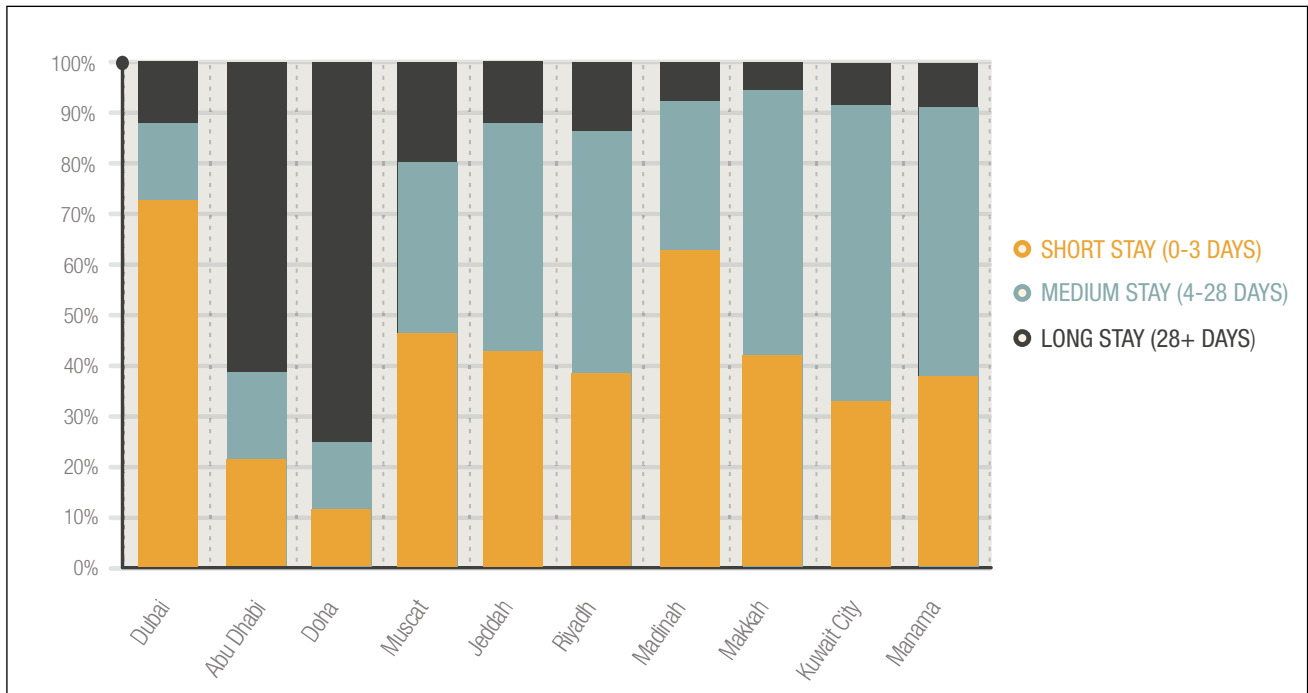
Meanwhile, KSA experienced low market wide ADR (year-on-year decrease of 1.3% in 2013) due to extensive low quality and unbranded supply in the primary cities of Jeddah, Riyadh, Khobar, Dammam, Makkah and Madinah.

Figure 31. GCC Serviced Apartment Market Performance Indicators 2012 - 2013



Source: DTCM, ADTCA, SCTDA, RAKTDA, FTAA, SCTA, KCSB, STR Global, Colliers International, 2014

Figure 32. GCC serviced apartment length of stay analysis



Source: Colliers International

Demand Trends

In order to maximize revenue, serviced apartments in the UAE mostly target short stay guests. Dubai has the highest demand at 7.2 million room nights in 2013, followed by Abu Dhabi at 1.7 million room nights.

The Saudi Commission for Tourism & Antiquities Authority (SCTA) has estimated that approximately 83% of overall serviced apartment demand in KSA stems from domestic tourism.

Supply

The largest concentration of UAE serviced apartment supply is in Dubai which currently accounts for 67% of the total supply with 36,373 keys.

In comparison to other GCC countries, the UAE is expecting the highest volume of serviced apartment supply (8,731 keys) by 2018. Major anticipated openings between 2015 and 2017 include Adagio Al Barsha, Radisson Blu Residence Marina Dock, Marriott Executive Apartments City Walk, Fraser Suites Al Jadaf and The Address Fountain Views in Dubai.

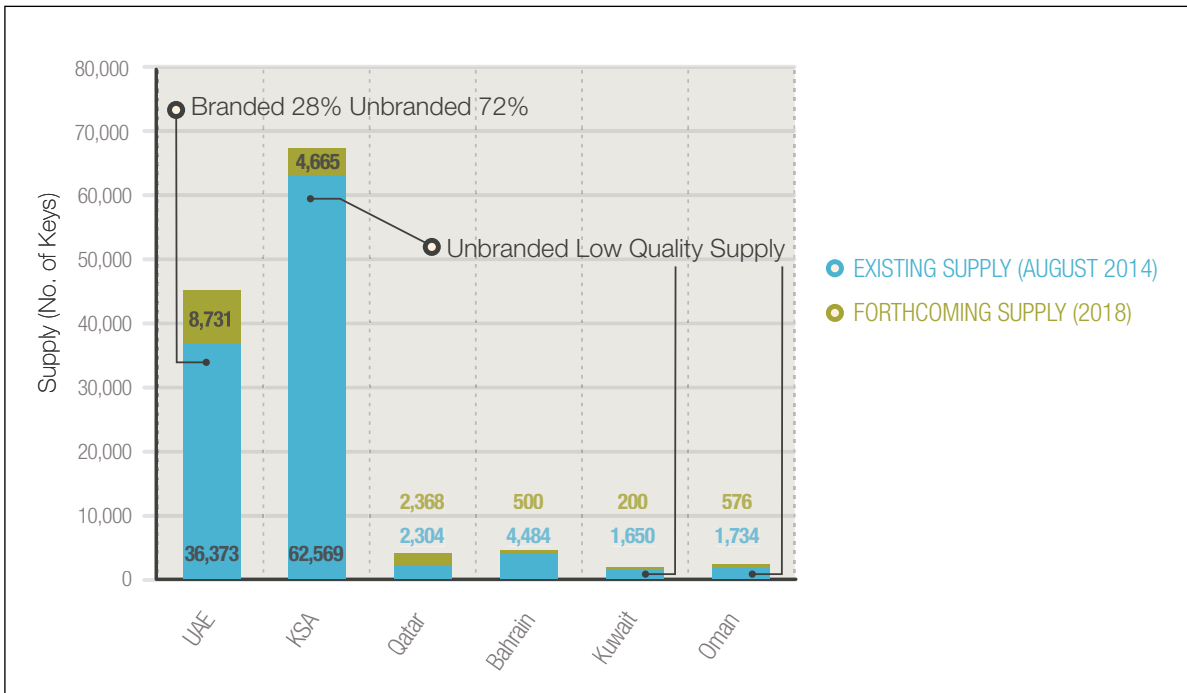
A gap exists in the market for internationally branded extended stay supply in KSA. Our 2013 Colliers International report estimated that 10,000 additional serviced apartment units are needed to

fulfil projected demand in Saudi Arabia, the UAE and Qatar.

Within the Saudi Commission for Tourism & Antiquities (SCTA) classification criteria only First Class Furnished Apartments are in line with the international concept of a serviced apartment. Additionally key cities such as Jeddah, Makkah and Madinah do not have any First Class properties.

In regard to forthcoming supply, The Ascott Limited is slated to open its first two properties under its Ascott The residence brand, and a Citadines Apart'hotel property in Jeddah by 2015. The introduction of new internationally branded concepts is expected by 2017, with names such as Adagio, Fraser Suites and Residence Inn in major KSA cities.

Figure 33. Existing and Forthcoming GCC Serviced Apartment Supply



Source: DTCM, ADTCA, SCTDA, RAKTDA, FTAA, SCTA, KCSB, STR Global, Colliers International, 2014

The GCC serviced apartment industry has started to accept the importance of brands owing to inflow of corporate guests. In recent times, the rise in international and business travel of GCC families globally have accustomed them to quality brands.

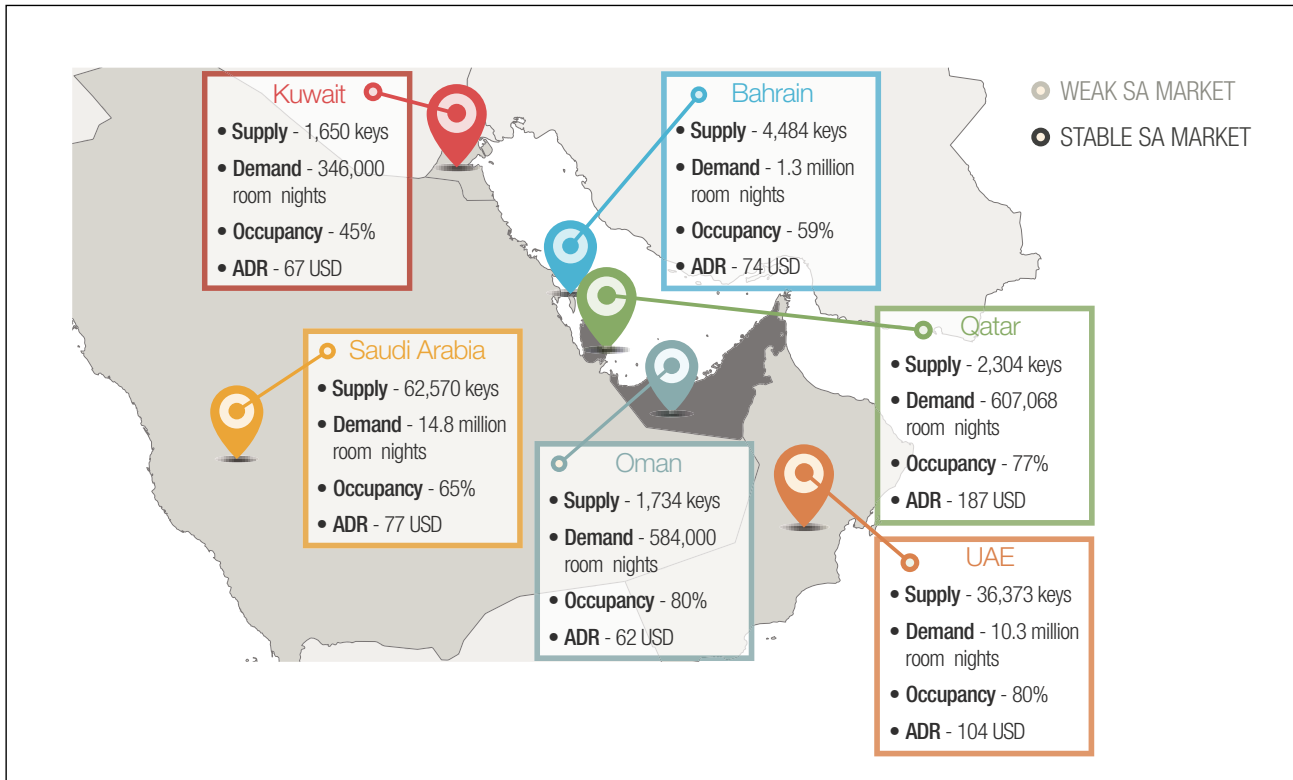
InterContinental Hotels Group (IHG) has signed a 20-year management agreement with local conglomerate Al-Khorayef & Sons Co. for a 189-key Staybridge Suites hotel in Alkhobar. The property will be the first Staybridge Suites property in Alkhobar and the third to be announced in Saudi Arabia, joining two in Jeddah.

Local owner/operator DAMAC is investing heavily in serviced apartments and has launched Constella, the first fully certified Sharia-compliant serviced hotel apartments in Dubai. As well as developing, DAMAC has two serviced apartment management companies.

Dubai developer Deyaar has also launched its first serviced apartment scheme, The Atria. It will feature 219 residential units and 360 serviced apartments, scheduled for completion in the first half of 2017.



Figure 34. GCC supply and demand summary



Source: DTCM, ADTCA, SCTDA, RAKTDA, FTAA, SCTA, BMOC, OMT, QTA, KCSB, 2014

Market perspective

*In autumn 2014, the old idiom “out of the frying pan into the fire” certainly springs to mind when looking the region’s serviced apartments market, says **Martin Kubler**.*

Others might say “Plus ça change, plus c’est la même chose”, because just as the strains of the global financial crisis of recent years and the effects of the Arab Spring of 2011 appeared to ease up, regional unrest brought new problems for serviced apartment operators in many Middle Eastern countries.

While traditional safe havens, such as the United Arab Emirates and Qatar, are performing very well, many emerging destinations like Erbil (Kurdistan) or Khartoum (Sudan) – previously favourites of operators trying to escape the crowded and highly competitive UAE market – are fast falling out of favour.

In the first half of 2014, serviced apartments in Dubai saw a 4.1% increase in visitors and an increased length of stay to 5.7 days.

Source: www.hospitalitybusinessme.com.

Unlike in previous years, Dubai and the other Emirates no longer significantly benefit from the ongoing unrest in Syria, Lebanon, or Egypt. Initially, serviced apartments proved a popular ‘temporary’ housing alternative for people escaping crisis hit regions and willing to wait things out in Dubai or Abu Dhabi, but as matters have dragged on, many have now made more permanent arrangements by buying apartments or villas.

At the same time, rent increases in Dubai and Abu Dhabi have driven many expats who previously traded up to serviced apartments, back into the residential letting market. Other factors potentially affecting serviced apartments operators in the United Arab Emirates are the maturing of the country’s timeshare market and the upcoming regulation of holiday lettings in Dubai.

The latter is bound to lead to a rise in short- and medium-term “holiday” lettings in Dubai and also potentially legalizes previous grey-areas like Airbnb and other private lettings. Service apartment operators are bound by zoning

regulations, i.e. certain areas in Dubai do not allow the opening of serviced apartments properties, yet no such limitations appear to exist for holiday lets.

Given the maturity of the serviced apartments sector in Dubai and Abu Dhabi, it is perhaps not surprising that Saudi Arabia now leads the regional development pipeline, followed by the UAE, and Qatar (source: hoteliermiddleeast.com). All three countries, however, share a trend, which emerged two to three years ago already: Branded, often internationally flagged, properties now increasingly compete with the many smaller, independent operators.

Hilton is aiming to bring an 861 room hotel and service residences property and a residence-only property to Riyadh in 2015. The Ascott Limited, and Frasier Hospitality, Marriot International, and Hospitality Management Holdings are also looking to open in the country's capital.

Secondary locations in Saudi Arabia, like Dammam and Jizan, are also increasingly being targeted by international players.

In Qatar, development continues to centre on Doha, with Golden Tulip, Dusit International, and Accor all bringing serviced apartment concepts to the market.

In a spin on the traditional serviced apartment concept, Rotana is bringing its new "The Residences by Rotana" brand to Doha.

The planned Sedra Residences by Rotana will offer guests furnished and unfurnished apartments, with services like housekeeping or maintenance available on request and at an extra charge. Geared towards longer stays, the brand is well positioned to compete with traditional residential developments and smaller, unbranded serviced residences operators.

The trend towards international brands is demonstrated best by Accor's introduction of Adagio aparthotels brand in Dubai, Abu Dhabi, Fujairah, and also in Saudi Arabia. Often part of mixed-use or shared-complex developments, Adagio properties in the UAE also manage to circumvent the country's traditional ban on the service of alcoholic beverages in serviced apartment properties. Dubai's first Adagio, for example, is connected to a Novotel, with the latter supplying most of the complex's F&B.

This move potentially opens up the serviced apartments market to short and medium term leisure business outside its traditional confines of targeting Arab travellers, who place less importance on alcohol being available in a property.

Even Oman, previously flying somewhat under the radar of branded serviced apartment operators, is now being targeted by international players and Millennium & Copthorne is scheduled to open a Millennium Executive Apartments property in Muscat later in 2014.

Other countries in the region, like Jordan, Kuwait, and Bahrain, are still very much the domain of smaller, often unbranded operators.

Looking ahead, countries like Iran, Iraq, and Sudan, still offer ample development opportunities, provided the current political situation stabilises. In this case operators with an existing presence in these countries will obviously be well placed to take advantage of improving market conditions.

At the same time, we're likely to see a shift towards secondary or even tertiary locations in established markets like Dubai or Abu Dhabi, where development costs for properties in prime locations are now out of reach of many developers.

SKAI Holdings, the Dubai-based real estate investment company, for example, is bringing condo-hotel and residences properties to the city's Jumeirah Village Circle neighbourhood, which currently features mainly residential developments.

It is difficult to say where the sector will be in two years from now as much depends on when the current unrests in many countries in the region will settle down. Political and economic developments in countries bordering the region (e.g. Iran, Iraq, and India) are also worth keeping an eye on as these countries are traditionally strong feeder markets for many Middle East destinations both for business and leisure purposes.

Supply

Our research has highlighted 55,732 serviced apartments in 380 locations in the Middle East compared to 23,858 serviced apartments in 105 locations in 2013/14. This represents a rise of 133% and 260% respectively.

Based on our estimates of the world's total supply of serviced apartments, the region accounts for 7.3% of the global serviced apartments market in 3.8% of the world's serviced apartment locations.

The major operators in the region are as follows:

Rates

Average rental rates have increased steadily over the last two years, with growth ranging from 5 - 20% depending on apartment size and location. For example, a studio apartment costs EUR 106 per night in Abu Dhabi for stays of up to one week compared to EUR 131 in Dubai and EUR 146 in Doha.

Figure 35. Leading serviced apartment operators in the Middle East

		Locations	Apartments
Damac Properties		37	7,817
Arjaan Hotel Apartments by Rotana	Rotana Hotels	28	5,818
Yassat Gloria Hotel Apartments + Gloria Hotel	Gloria Hotels	1	3,053
Khalidia Hotel Apartments	Khalidia Hotels	5	2,338
Ramee Hotel Apartments (Dubai, Abu Dhabi, Manama)	Ramee Hotels & Resorts	12	1,000
Mövenpick Hotels& Resorts		3	903
Auris Hotel Apartments - Dubai		3	874
TIME Hotel Apartments - Dubai / Abu Dhabi / Egypt	TIME Hotels & Apartments	6	752
Marriott Executive Apartments	Marriott	5	680
Fraser Suites	Frasers Hospitality	5	623
	Sub-total	105	23,858
	Total for the region:	380	55,732

Source: *The Apartment Service*



Figure 36. City rates analysis - Middle East

	STUDIO						ONE BEDROOM						TWO BEDROOM									
	2012/13 rate		2014/15 rate		YoY variance		2012/13 rate		2014/15 rate		YoY variance		2012/13 rate		2014/15 rate		YoY variance					
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%		
MIDDLE EAST																						
Abu Dhabi (AED)																						
1-6 nights (nightly rate)	AED 475	AED 500	USD 136	EUR 106	5%	AED 700	AED 800	USD 218	EUR 170	14%	AED 975	AED 1,125	USD 306	EUR 238	15%							
7 nights + (weekly rate)	AED 2,750	AED 3,000	USD 817	EUR 636	9%	AED 4,000	AED 4,100	USD 1,116	EUR 869	3%	AED 5,500	AED 6,100	USD 1,661	EUR 1,293	11%							
One month + (monthly rate)	AED 10,300	AED 10,800	USD 2,940	EUR 2,289	5%	AED 16,500	AED 16,575	USD 4,513	EUR 3,513	0%	AED 23,000	AED 25,800	USD 7,024	EUR 5,468	12%							
3 month + (monthly rate)	AED 9,400	AED 9,600	USD 2,614	EUR 2,035	2%	AED 15,800	AED 15,817	USD 4,306	EUR 3,352	0%	AED 20,000	AED 23,200	USD 6,316	EUR 4,917	16%							
Dubai (AED)																						
1-6 nights (nightly rate)	AED 598	AED 620	USD 169	EUR 131	4%	AED 785	AED 853	USD 232	EUR 181	9%	AED 1,029	AED 1,075	USD 293	EUR 228	4%							
7 nights + (weekly rate)	AED 3,100	AED 3,650	USD 994	EUR 774	18%	AED 4,300	AED 4,750	USD 1,293	EUR 1,007	10%	AED 6,000	AED 6,400	USD 1,742	EUR 1,356	7%							
One month + (monthly rate)	AED 10,700	AED 12,800	USD 3,485	EUR 2,713	20%	AED 18,000	AED 21,250	USD 5,786	EUR 4,504	18%	AED 25,000	AED 27,500	USD 7,487	EUR 5,828	10%							
3 month + (monthly rate)	AED 10,200	AED 11,300	USD 3,077	EUR 2,395	11%	AED 17,400	AED 20,000	USD 5,445	EUR 4,239	15%	AED 23,400	AED 25,000	USD 6,807	EUR 5,298	7%							
Doha (QAR)																						
1-6 nights (nightly rate)	QAR 616	QAR 685	USD 188	EUR 146	11%	QAR 875	QAR 930	USD 255	EUR 199	6%	QAR 1,200	QAR 1,250	USD 343	EUR 267	4%							
7 nights + (weekly rate)	QAR 3,900	QAR 4,000	USD 1,098	EUR 855	3%	QAR 5,700	QAR 5,900	USD 1,620	EUR 1,261	4%	QAR 7,800	QAR 8,000	USD 2,197	EUR 1,710	3%							
One month + (monthly rate)	QAR 15,500	QAR 16,467	USD 4,522	EUR 3,520	6%	QAR 23,500	QAR 24,816	USD 6,815	EUR 5,304	6%	QAR 30,000	QAR 32,156	USD 8,830	EUR 6,873	7%							
3 month + (monthly rate)	QAR 13,000	QAR 15,000	USD 4,119	EUR 3,206	15%	QAR 21,000	QAR 23,900	USD 6,563	EUR 5,109	14%	QAR 26,400	QAR 29,500	USD 8,101	EUR 6,306	12%							

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Regional Report USA & Canada

Introduction

The US Bureau of Economic Analysis estimates that North America's hospitality industry was worth \$728 billion in 2013, employing more than 5.7 million people.

Since 2003, international traveller numbers to the United States have fallen just once (in 2009), and in 2013 the figure topped 70 million. By 2018 this is expected to reach 80 million.

According to the U.S. Department of Commerce, foreign visitors account for 20% of all spending on lodging (i.e. accommodation), 20% of food and beverages, and 27% of passenger air transportation. The two biggest source markets are Canada and Mexico, which account for more than half of all arrivals. A quarter came from the European Union in 2012.

There's a similar picture north of the border, where the Canadian tourism and lodging industries are focussing on the new opportunities a changing world throws up.

Extended stay - North America



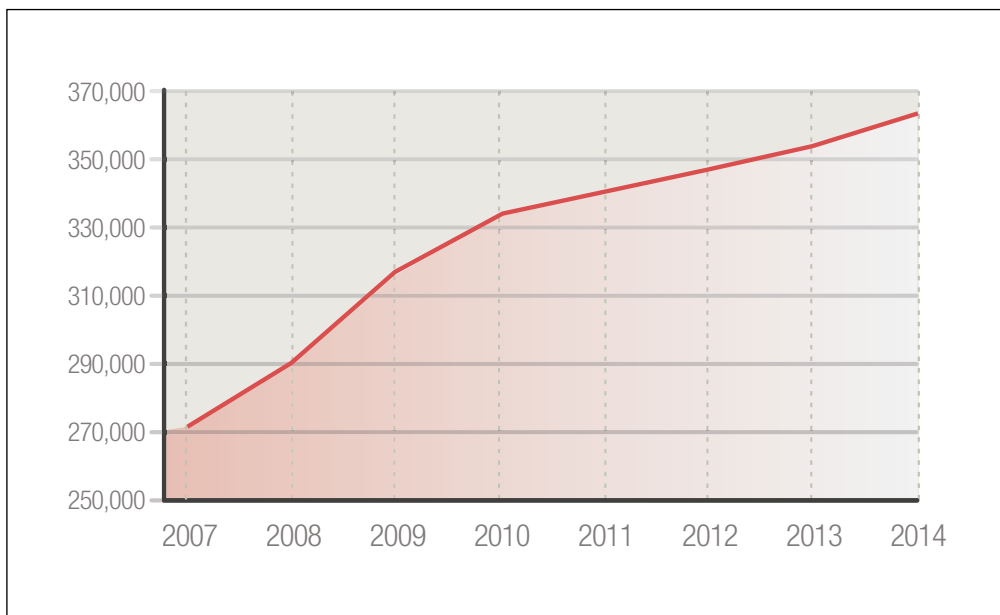
*With the number of corporate housing units and extended-stay hotel rooms approaching 430,000, North America is the world's largest region for extended-stay lodging product, writes **Mark Skinner** of the Highland Group.*

Although the supply of units is less than 8% of total lodging supply, annual room revenues exceeded \$10.6 billion in 2013.

Despite an almost threefold increase in the number of extended-stay hotel rooms under construction since 2011, actual supply growth has been stubbornly slow to accelerate and is well below growth in demand in 2014. This has given extended-stay hotels the opportunity to drive RevPAR growth, mainly by increasing rates but occupancy is also growing and setting new records.

Extended-stay rooms under construction hit a low of 6,000 in 2011. By the end of 2013 it had risen to just under 17,000 rooms and as of mid-year 2014 it had climbed above 20,000. However, the annual average increase in supply from 2010 through 2013 was only just over 2% and it has accelerated only marginally since then.

Figure 37. US extended stay supply growth



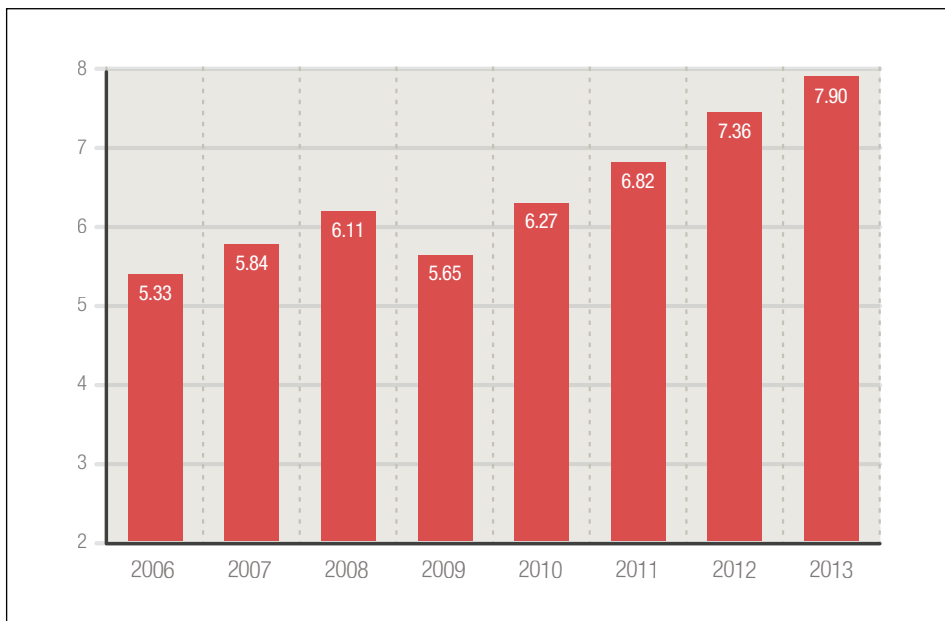
Source: The Highland Group

Extended-stay demand increased 2.4% in 2013 compared to 2012 and pushed annual occupancy up to 75% which was its highest level since 2005. Extended-stay ADR rose 4.8% in 2013 and reached \$80.94, still shy of its nominal record of \$81.39 achieved in 2008. Economy and mid-price extended-stay segments led the increase in ADR with 5.5% and 6.1% annual growth respectively. Upscale extended-stay hotels have seen the largest uptick in the supply growth rate. The segment reported a 3.4% gain in ADR in 2013 compared to 2012.



As Fig 38 shows, extended-stay hotel room revenues rose to \$7.9 billion in 2013, an increase of 7.3% compared to the prior year.

Figure 38. US extended stay hotel annual room revenues \$ billions



Source: The Highland Group



Annual room revenues were 40% higher in 2013 compared to the recent low in 2009. The rate of increase in room revenue moderated steadily from 2010 through 2013 as hotels enter the mature phase of the business cycle. The same was true with RevPAR which increased 5.2% to a new nominal high of \$60.66 in 2013.

However the trend of slowing incremental performance growth is being reversed as extended-stay hotels made a very strong start to 2014. Through mid-year annual supply growth has increased only incrementally to 2.5%, while demand for the year-to-date is up 5% and growth was faster in the second quarter compared to the first. Second quarter average occupancy was 80.3%. Both second quarter and mid-year (76.9%) occupancy are at their highest respective levels for at least 12 years.

The response to very good fundamentals has been strong increases in ADR especially by economy and mid-price extended-stay segments which have the smallest rate of supply growth. Both segments increased ADR by more than 7% in the second quarter of 2014 compared to the same period in 2013.

The corresponding gain in overall extended-stay ADR was 5.6%. Recent quarterly gains in RevPAR have been exceptional. The mid-price segment led the way with second quarter RevPAR growth the strongest ever reported at 10.8%. The only time the economy segment (9%) posted stronger rates of increase in RevPAR was during the 2005-6 period which was greatly influenced by Hurricane Katrina.

Extended-stay hotel RevPAR should continue to increase well above the rate of inflation through at least the remainder of 2014 because the looming increase in the pace of supply growth is not a concern until 2015 at the earliest.

Rooms reported under construction are at their highest level in six years and extended-stay hotel companies forecast they will add 127,000 rooms, or 35% to current supply, through 2018. Historical trends do not support supply growth that strong but it appears increasingly likely that 2016 and 2017 will be the current cycle's peak years for extended-stay hotel room construction.



Corporate Housing – North America

Because the great majority of US serviced apartments are leased, inventory can usually be adjusted quickly in response to changes in demand. This has helped keep US corporate housing occupancy high and mitigated rate discounts during economic contractions.

Despite increasing demand for lodging overall, the supply of corporate housing units fell more than 11% between 2011 and 2013. The main reason for this was that low residential apartment vacancy created very favourable conditions for landlords in many markets. Consultancy firm Marcus & Millichap forecast apartment vacancies will now increasing with new apartment construction increasing significantly and obtaining units to sub-lease is becoming easier.

As a result, for the past few years it has been difficult for corporate housing providers to secure inventory at acceptable rental terms, even though there was a large increase in new apartment construction in 2013 compared to 2012, demand growth exceeded the change in supply.

Corporate housing providers have the flexibility to adjust inventory or add/drop units to respond to client demand. Unit inventory usually increases during expansionary periods such as 2002 through 2007, when inventory grew by more than 40 percent.

In summary, at a time when extended-stay hotels were setting new records in accommodated demand, corporate housing accommodated revenues fell because of a decline in the supply of units to rent.

With an overall 3.6% decline in units in the US, the number of corporate housing units fell in most metropolitan statistical areas (MSAs). The largest percentage declines occurred in smaller markets because they have a relatively small number of units. Probably due to the strengthening residential apartment market, 2013 saw more large markets with big declines in units including Phoenix (-43%), Miami (-31%), Washington DC (-20%) and Baltimore (-18%). Cutbacks in government travel also impacted Washington DC and Baltimore.

Figure 39. Estimated US corporate housing unit supply



Source: The Highland Group NB: Survey methodology different after 2001. Data not available for 2003 and 2004

Larger MSAs experiencing increases in units in 2013 compared to 2012 included San Mateo-San Jose (55%), Detroit (41%) and St. Louis (19%). San Mateo-San Jose illustrates the relationship between residential apartment, hotel and corporate housing sectors. San Francisco's urban sub-markets - City-Marin County and East Bay - have some of the fastest rising rents and hotel rates in the country. Despite increasing underlying demand in 2013, both of these areas reported large declines in corporate apartment units.

Conversely, in San Mateo-San Jose the residential apartment and hotel markets were not as strong. Corporate housing inventory was relatively easy to find and the supply of units rose 55% compared to 2012. Similarly, several new apartment buildings opened in downtown Seattle in 2013, resulting in the supply of corporate housing units increasing 10% over 2012.

Overall occupancy in the US corporate housing industry decreased from 88.6% in 2012 to 88.1% in 2013. Over the last seven years occupancy has varied little from a low of 88.1% to a high of 89.7%. Corporate housing, hotels and especially upscale extended-stay hotels are closely related and all posted similar ADR increases. According to STR, hotels reported an overall 3.9% increase in ADR in 2013 compared to 2012. Respective gains for corporate housing and upscale extended-stay hotels were 3.9% and 3.4%. ADR for corporate housing was \$136.53 in 2013.

Individual markets, or MSAs, reported a wide range of ADR growth. From 55 MSAs surveyed seven reported declines and 15 recorded double ADR gains. MSAs and sub-markets reporting the strongest gains, including San Francisco East Bay (35%), Boston Suburbs (25%), Miami (18%) and Austin (15%), were also high rate growth markets for extended-stay hotels.

Statistics are not yet available on the US corporate housing market for the year-to-date in 2014 but it does appear to be a strong year. Nationally corporate housing rents appear to be rising 4% to 6%, which is generally in line with hotels, but some markets especially on the west coast are experiencing double digit increases.





Corporate Housing - Canada

Research on the Canadian market is newer than on the US market. While the participation rate from Canadian corporate housing providers continues to increase each year, it is still relatively low compared to the US market.

Canadian corporate housing occupancy and ADR both declined in 2013 compared to 2012. However, from our research, the number of Canadian corporate housing units increased 11% compared to 2012 and is up more than 80% compared to 2009. Based on 7,642 units reporting, the Canadian corporate housing industry is estimated to generate room revenues of \$277 million annually. However, we believe the Canadian industry is significantly larger than annual revenues currently indicate.

Canadian research in the corporate housing/ executive suite industry is evolving. The data reported on the Canadian market has only six years of history compared to fifteen years in the US. The supply of units in Canada was estimated at 7,642 in 2013 but corporate housing providers in Canada expect unit supply to decline 2% in 2014 compared to 2013.

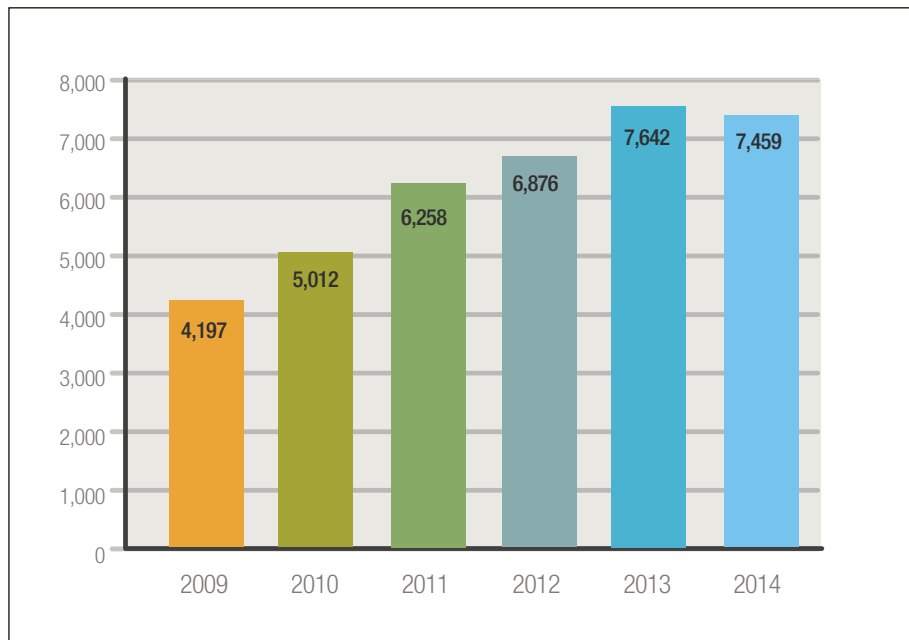
Canadian occupancy decreased 4.5% to 81.7% in 2013. This was a considerable decline to a level more consistent with the 2009 - 2011 period. Canadian corporate housing ADR was \$121.55 in 2013, a decline of 5.9% compared to 2012. Big falls in ADR in both Calgary and in downtown Toronto coupled with shifts in unit distribution by area caused the overall decline. ADR in Canadian "other areas" was up significantly in 2013 and small gains in rate were made in the Toronto suburbs and in Vancouver.



**BASED ON
7,642 UNITS
REVENUE IS
\$277 MILLION
IN CANADA**



Figure 40. Estimated Canadian corporate housing unit supply



Source: The Highland Group

Market perspective – Silicon Valley

Chris Barnett of Amber Lodging looks back to 1999 in Silicon Valley, when two Stanford students, Larry Page and Sergei Brin, launched the search engine Google.

Back then there was extreme optimism in the Valley, which was described as being in a bubble. But what were the historical rental rates for apartments and how do they compare to current rates? And, has history taught us the best strategies to minimize continuous rate increases and lack of availability?

According to RealFacts of Novato, Santa Clara County rental rates had risen to USD \$1,318 and San Francisco rates were at USD \$1,861 in 1999. Much of the growth back then was directly linked to the expansion of high-tech and internet companies (or as some may remember the dot-com boom).

Fast forward 15 years and RealFacts reports that the 2014 average rent in Santa Clara County is USD \$2,321 and in San Francisco rates are USD \$3,057. This time, the growth is greater than dreams of dot-com success, and is based on more conservative business plans.

WOW, with rate increases at 76% in Santa Clara County, how can companies hedge further increases? The solution may seem old-school, but as in life, all things in history will repeat itself. Today we find that many companies are rethinking their process of booking apartments based on short term 30-day needs. AMBER Lodging Co. is currently assisting clients secure stable, long term rates, by booking blocks of units for 6-12 month timeframes. It may be considered old-school; however moving from a per transaction basis has allowed AMBER Lodging Co. to gauge booking volumes and to secure proper inventory levels which are priced as volume bookings versus single transaction pricing.

To illustrate, let us consider your corporate apartment usage as a stock. If you know that every thirty days you are going to buy more stock, and the stock price will increase each month, would you buy as much as possible now - or wait until the price goes up?

Having dedicated apartments for your company will enable finance managers to budget housing costs for the year, while ensuring availability.

Corporate Housing companies will manage the move-in and move-out process/communication to guest and coordinate all necessary cleanings. If there is downtime, corporate housing providers will also help to backfill, crediting the original company who paid for the unit.

Clearly, we can affirm with confidence that rental rates will continue to increase, based on solid business growth plans of Silicon Valley companies. The current model of pay-as-you-go for corporate housing is driving up the overall cost and creating a shortage of units during peak periods. Consulting with your corporate housing company and forecasting the projected usage, will allow corporate housing companies to advise on securing blocks of units to ensure the best price and guaranteed availability.

Supply

Our research has highlighted 446,059 serviced apartments in 6,046 locations in North America and Canada compared to 327,370 serviced apartments in 4,596 locations in 2013/14. This represents a rise of 36.2% and 31.5% respectively.

Based on our estimates of the world's total supply of serviced apartments, the region accounts for 59% of the global serviced apartments market in 60.6% of the world's serviced apartment locations.

The major operators in the region are shown in figure 41.

Rates

A studio apartment in Toronto cost EUR 107 in 2014, compared to EUR 116 in Boston and EUR 174 in New York for a similar-sized product. Although both Toronto and New York have both experienced double-digit growth over 2013 levels.

Figure 41. Leading serviced apartment operators in the USA & Canada

		Locations	Apartments
Residence Inn	Marriott	654	79,746
Extended Stay America	Extended Stay Hotels	649	72,800
Homewood Suites	Hilton	351	39,161
Candlewood Suites	Intercontinental Hotel Group (IHG)	312	29,778
Towne Place Suites	Marriott	231	23,109
Value Place		181	21,587
Oakwood	Oakwood Corp Housing (est)	1,840	20,963
Staybridge Suites	IHG	192	20,745
Hawthorn Suites	Wyndham Worldwide	106	10,681
Studio 6	G6 Hospitality	80	8,800
	Sub-total	4,596	327,370
	Total for the region:	6,046	446,059

Source: The Apartment Service



446,059
SERVICED APARTMENTS
IN 6,046 LOCATIONS IN
NORTH AMERICA AND CANADA

Figure 42. City rates analysis - USA & Canada

	STUDIO				ONE BEDROOM				TWO BEDROOM					
	2012/13 rate		2014/15 rate		2012/13 rate		2014/15 rate		2012/13 rate		2014/15 rate		YoY variance	
	Local currency		Local currency	Euro	Local currency	Euro	Local currency	Euro	Local currency	Euro	Local currency	US\$	Euro	%
USA/CANADA														
Boston (USD)														
1-6 nights (nightly rate)	USD 140	USD 150	EUR 116	7%	USD 150	EUR 128	USD 175	EUR 151	USD 195	EUR 151	USD 195	EUR 151	11%	
7 nights + (weekly rate)	USD 875	USD 900	EUR 698	3%	USD 950	EUR 791	USD 1,130	EUR 931	USD 1,200	EUR 931	USD 1,200	EUR 931	6%	
One month + (monthly rate)	USD 3,300	USD 3,400	EUR 2,637	3%	USD 3,500	EUR 2,854	USD 4,300	EUR 3,538	USD 4,560	EUR 3,538	USD 4,560	EUR 3,538	6%	
3 month + (monthly rate)	USD 3,100	USD 3,150	EUR 2,443	2%	USD 3,300	EUR 2,652	USD 4,000	EUR 3,321	USD 4,280	EUR 3,321	USD 4,280	EUR 3,321	7%	
New York (USD)														
1-6 nights (nightly rate)	USD 200	USD 225	EUR 174	13%	USD 265	EUR 242	USD 325	EUR 291	USD 375	EUR 291	USD 375	EUR 291	15%	
7 nights + (weekly rate)	USD 1,350	USD 1,420	EUR 1,101	5%	USD 1,775	EUR 1,623	USD 2,500	EUR 2,207	USD 2,845	EUR 2,207	USD 2,845	EUR 2,207	14%	
One month + (monthly rate)	USD 3,400	USD 3,800	EUR 2,947	12%	USD 4,600	EUR 3,859	USD 4,800	EUR 4,035	USD 5,200	EUR 4,035	USD 5,200	EUR 4,035	8%	
3 month + (monthly rate)	USD 3,100	USD 3,600	EUR 2,792	16%	USD 3,900	EUR 3,432	USD 4,650	EUR 3,802	USD 4,900	EUR 3,802	USD 4,900	EUR 3,802	5%	
Toronto (CAD)														
1-6 nights (nightly rate)	CAD 125	CAD 151	EUR 107	21%	CAD 145	EUR 123	CAD 176	EUR 148	CAD 210	EUR 148	CAD 210	EUR 148	19%	
7 nights + (weekly rate)	CAD 700	CAD 800	EUR 565	14%	CAD 845	EUR 670	CAD 1,050	EUR 864	CAD 1,225	EUR 864	CAD 1,225	EUR 864	17%	
One month + (monthly rate)	CAD 2,600	CAD 2,900	EUR 2,047	12%	CAD 3,000	EUR 2,572	CAD 3,650	EUR 2,840	CAD 4,025	EUR 2,840	CAD 4,025	EUR 2,840	10%	
3 month + (monthly rate)	CAD 2,350	CAD 2,500	EUR 1,764	6%	CAD 2,675	EUR 2,223	CAD 3,400	EUR 2,696	CAD 3,820	EUR 2,696	CAD 3,820	EUR 2,696	12%	

Disclaimer: 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 23 September 2014. Source: The Apartment Service

Report Conclusion

by Mark Harris, Travel Intelligence Network



The serviced apartment sector has finally reached its tipping point.

As this year's GSAIR shows, supply across the world is exploding. The interest of the investment community has been successfully activated, evidenced by the number (and value) of deals struck over the last 18 months to develop new serviced apartment schemes in primary and even secondary business locations.

The penny has finally dropped for many corporates too, although there is still a long way to go before the serviced apartment attains the same level of understanding in the public consciousness as hotels. However there's plenty of evidence that corporates now perceive apartments as the best fit for extended stays.

In fact, you could argue that the growth of the sector is propelled principally by the assignment relocation needs of an increasingly mobile global workforce. The value – both in financial and quality of life – that serviced apartments offer fulfils corporates' duty of care obligations perfectly.

But serviced apartments are no longer the exclusive preserve of the business traveller. The millennial generation is now mainstream, bringing with it a thirst for travel and new travel experiences, not seen in earlier generations. This generation demands to be able to search and book accommodation online and on the move. The traditional forms of engagement are no longer enough to keep extended stay businesses sustainable.

Many industry commentators feel that the degree to which operators meet the needs of this new, leisure-focussed customer. Not just in terms of in-room connectivity but in every aspect of the guest experience, from initial search to the stay itself.

As in any rapidly-maturing market, the future is branded. Brands help to manage customer expectations by bringing a re-assuring level of familiarisation. In the serviced apartment sector, hotel chains well-versed in building brands are now expanding their extended stay offerings whilst others who focus their products purely on extended stay, seek to build brands that educate their target audiences about the benefits of serviced apartments whilst presenting unique points of difference, either through amenities, guest services or other forms of added value.

The tipping point may have been reached but missionary work continues. As Jo Layton points out in this report, the next task is to persuade corporate HR and procurement teams to consolidate their travel and assignment demand into global mobility programmes. If this can be achieved, the rewards for the sector will be worth it.

Global Apartment Listings

by Bard Vos, The Apartment Service



Several of the world's regions have seen a significant increase in supply over the last two years, both in terms of units and locations served. Below is a summary of the key players by brand and operator. A breakdown by region is shown at the end of each regional report. I started the research into the Global Serviced Apartment totals in 2008 for the first edition of the GSAIR. Over the years I have enjoyed building up relationships with our global contributors, be it from a global chain, or individual apartment operators. I look forward to continue connecting with new and existing suppliers in the coming period to keep track of the growth of our exciting industry.

Company	Brands	Locations	Apartments
Accor	Adagio + Adagio Access	96	11,100
	Mercure Australia	58	6,049
	The Sebel	16	1,644
	Suite Novotel (EMEA)	31	3,854
	Total	201	22,647
The Ascott Ltd	Ascott The Residence	28	5,576
	Citadines	74	9,979
	Somerset	55	9,778
	Other Serviced Residences	61	5,186
	Total	218	30,519
Extended Stay Hotels	Crossland	34	4,400
	Extended Stay America	649	72,800
	Extended Stay Canada	3	388
	Total	686	77,588
Frasers Hospitality	Fraser Residence	13	1,563
	Fraser Suites	24	4,279
	Fraser Place	12	2,034
	Modena Residence	5	981
	Capri	6	1,218
	Total	60	10,075
Intercontinental Hotel Group (IHG)	Candlewood Suites	312	29,778
	Staybridge Suites	200	21,954
	Total	512	51,732
Marriott	Marriott Executive Apartments	25	3,530
	Residence Inn	660	80,347
	Towne Place Suites	231	23,109
	Protea Hotels	29	2,320
	Total	945	109,306
Pierre et Vacances	Pierre & Vacances	80	9,059
	Maeva	177	13,193
	Total	257	22,252
Total branded supply		2,879	324,119

Top 15 global suppliers

			Locations	Apartments
1	Marriott (Worldwide)		945	109,306
2	Extended Stay Hotels (USA)		686	77,588
3	Intercontinental Hotel Group (Worldwide)		512	51,732
4	Homewood Suites and Home 2 Suites	Hilton Worldwide	390	43,321
5	The Ascott Ltd (Worldwide)		218	30,519
6	Oakwood Corp Housing (estimated)		1,895	25,350
8	Accor Hotels (Worldwide)		201	22,647
7	Pierre & Vacances (Europe)		257	22,252
9	Value Place (USA)		181	21,587
10	Mantra Group		113	11,622
11	Choice Hotels (USA)		106	10,681
13	Frasers Hospitality (Worldwide)		60	10,075
12	Hawthorn Suites		92	10,000
14	Quest Serviced Apartments (Asia Pacific)		148	8,251
15	Sun Suites (USA)		56	7,560
		Total	5,860	462,491

Corporate housing

US	61,215
Canada	7,459
Total	68,584

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