THE APARTMENT SERVICE WORLDWIDE

GSAIR – The Global Serviced Apartments Industry Report 2018-2019

in association with

QUEST APARTMENT HOTELS

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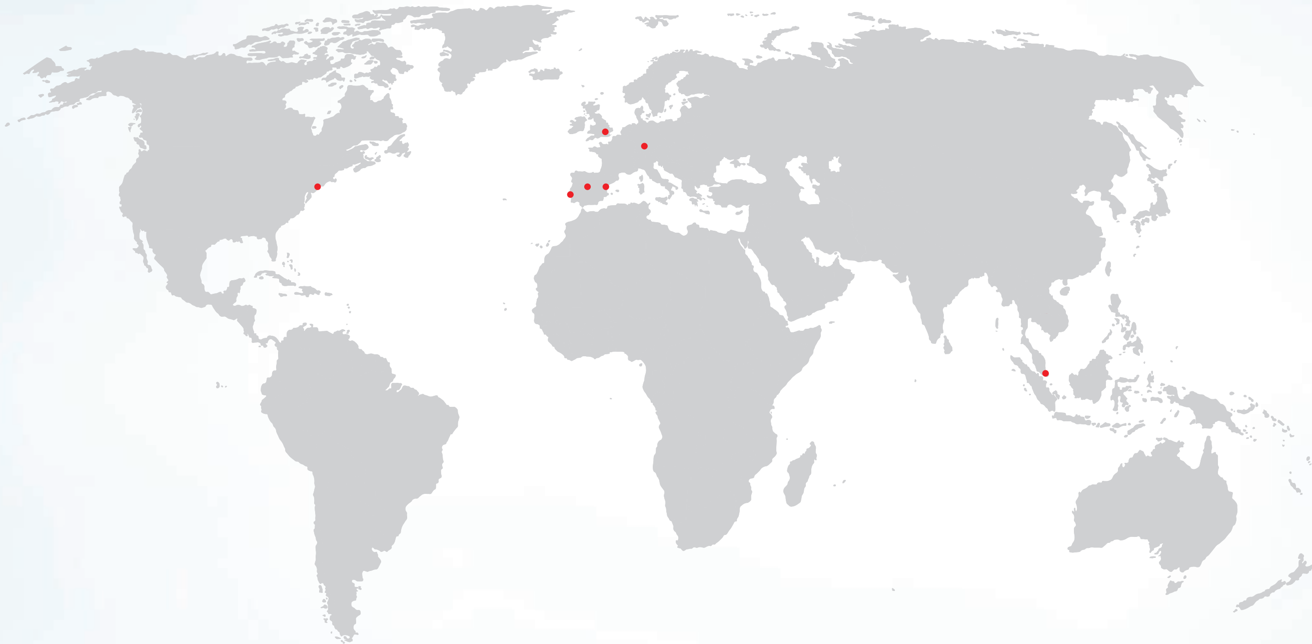
a TIN report

TAS GLOBAL

One agency, 7 global offices



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1,096,547 serviced apartments in over 160 countries

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The Global Serviced Apartments
Industry Report 2018/19

Global Serviced Apartments Industry Report 2018/19
In association with AKA, Frasers Hospitality, Quest Apartment Hotels
7th edition

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Contents

Report methodology

The 2018/19 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.

Once again, over 40 industry buyers, suppliers, consultants and trade association representatives were interviewed for this edition of the report by our team of writers.

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 at The Apartment Service.

The survey for this edition of the report was carried out during November & December 2017 amongst 6,000 corporates, 2,000 serviced apartment operators and 1,800 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.

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 Head of Marketing at ITM, he was voted the business travel industry's Personality of the Year in 2006. TIN's output has included the Global Serviced Apartments Industry Report, Meetings Industry Report, 40+ white papers, several client magazines, The Serviced Apartment Awards and The People Awards. Mark writes regularly for trade magazines and moderates 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 37 year success. With a background in property development and construction, Charles is a long standing member of several industry bodies, a founder member of the UK's Association of Serviced Apartment Providers (ASAP) also winner of the Serviced Apartment News 2017 Industry Inspiration and lifetime achievement award. 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 the time and written for all six editions of the Global Serviced Apartments Industry Report, including maintaining the Global Serviced Apartment listing and Rate Overviews in key cities.

Acknowledgements

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John Wagner, *Cycas Hospitality*
George Westwell, *Cheval*
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Glossary of terms

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

ADR Average Daily Rate
CAGR Compound Annual Growth Rate
FMCG Fast Moving Consumer Goods
GDS Global Distribution Systems (e.g. Amadeus, Galileo, Sabre)
GRI Global Reporting Initiative
GSAIR Global Serviced Apartments Industry Report
HSR Hotel Supply Ratio (i.e. number of hotel rooms per '000 population)
MNC Multi-National Company
OBT Online booking tool
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
WTTC World Travel & Tourism Council

1981 | 1983 | 1991 | 1992 - 1998 | 1999 | 2001

The Apartment Service continues to evolve.

In late 2017, The Apartment Service introduced TAS Global to the sector, representing the global agency and joining the already strong TAS family of brands. (The TAS Alliance, GSAIR (Global Serviced Apartment Industry Report), CAS Solutions and Roomspace Serviced Apartments).

TAS Global successfully builds programmes for corporates, global mobility, project teams, relocation companies and TMCs, providing analysed smart data, market dynamic pricing, cost control, HSSE (health, safety, security and environmental) compliance supported by a dedicated global guest services team. The global supply team continues to develop a robust, managed and secure supply chain with excellent commercial terms.

Major and continued investment in the most tailored and bespoke systems that provide 100% transparency, raw data and traveller tracking that can be uploaded in a range of secure formats has ensured a consistently high level of satisfaction for procurement, travel managers, bookers and travellers alike.

Looking back...

In 1981, The Apartment Service began as a specialist department within Expotel, a major corporate UK hotel booking agency, sourcing and managing serviced apartment accommodation for companies and their extended stay travel and relocation assignments needs.

In the early 1990s, The Apartment Service became an independent agency owned and managed by Charlie McCrow, and it quickly grew into a world-wide network of 36 major agents and rebranding as The Apartment Service Worldwide Network.

Network partners met annually and co-operated in sourcing, inspecting and negotiating with local accommodation providers on behalf of the whole network whilst also marketing outbound accommodation services to both agencies and corporates in their regions. The principal means of communication at this time was the fax, or by telephone when time zones allowed.

By the turn of the millennium, the distribution scene had changed significantly due to the arrival of the World Wide Web and once internet speeds had picked up to a reasonable level, restructuring took place.

Simultaneously, the serviced apartment sector also grew hugely as the need for longer stay accommodation expanded due to commercial globalisation and also as the world's major cities transformed into multi-cultural communities. Travellers that were previously confined to a hotel room for more than a week soon recognised the advantages of serviced apartments and they still are great supporters of more space at a lower cost.

Spotting a lack of options for longer stays in locations with strong demand led The Apartment Service to launch the brand of 'Executive Room-space', a corporate housing brand now recognised as 'Roomspace Serviced Apartments', followed by 'CAS Solutions' (Complete Accommodation Solutions) which utilised established partnerships with destination service providers to manage long term rentals.

New offices were opened in 2006 in Iberia to develop the LATAM markets and to expand the 'Roomspace' brand.

Today...

The Apartment Service continues to invest in bringing into the business the most respected, motivated, inspired, experienced and focused senior global management team leaders.

These team members, led by Jo Layton, Managing Director Group Commercial Sales, are committed to growing, developing and driving the business forward through sustainable processes, account-ability and responsible business ethics all the while ensuring this is achieved with a fun, can-do attitude.

2003 2008 2010 2012 2013 2015 2018

In February 2014, The Apartment Service launched The TAS Alliance to the industry. Investment in growth continues to be substantial, with the opening of offices in New York and in Singapore complimenting the already well established locations across Iberia, enabling The Apartment Service to evolve into a true global agency (TAS Global) with multilingual offices across three time zones servicing global travellers whenever and wherever they need assistance.

ROOM SPACE

Serviced Apartments delivers consistent products with high-level service adding significant value and providing the best options for extended stay travellers.

The Roomspace brand (originally Executive Roomspace) was created to meet the growing demand for long-term stays across London and the UK regional cities that The Apartment Service could not originally source solutions in. Now managing over 460 managed apartments in the UK, Spain and Portugal, Roomspace was the first UK brand to expand into mainland Europe. The current operational hubs in England, Spain and Portugal will continue to expand into new countries, always catering for project housing and longer stays.

CAS

Typically dealing with assignments of 6 months or more, CAS (Complete Accommodation Solutions) creates tailored solutions by sourcing suitable accommodation for individual or group needs; negotiating tenancy terms and conditions and arranging all services. CAS clients enjoy maximum flexibility and cost savings, making the accommodation element of relocation or assignment working convenient, cost effective and trouble-free for buyer, booker and guest alike. CAS was launched to provide custom-managed homes to meet the needs of relocation assignees in any location, globally. CAS sources, creates and manages accommodation to match the precise needs, length of stay and budget requirements of both individuals and groups, backed by full MI (Management Information) and reporting.

TAS ALLIANCE

A landmark moment in the world of serviced apartments.

The Apartment Service launched The TAS Alliance in February 2014, bringing together a global selection of serviced apartments operators under a single representation, distribution and marketing strategy, all powered by a common technology platform. Our members and partners, representing over 100,000 apartments, work co-operatively to look after The TAS Alliance guests moving across the globe.

Corporate clients are able to access a fully connected supply chain to meet their serviced apartment and corporate housing needs in any location. Each TAS Alliance member shares our vision and commitment to quality and service. As the buying community becomes more interested in delivering serviced apartment options as part of their accommodation programmes, customers are also demanding total connectivity. To secure corporate business, serviced apartment operators have to find ways to implement every aspect of a travel policy, from traveller tracking to centralised booking and problem resolution, this is where The TAS Alliance provides the necessary platform.

The launch of The TAS Alliance marked the next stage in the evolution of serviced apartments by bringing a long-standing vision to life.

Commentary

by Charles McCrow, CEO, The Apartment Service

THE INDUSTRY HAS CHANGED CONSIDERABLY SINCE WE PUBLISHED OUR FIRST REPORT IN 2007...

Welcome to the 7th edition of the Global Serviced Apartment Industry Report. This edition of the GSAIR focusses on how supply and demand has changed over the last 18 months; the market forces driving those changes and where the serviced apartments sector is going.

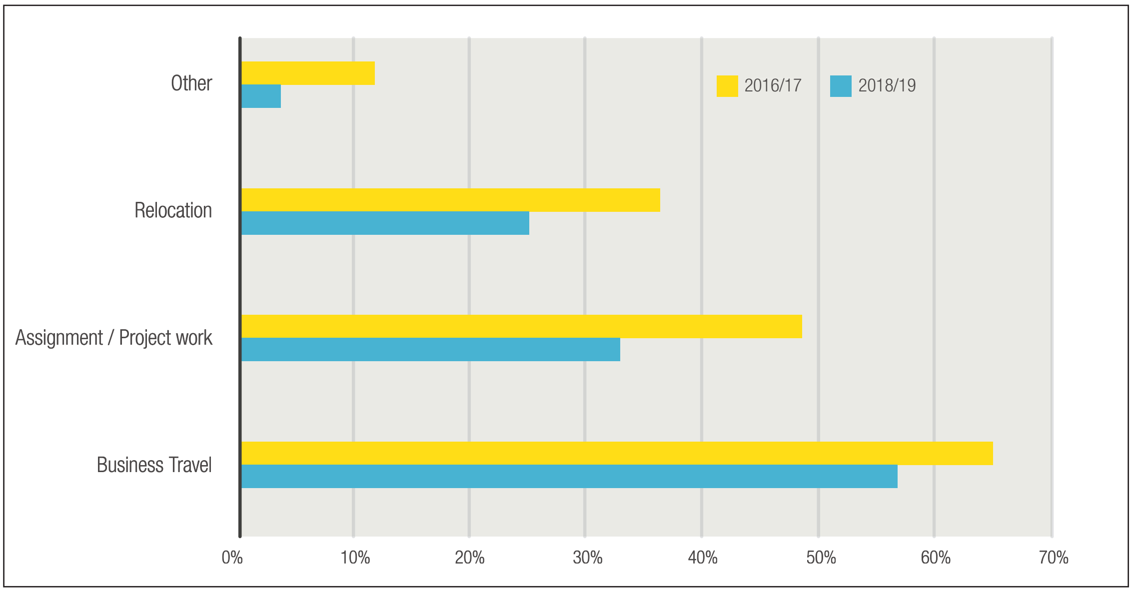
For every GSAIR we undertake an in-depth survey of corporate travel managers, agents and serviced apartment operators. This year's survey produced the highest number of respondents so far with a marked increase in participation by Travel Management Companies (TMCs) and Online Travel Agents (OTAs).

Demand

The rate of growth in serviced apartment usage for business travel, assignment and relocation purposes have maintained their upward trajectory. 21.5% of agents reported that serviced apartments are increasingly used for project or assignment working and 18% reported growth in usage for relocation.

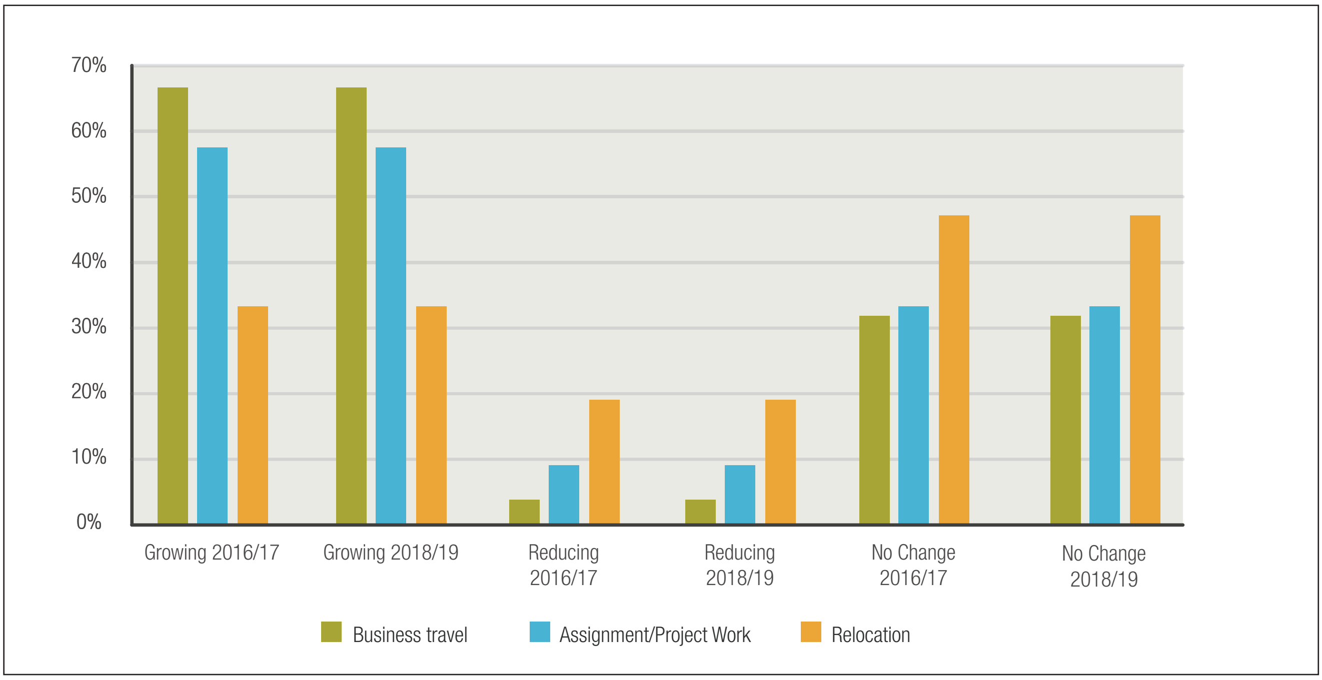
Agent involvement in the sourcing and booking of serviced apartments is growing too. Whilst serviced apartment bookings placed via TMCs, RMCs and other agents is increasing, corporates' usage of serviced apartments fell compared to 2016/17. Over half of corporates now use serviced apartments for business travel, with 39.7% of corporates allocating up to 20% of budget to extended stay.

Figure 1. Corporate use of serviced apartments



Source: The Apartment Service

Figure 2. Serviced apartment usage as % of overall agent client spend



Source: The Apartment Service

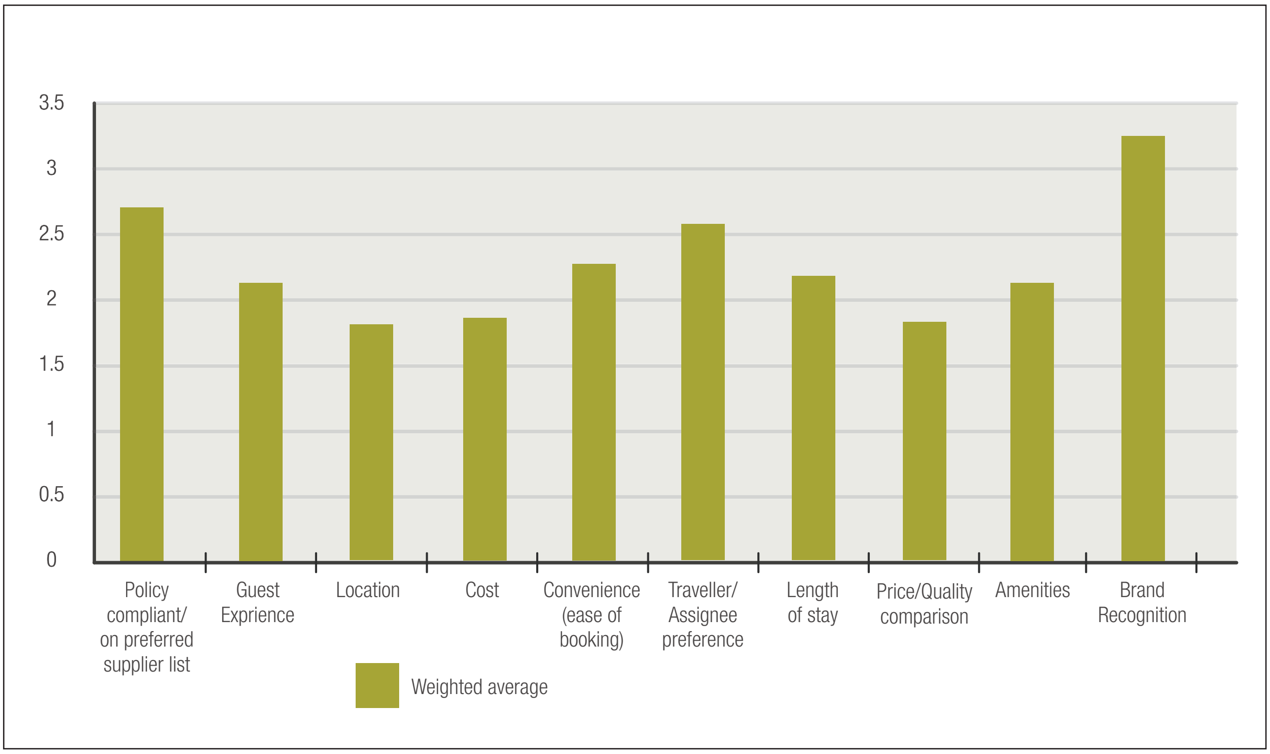
Our survey shows that, year-on-year, corporate use of serviced apartment for business travel has fallen by 9%, assignment/project working by 18% and relocation by 8%. That is not to say that adoption is no longer growing, however it appears that the rate of that growth has slowed, as Fig 2 shows.

We do not believe this is evidence of any decline in demand for serviced apartments. The factors that make serviced apartments a compelling alternative to hotels remain unchanged from our previous report, with brand recognition and policy compliance ranked alongside traveller/assignee preference in the top three criteria.

However, this shows that corporate adoption has perhaps reached a temporary ceiling. 56% of corporates agree or strongly agree their serviced apartments use has gone as far as it can based on current needs & supply. This also suggests that the serviced apartment sector has reached a new level of maturity.

Procurement has recognised that a different approach is required when sourcing extended stay properties compared to hotels.
Our survey found that fewer corporates now include serviced apartments in their annual RFPs (down 15%), suggesting that serviced apartments have found their niche as a standalone travel category.

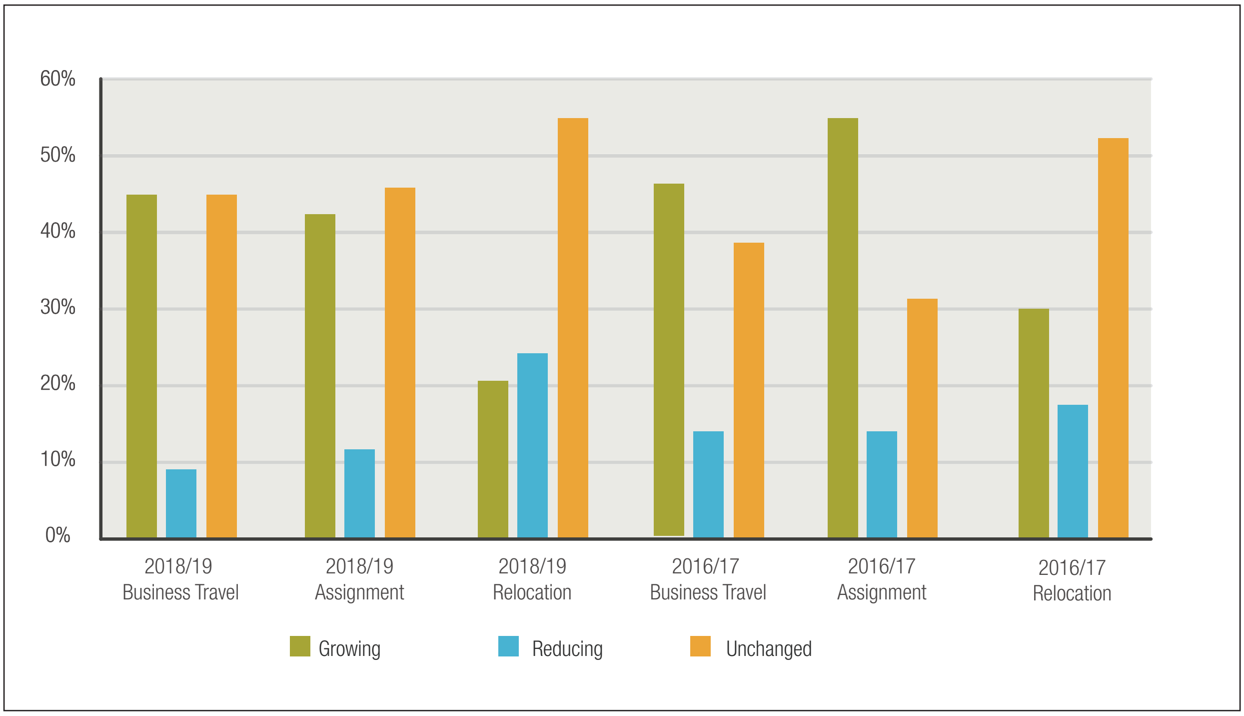
Figure 3. Why corporates choose serviced apartments over a hotel



Source: The Apartment Service

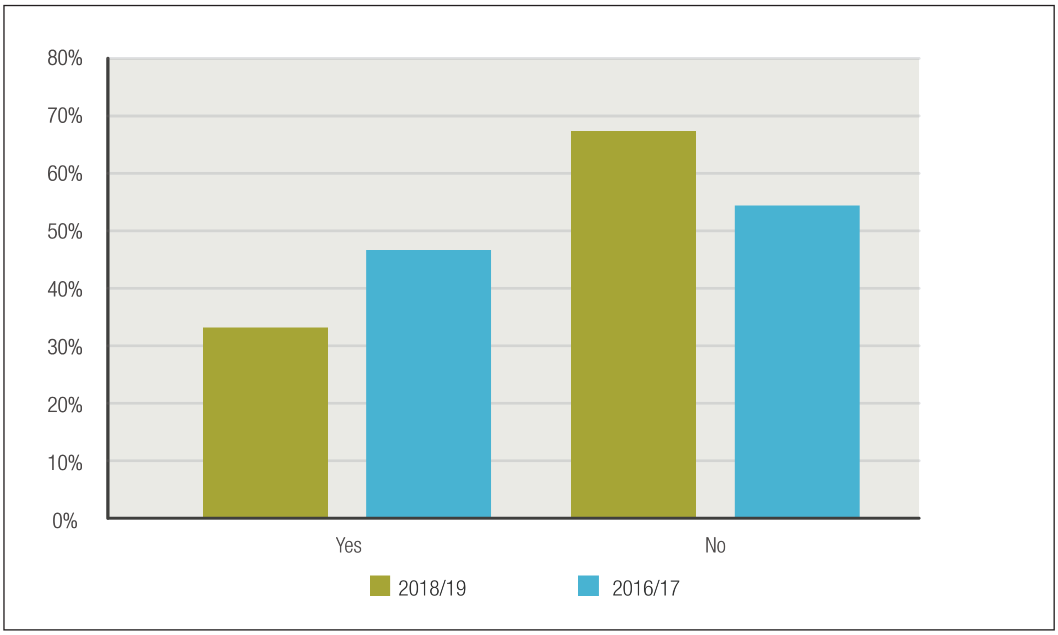
Further evidence of growing maturity comes from the changing ways in which corporates procure serviced apartments.

Figure 4. Serviced apartment usage by corporates



Source: The Apartment Service

Figure 5. Corporates including serviced apartments in their annual hotel RFP

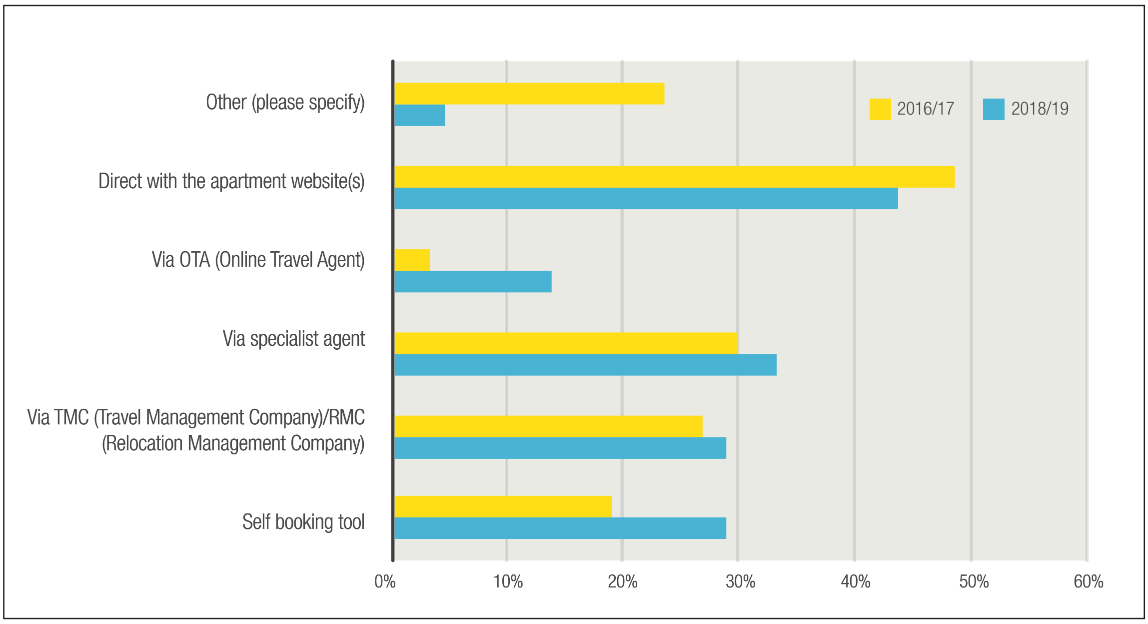


Source: The Apartment Service

As Fig 6 shows, fewer corporates now book direct with apartment operators, instead using specialist agencies like The Apartment Service, TMCs or RMCs, with 36.84% of corporates mandating an agency channel for apartment bookings.

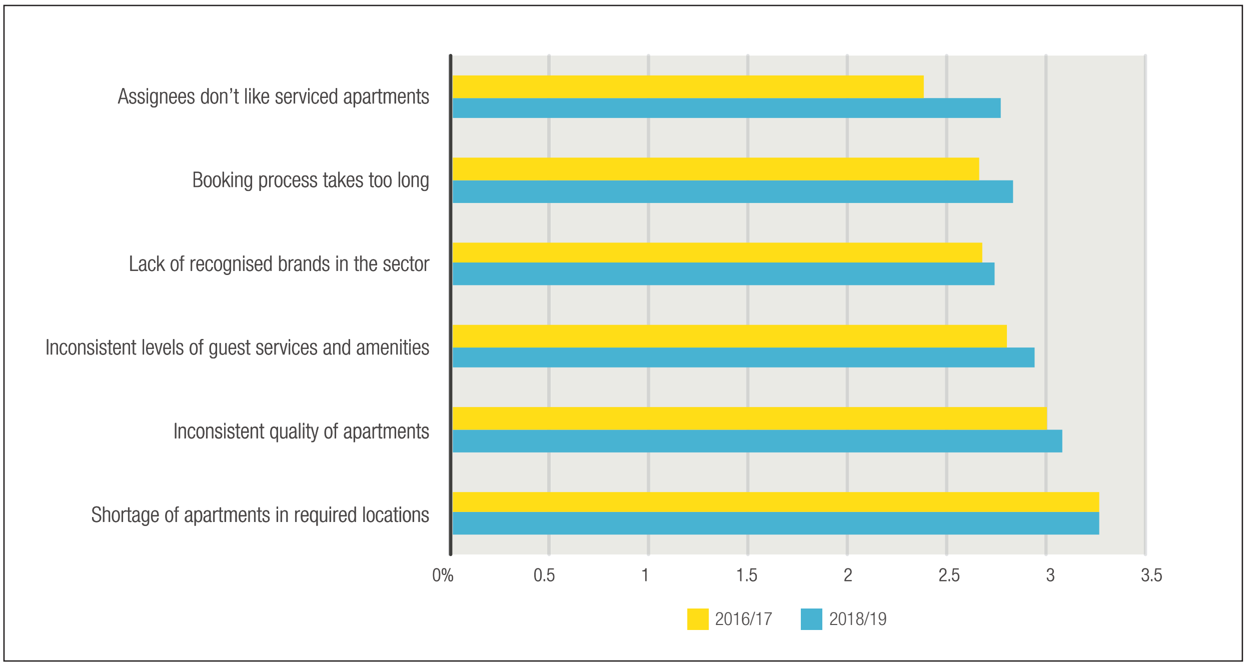
The point is that procurement is increasingly being managed by agencies that are already managing their clients' hotel spend, thereby re-affirming wider acceptance of the serviced apartment option, within the supply chain.

Figure 6. How corporates book serviced apartments



Source: The Apartment Service

Figure 7. Barriers to further corporate use of serviced apartments



Source: The Apartment Service

The outsourcing of programme management to agents also enables cost and traveller tracking to be consolidated into established reporting tools along with the other accommodation spend.

A third factor in this growing sector maturity is the latitude afforded to travellers and assignees in making their own accommodation choices. 36.84% of corporates allow travellers to make their own accommodation choices via a mandated agency channel, whilst 47.37% allow their travellers to select/book their own accommodation, as Fig 8 shows.

Figure 8. Who can make their own accommodation choices in your organisation

Everyone can do so, re-claiming expenses within policy/compliance limits	47.37%
Only VIPs/senior management are allowed to do so	13.16%
Everyone must book via TMC/specialist agent, but the traveller can specify their own accommodation choice	36.84%
Everyone must book via TMC/specialist agent who also decides accommodation choice	2.63%

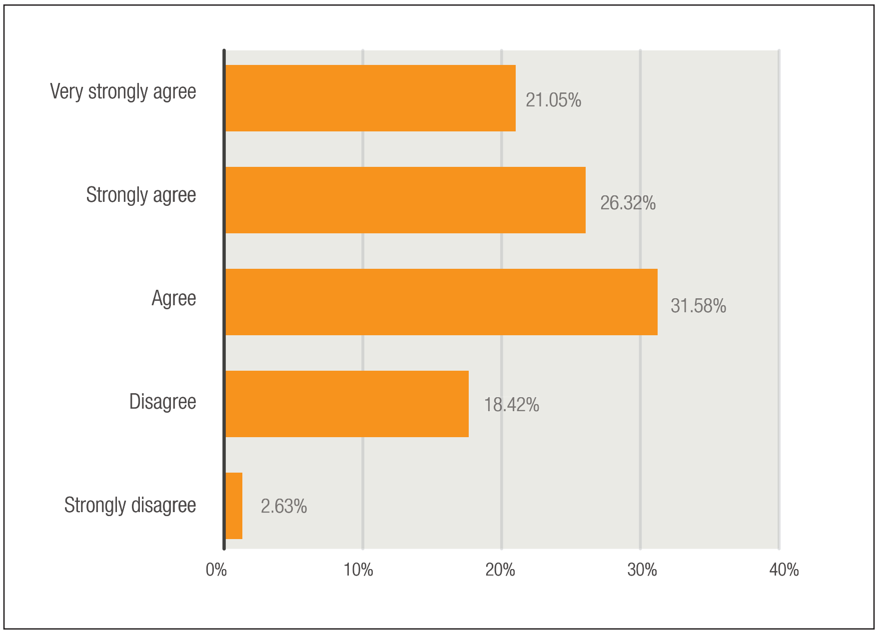
Source: The Apartment Service

Guest experience ranks highly in the list of corporate priorities. As Fig 9 shows, just under half of corporates agree or strongly agree that the guest experience is now as important as cost or total cost of trip in the choice of accommodation provider.

Personalisation and digitalisation are two travel-sector mega trends that are having a big effect on the serviced apartment product. Traditional reception desks are being replaced with informal seating areas where front desk teams can great their guests and make them feel welcome.

Some operators hold open evenings for guests to meet and interact with each other. For example, Living Hotels by Derag in Frankfurt, Germany hosts an open stage evening where street artists and guests alike are invited to entertain in the reception area.

Figure 9. Guest experience vs cost/total trip cost



Source: The Apartment Service

JUST OVER 30% OF CORPORATES NOW ALLOW THEIR TRAVELLERS TO USE A SHORT TERM RENTAL PROVIDER

However traditional barriers to adoption have still to be overcome – especially the shortage of apartments in required locations.

As Figs 9 and 10 show, the sector also needs to deliver more if corporate usage is to break through this glass ceiling. The accessibility of home share or private rentals as alternatives to both serviced apartments and hotels continues to disrupt. Just over 30% of corporates now allow their travellers/assignees to use a short term rental provider, of which 23.63% do so direct whilst 10.53% source via their mandated agent.

However short-term rental providers are a way off gaining significant traction amongst corporates. 42.11% of those we surveyed claim they do not permit their travellers or assignees to use them, with 28.95% yet put any formal policies in place around their usage.

Barriers to using short term rental providers

- Quality
- Security concerns re. landlords
- Inconsistent standards
- Can't rent for more than 30 nights
- Locations
- Availability
- Services fees
- Accuracy of property information
- Incident management
- Concerns re legitimacy/truth

Source: GSAIR survey 2018/19

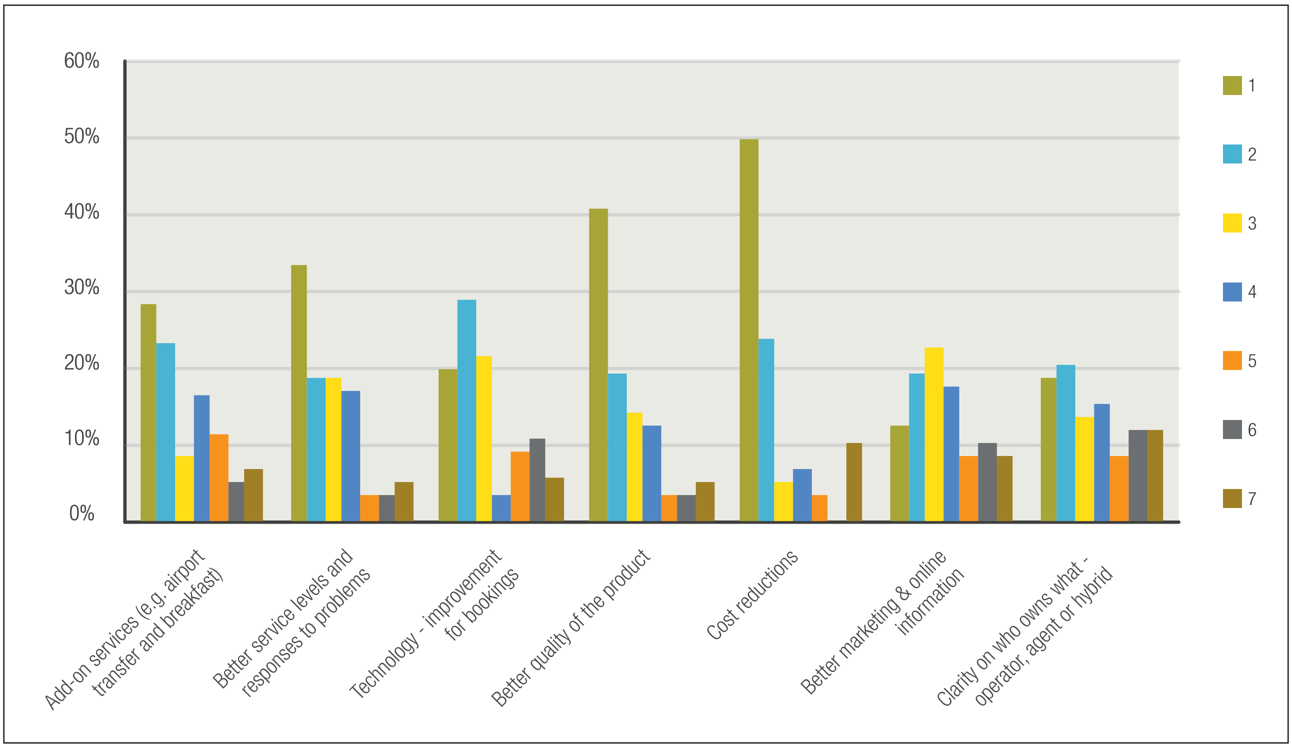
Quality and safety

Inconsistencies in the quality of apartments and level of amenities provided to guests are more important to travellers and assignees than they were 18 months ago (see Fig 10). Several travel managers also highlighted the lack of clarity around who owns what as a barrier to growth. However, in the areas of quality and safety lies great opportunity – especially for the OTAs. There is still resistance amongst corporates to the use of OTAs as a booking channel. Our survey found that just 29% permit their use, despite a simultaneous increase in interest in this channel amongst operators, especially for leisure bookings.

We should expect to see further market penetration by the OTAs as serviced apartment operators aim to boost their occupancies and the OTAs invest in better screening and vetting processes to ensure that service, safety and quality standards are met.

Uncertainty is never a good thing and the increasing (and unregulated) availability of privately-owned property through online channels is a major concern. Municipal bodies such as the UK's Competition and Markets Authority are introducing legislation, but the issue is still a long way off being clear and consistent enough to satisfy corporate buyers, especially in new or unfamiliar markets.

Figure 10. Changes/improvements required to drive greater use of serviced apartments amongst corporates (1 = most important)



Source: The Apartment Service

Supply

The growth of serviced apartment supply globally continues. As we predicted in the last edition of GSAIR, the sector reached 1m serviced apartment units during 2017. As at January 2018 there were 1,022,984* serviced apartments operating in 1,364 locations, an increase on 2016/17 of 19% in units and 18.8% in locations. As already highlighted, despite the worldwide growth of extended stay supply[1] there are still shortages in many popular destinations. The unanswered question is how far we have yet to travel before a balanced level of supply and demand is achieved.

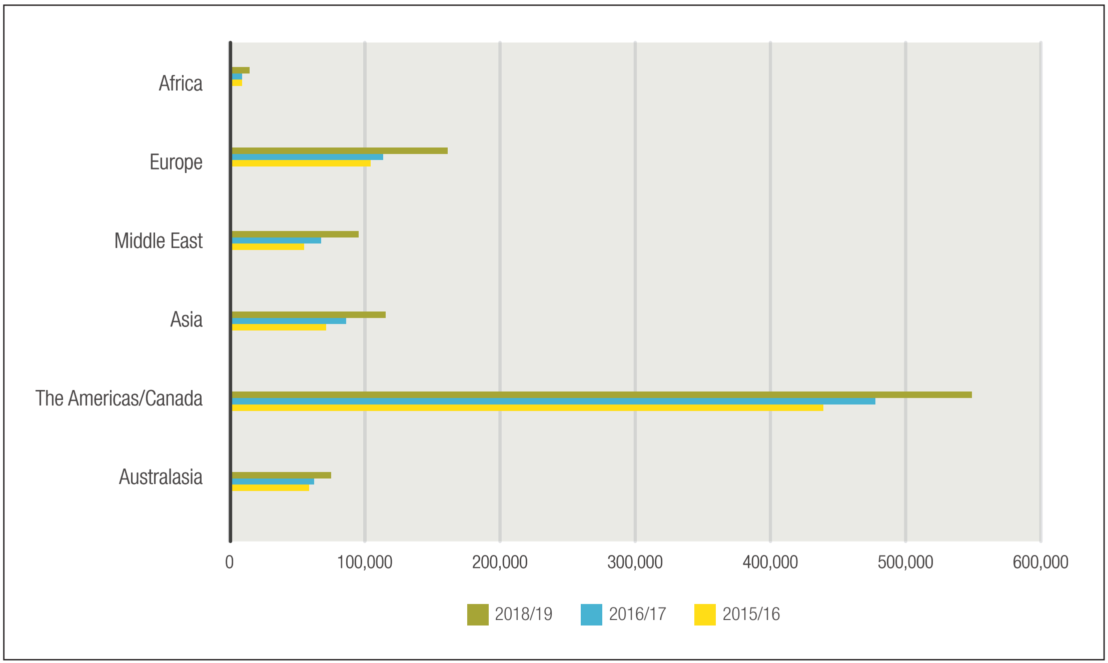
*Excluding corporate housing

1 http://www.hotelnewsnow.com/Articles/257503/Extended-stay-hotels-defy-cycle-amidst-supply-growth

As Fig 12 shows, the Americas, mostly North America, still dominate global serviced apartment supply although their 557,435 units represents 54.49%, a decrease of 4.12% on 2016/17. Europe retains its position as the sector's second largest region with 15.9% of global supply (up 2.1%), followed by Asia (11.4%). Europe also enjoyed the biggest increase – 2.11% - in overall market share.

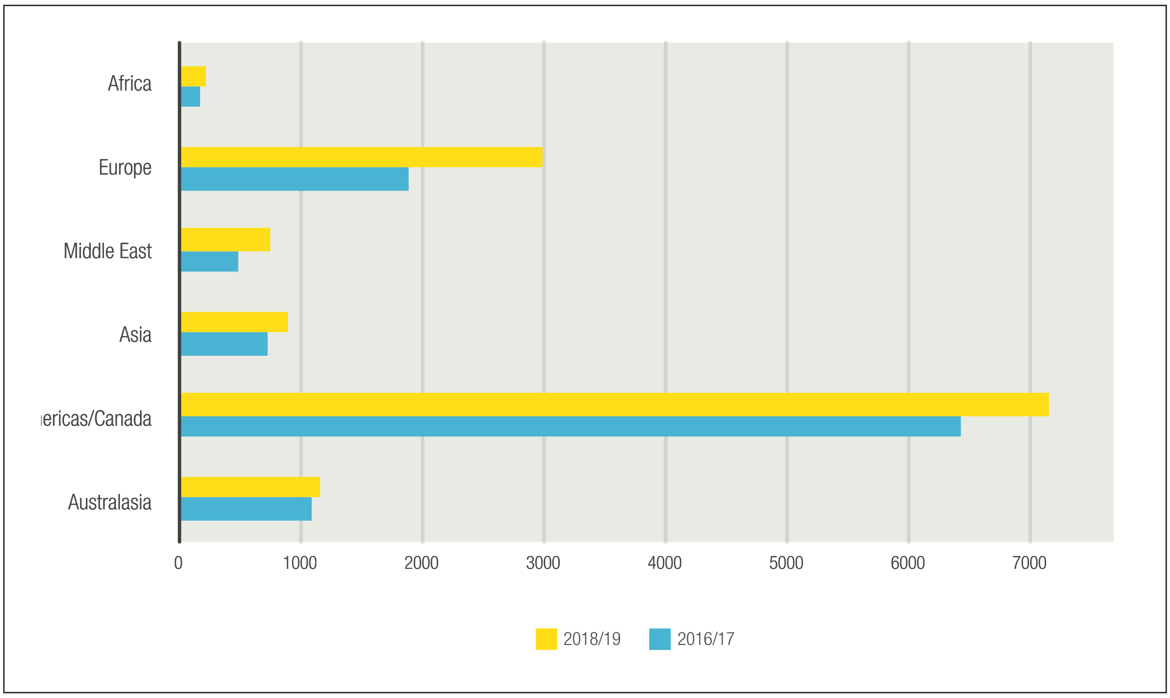
Overall, 62.4% of operators saw increased occupancy compared to the previous 12 months, up 0.96% on 2015/16. As Fig 13 shows, much sharper rises were seen in rentals (up 39.21% year-on-year), RevPAR (up 28.21%) and online reputation (measured for the first time in this survey). 45.75% of operators saw increased length of stay (+3.02%)

Figure 11. Serviced apartment supply by region (units)



Source: The Apartment Service

Figure 12. Serviced apartment supply by region (locations)



Source: The Apartment Service

The US extended stay sector saw a huge surge in occupancy and ADR growth in 2017 at a time when hotel occupancies were travelling in the opposite direction. This trend of growth separation in room demand started at the beginning of 2015. According to STR/Highland Group,[2] that trend has increased four-fold over the intervening two years. It remains to be seen whether market conditions in this region repeat themselves elsewhere. If it does, the news for operators can only be good.

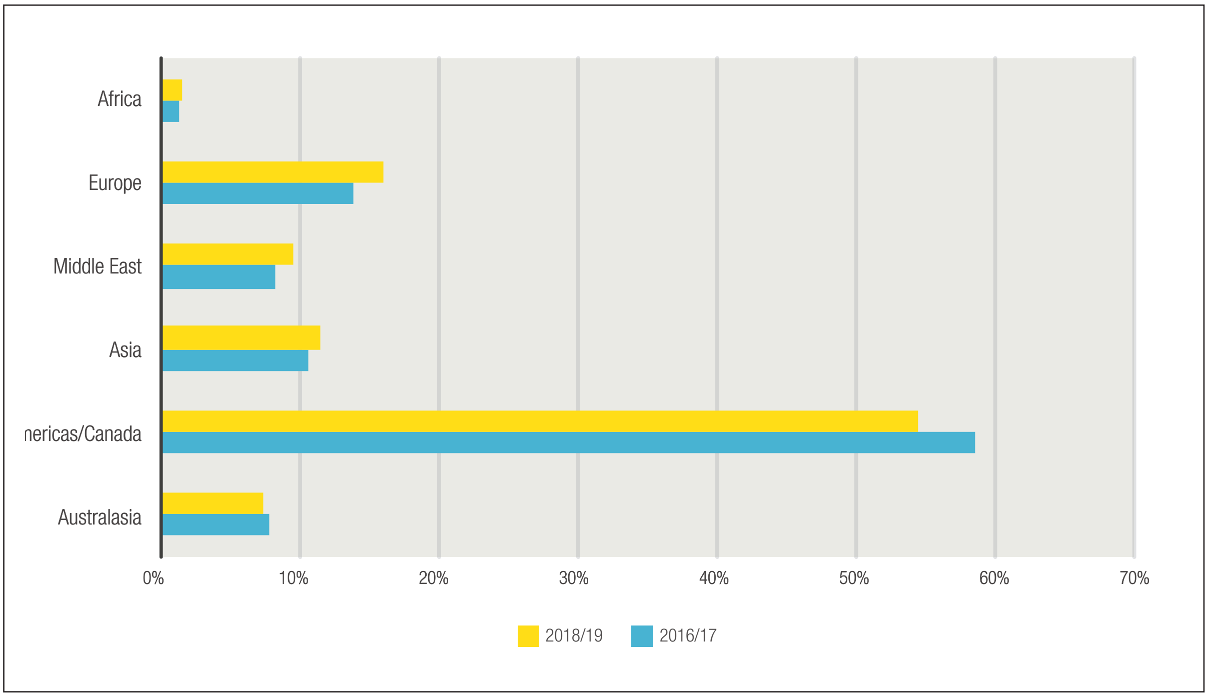
The operators who took part in our survey indicated that expansion is likely to be restricted to local markets rather than globally.

65% of operators are planning new properties in the local markets, with the other principal focus for operators being to improve amenities and the guest experience. Although rate and overall cost of stay remain corporates biggest concern, operators also report that their rates will increase by up to 13% in 2018/9.

Rising supply of new, purpose-built properties will provide extra pressure on rates due to the high cost of real estate and construction despite new apartment stock tending to be smaller. Traditional corporate housing accommodation providers (who made up 39% of our survey respondents) and home stays (22% of respondents) will have a real advantage in both respects.

This trend will drive corporates even closer to specialist agencies to manage longer stays. These agencies' specialist knowledge of local market conditions minimises the risk to the corporate of booking independently managed units. Rates in residential apartments for stays of a month or more tend to be cheaper and often provide more better space.

Figure 13. Share of global inventory (units)

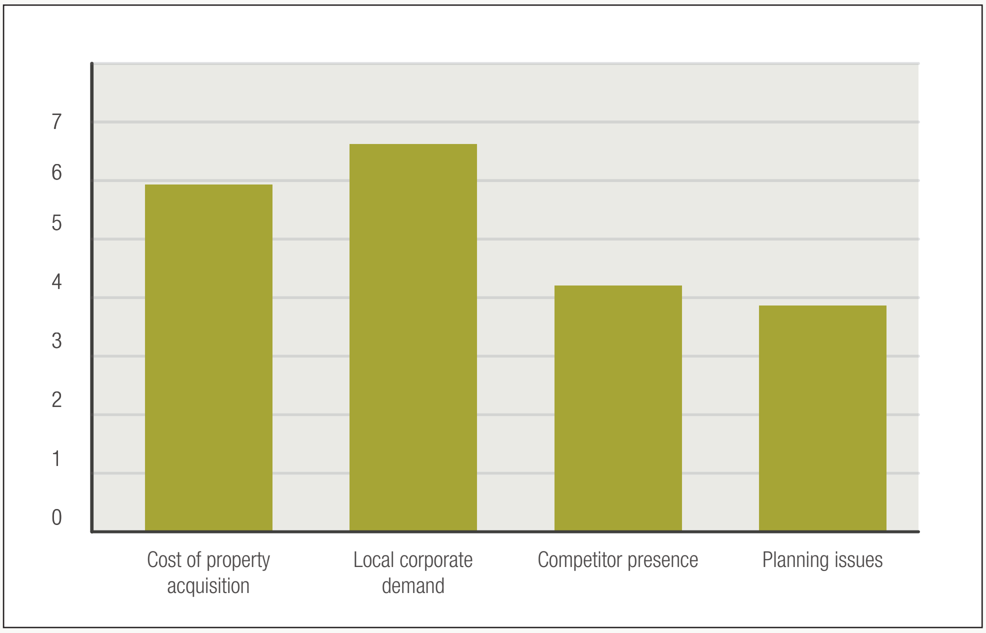


Source: The Apartment Service

65% OF OPERATORS ARE PLANNING NEW PROPERTIES IN THE LOCAL MARKETS

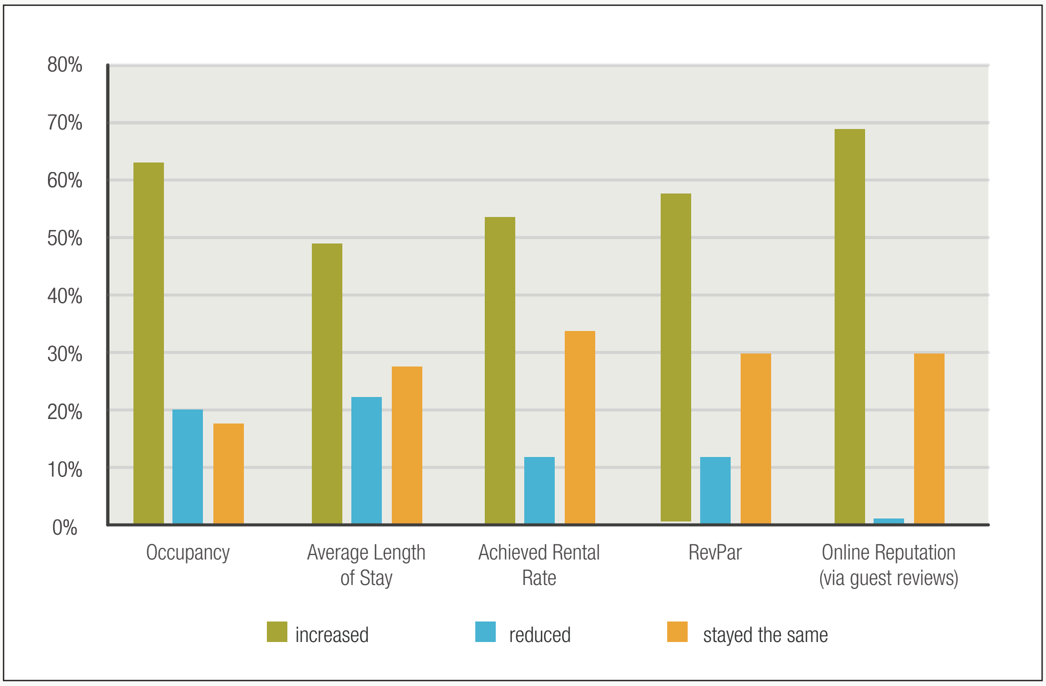
2 www.hotelnewsnow.com/Articles/257503/Extended-stay-hotels-defy-cycle-amidst-supply-growth

Figure 14. Key criteria for operators when planning a new development (1 = most important; 4 = not important)



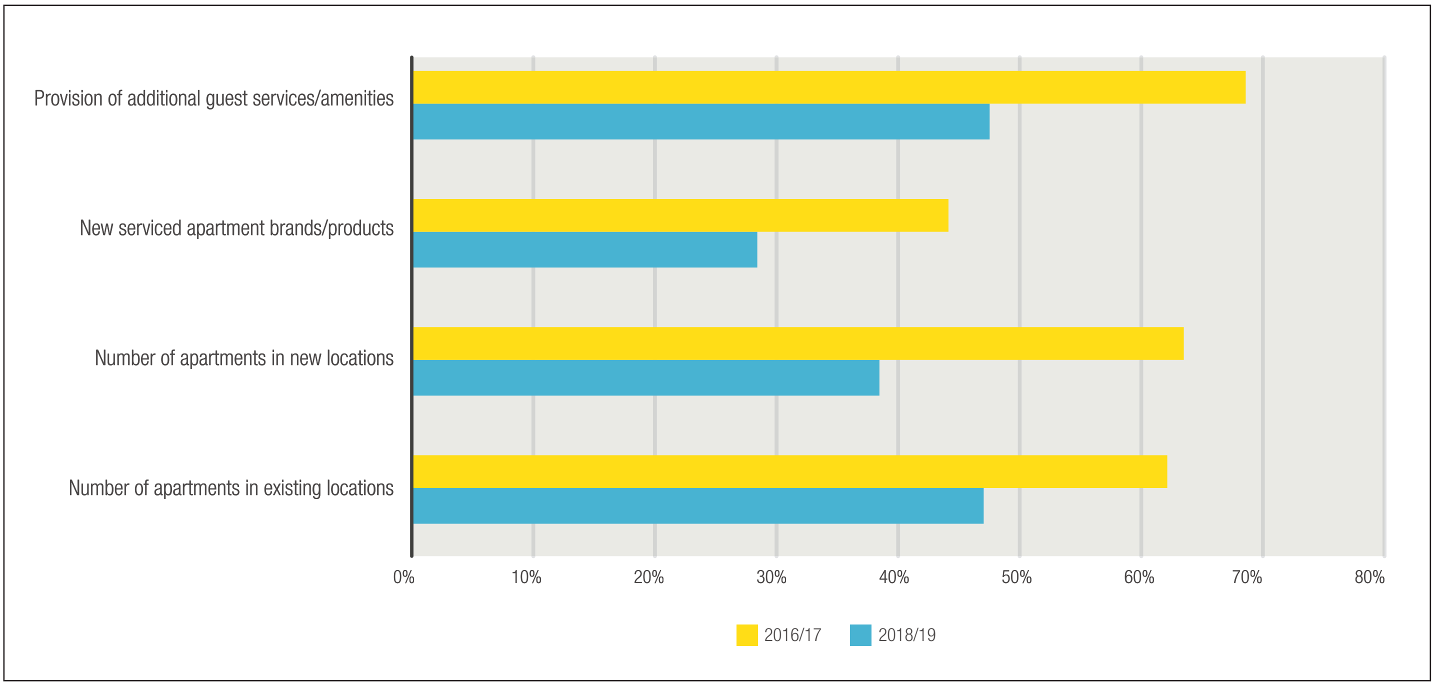
Source: The Apartment Service

Figure 15. Operator performance 2017/18 compared to 2016/17



Source: The Apartment Service

Figure 16 - How operators will expand their business over the next 12-18 months



Source: The Apartment Service

Laws and taxes

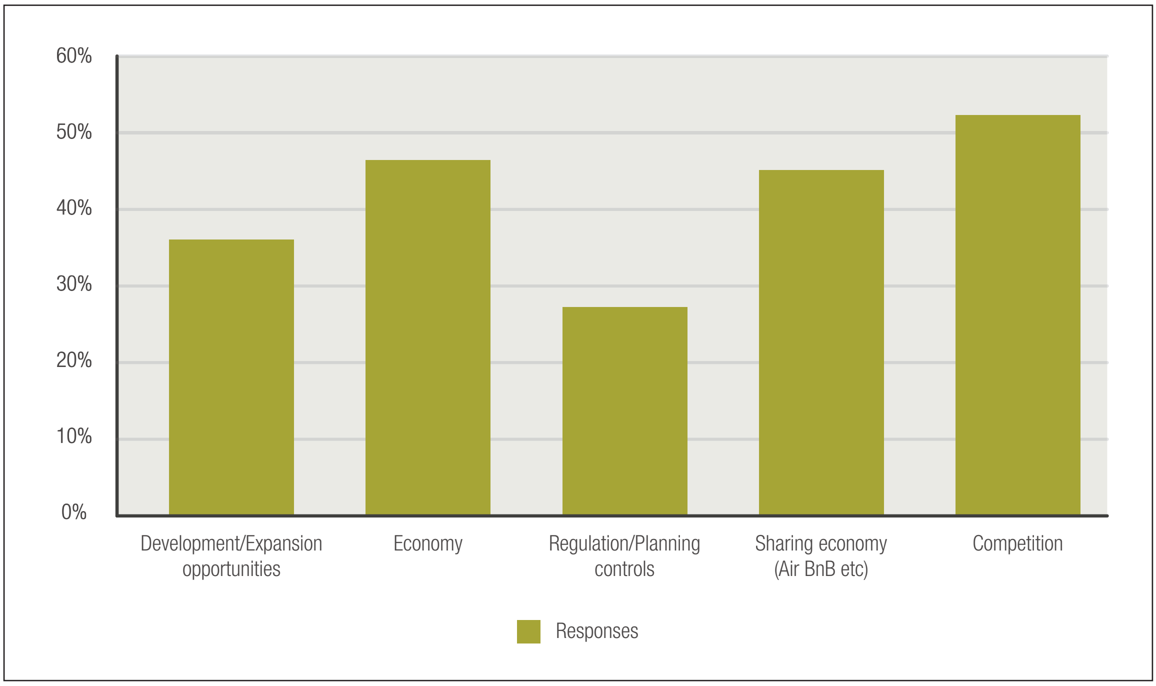
The reality is that the serviced apartment sector straddles both the travel and property rental sectors. The unique legislations don't match up and even conflict in many instances. For instance, leases or rental agreements differ widely in the rights to tenants and landlords and exclusive possession of occupancy compared to the licenses-to-stay offered by hotels differ vary widely.

Statutory requirements are also having a big impact by placing extra demands on providers. In the UK, 'right to rent' legislation applies to those renting privately-owned residential accommodation to keep stocks available to those who have permission to live in the UK.

Legislation afforded by the Deregulation Act also restricts the loss of private rental inventory to short term rental operators. Many other countries are also limiting the use of residential properties by requiring permits and other controls. Different tax rates can apply to residential or hotel category accommodation, so the wholesaling and packaging up (i.e. including furniture, cleaning and other services) creates both operational challenges and potential tax liability for providers. Further concerns arise when extended stays overrun the granted visa period and work permits are required. Governments want their taxes and to control their labour markets.

The agency community, or at least those who act as tour operators, is directly affected by local legislation around short term rentals and taxes. The taxable place of supply is the property location in most cases and local laws must be adhered to with applicable taxes collected and annual returns submitted. This sounds simple enough, but registration - even for a one month stay – can be a cumbersome process for those who act as non-disclosed agents. Not to mention other issues such as billing for utilities and services, deposits and referencing. Each of these factors impacts the agent's workload and costs.

Figure 17 - Challenges facing operators (in order of importance)



Source: The Apartment Service

I fully support those long-term residents who don't want transient guests staying for one or a few nights next door. That is a purpose to which hotels and extended stay properties are ideally suited.

But when stays become longer than a typical holiday, this form of accommodation is ideal as a temporary home – albeit subject to different rules. Long term residents as well as local authorities can restrict short stays in their buildings, although the former will find it hard to fund the resources to adequately enforce their policies.

THE SERVICED APARTMENT SECTOR STRADDLES BOTH THE TRAVEL AND PROPERTY RENTAL SECTORS

A glimpse of the future

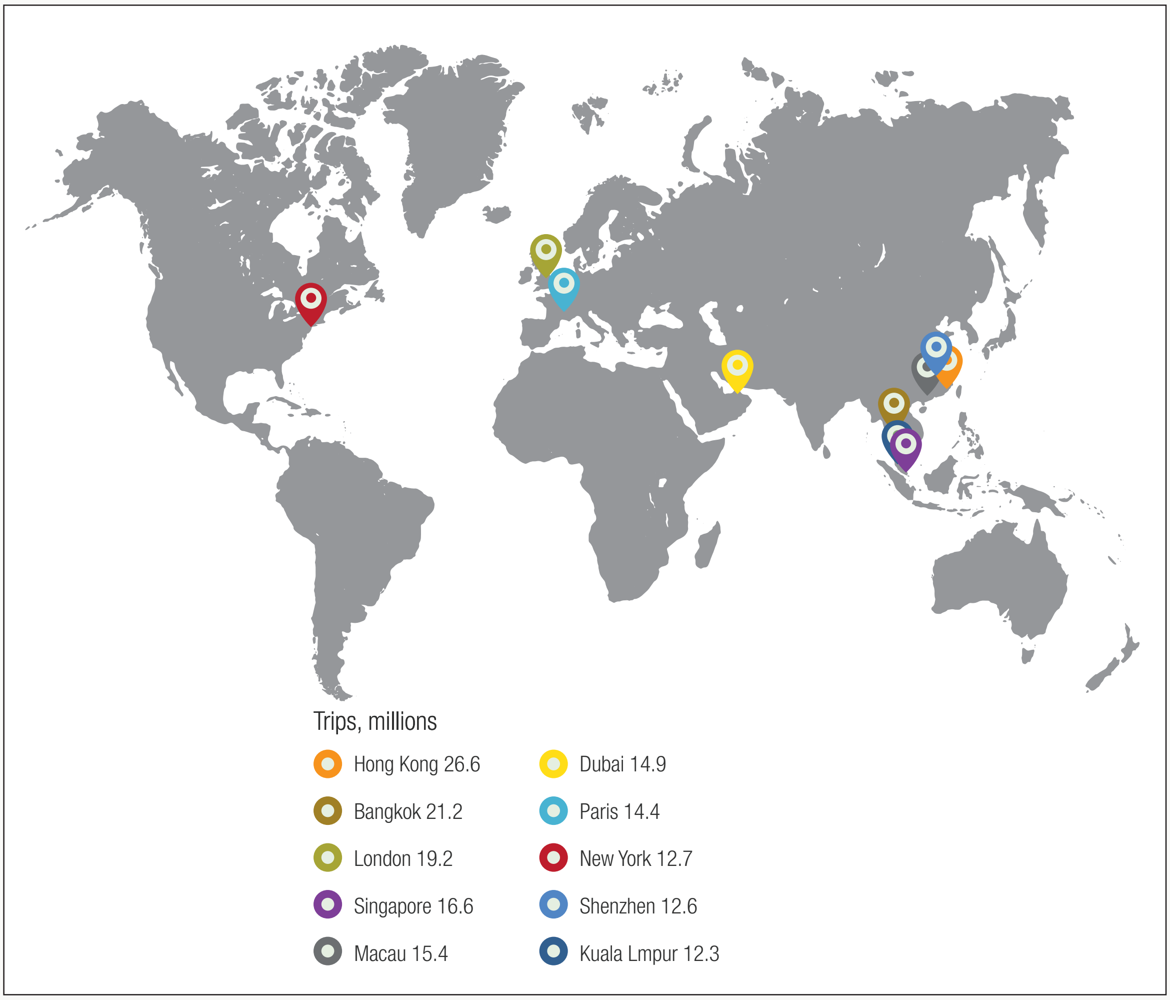
According to Euromonitor's Top 100 City Destination Rankings, Hong Kong is now the world's most visited city, with London beaten into 3rd place by Bangkok. Asian cities now dominate the global destination rankings thanks to the rise of Chinese outbound tourism. Operators who took part in our survey highlighted India and Mexico as hotspots for new openings.

The Ithalthai Group subsidiary Bangkok-based Onyx Hospitality Group has more than 20 new properties in its pipeline across Australia, Malaysia and Lao. These projects will extend Onyx's portfolio from 44 to 99 extended stay hotels by 2024.

By contrast, European cities have suffered from a series of events including the Eurozone and migrants' crisis, as well as Brexit and terrorist attacks. However, that has hampered optimism amongst the region's operators, 60% of whom believe the future is bright.[3] According to Serviced Apartments News, 63% of operators In Europe have taken on new units in past 12 months, and 79 per cent are planning to take on more in the next 12 months, compared to 60% in the US & Canada. In Europe, operators tip Amsterdam, Germany and Dublin as the markets to see the most growth over the next 12 months, with London, Paris, and Spain set to struggle. Europe's prospects are also endorsed by Forbes, who put six of the region's countries in the top ten to do business globally[4] with Britain at top of the list despite the uncertainty of Brexit.

Oversupply will creep in as development outstrips demand. As outlined in the last GSAIR, oversupply has already reared its head in Malaysia and cities like London and Paris that previously lead the way in Europe are now looking distinctly top heavy. This could also happen in the Middle East, where 90% of operators plan to add more units during 2018 to a market which is already well stocked.

Figure 18 - Top 10 Cities in the world



Source: Euromonitor International

3 http://www.servicedapartmentnews.com/home/features/2017/12/6/the-global-serviced-apartment-industry-how-does-it-feel/
4 https://www.forbes.com/best-countries-for-business/list/2/#tab:overall

Top 10 areas for operator expansion

1. London
2. Europe - various cities
3. Vienna
4. India
5. Manchester
6. Mechelen (Belgium)
7. Vancouver BC CANADA
8. Amsterdam
9. Spain
10. Tokyo

Source: GSAIR survey 2018/19

In the meantime, the serviced apartment sector continues to consolidate, with a number of acquisitions taking place during 2017. Chatham Lodging Trust has acquired Embassy Suites for $68m and Choice Hotels has paid $220m for WoodSpring.

The sector has welcomed new entrants such as City Suites, whilst property funds such as Mapletree and Oaktree have joined the fray, attracted by high potential returns and the increasing maturity of serviced apartments as an asset class. Westbridge Capital has invested in Aboda to grow its new Reside Worldwide brand, whilst US asset manager Brookfield has bought SACO from Oaktree Capital Management for £430 million.

The M&A carousel is unlikely to stop during the 18 months before we publish our next GSAIR. The degree to which the industry will evolve even further remains to be seen.

GSAIR survey 2018/19 – other findings

- Average length of stay was unchanged in 56.51% companies during 2017, increasing in 37.5% of companies.
- Corporates are leveraging savings as programmes mature
    - Average discount now 10% (up from 17.74% to 29.51%
    - 5% average discount achieved by 16.39% (up from 12.39%)
    - Published rate now achieved by 32.79% (down from 46.77%
- Agencies are also leveraging savings for their clients more effectively: -
    - 45.83% achieving average 10% savings (up from 27.78%)
    - 12.5% achieving average 5% savings (up from 8.33%)
- Operators confirm the scale of those discounts: -
    - 20.19% discounting by up to 10% (down from 46.36%)
    - 18.27% discounting by 11 – 20% (down from 24.5%)
    - 14.42% discounted by 21 – 30% (up from 4.64%)
- 73.53% of corporates say Brexit will have no impact on their accommodation usage
- 64.86% of corporate accommodation usage unaffected by uncertainty in Asia
- Connectivity (free WIFI still #1 company/traveller requirement
- In-house services growing in importance – up from 35.38% to 61.9%
- Quality assessment/pre-trip information important for 41.2% of companies/travellers
- Planning issues and cost of property are top factors when choosing a new location
- Competitor activity and economic factors are biggest challenges for operators
- Harmonised agency commission levels a big issue
- Industry representation getting better

Celebrating mission, vision, values and doing the right thing

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

SETTING EXPECTATIONS AT THE TIME OF INITIATION MAKES FOR A FAR HAPPIER AND POSITIVELY ENGAGED SUPPLY CHAIN

In every business (or relationship), regardless of age or circumstance, the greatest gift you can give to (and receive from) your workforce or network is that of honesty, respect and trust.

Strong, confident and sustainable relationships in the workplace can help to deliver and develop some of the most incredible, fun and vibrant businesses. Embracing and encouraging positive conflict situations helps to build the most passionate vocal teams and individuals that see nothing but opportunity, especially when the chips are down and times get tough.

Businesses that don't encourage these values can disappear as quickly as they arrive or just ebb out with time - with no one really noticing their decline... It always starts with a disengaged workforce and a leader (or leaders) that have stopped listening - until eventually - teams and individuals within them lose the interest in solving the challenges of the business and more importantly - in delighting their customers.

Continuing the mission...

Eighteen months ago, in the last edition of GSAIR we shared with you our belief that it is our collective responsibility to continue to debate and discuss the future of serviced apartments; to inform and educate and to ensure that we continue to demystify serviced apartments at every level - buyer, booker, agent or operator.

This remains the mantra at TAS Global, where we are not frightened of providing transparent programmes for buyers and ensuring that the value of operators (large or small) and our agency services are always sold with integrity and understanding.

We are fully aware that we are not popular with some competitors for taking this approach but are confident it is the right way to go. Our transparent and auditable model ensures that operators are not squeezed into rate programmes that include too many or too high a fee in the rate, which sometimes makes it impossible to provide the best solutions for the client. This approach also means that the buyer receives the most cost conscious products for their travellers, so preferred operators do not need to cut corners, in product or services, at any point in the delivery.

Vision – a brave perspective

As an agent, our focus is on presenting the individual components of the programme needed to deliver the ultimate goals of the corporate, regardless of size, booking channel or source.

It is the agent's responsibility to ensure that all performed services are reviewed and measured regularly, and that the buyer is fully aware of the cost of running their local, regional or global programme. This includes the cost of sourcing, booking and confirming bookings into preferred products and partners; understanding and analysing customer data. It is easy to underestimate the manpower and cost involved in handling in-house escalations or providing proactive guest services.

Although some agents describe their services as 'free' this does not foster the transparency and understanding required to deliver a high touch service.

A good agent prides itself on providing comprehensive consultancy services for serviced apartment and extended stay programmes. More importantly, it prides itself on having the courage, understanding, experience and knowledge to recognise that if their services do not meet the buyer's needs, or the business model is appropriate for an organisation, the agent will walk away having provided the necessary information to enable the buying organisation to make the right choice of suppliers.

This is possibly one of the most difficult things to do, but is necessary to keep brand values intact.

We apply the same approach to debt management. For the agent, the client's failure to pay on-time affects the entire supply chain. Qualifying, evaluating, understanding and developing efficient payment processes is core to a successful programme.

Setting expectations at the time of initiation makes for a far happier and positively engaged supply chain.

Health, safety, risk and compliance

On a corporate level, local, national and international organisations are having to develop policies & procedures for health, safety, risk and compliance, while the world searches for ways to keep its population safe before, during and after any form of disaster.

From natural disasters to terrorism; the increased focus on Health & Safety and on disaster recovery has become mission-critical for every business

Whether the risk is to one life or many, the same process applies; understanding what could or should have been done to mitigate each risk. Although the scale and impact may change, the importance of educating everyone remains unchanged. Understanding and evaluating risk is a priority for everyone. Implementing processes after the event is not ideal but making global teams ready for any eventuality is virtually impossible.

Global teams tasked with planning for, or managing people through, challenging situations have their work cut out. Disaster recovery and understanding the possible and probable situations in which they may find themselves should be part of everyone's ongoing training and development.

Keeping people, property and assets secure has always been a high priority, ranked alongside company intellectual property and data. You only have to read any corporate contract to under-stand where companies focus lies. The pages

covering insurance (and having the relevant cover for every eventuality) is a key feature, whilst the addition of cover for cyber and data protection has changed the landscape dramatically in the last 10 years. It's hard to compare estimate cyber and data protection with the cost of insuring a building. How do you estimate the risk to the business if it has been disabled due to a cyber-attack?

GDPR

The new European laws around the storage of personal data will have significant consequences for our industry.

The scope of the Global Data Protection Regulation, which became law in May 2018, will affect anyone taking and storing information from a traveller or assignee, and who subsequently passes this data down through the supply chain. At The Apartment Service, we have to understand how suppliers, handling relatively sensitive information every day on our behalf, can affect our business if they do not comply with the same rules and regulations.

The relocation industry, hybrid and pure agents, aggregators and any company reliant on third party services, will be impacted. This change in legislation will demand higher levels of security and compliance, and a re-look at how everyone in the organisation (and outside) is dealing with personal data. This understanding is not solely the responsibility of the IT team, but starts at the very top of any organisation. That understanding then needs to permeate all levels to ensure every department takes a proactive approach to this new normal.

The new normal?

So has risk now overtaken corporate social responsibility in the boardroom, or have the pair joined forces? Seven years ago, environment and all things green trended high. As I hoped and anticipated, sustainability is now part of everyday life rather than a marketing tool to drive business.

As one of the founding members of ASAP, I was determined to legitimise the industry. That's why I invited QiT (Quality in Tourism) to help develop the first official rating system for serviced apartments. QIT began to audit everything from the bedside tables to the core requirements of health and safety. This key focus continues to be a core values – in fact, if an operator member of ASAP is not accredited in the scheme this year, they will no longer be able to wear the ASAP badge.

As a global agent, TAS Global uses the template formed by the association to help all our suppliers globally to increase their awareness around the core requirements of health, safety and security of guests, even if they are not yet part of an association.

Common sense and doing the right thing

Everyone knows that each individual, team and leader in your organisation must buy into the accepted company habits or framework around health, safety, security, compliance and risk, and the thought processes around it. We all have to remember to consider the possible as well as the probable - always.

It's also important to understand the boundaries that an individual, company or organisation is happy to go to.

As we all know, when a disaster happens, it's rare that you get time to engage with every individual and ensure they feel empowered use their common sense to make the right decisions confidently that reflect the personality of the company.

If (and when) a disaster happens, we have to rely on the fact that our employees, teams and leaders already share the vision, mission and values of your company, and that they feel naturally empowered to do the right thing

Case study - UBS

Mark Cushieri, Global Travel Lead, UBS

Wealth and asset management giant UBS has offices in 50+ countries worldwide. 20,000 travellers use the firm's global accommodation programme in which serviced apartments sit alongside transient hotels.

UBS has been using serviced apartments since 2013. Today its accommodation programme spans five business hubs in London, New York, Hong Kong, Singapore and Zurich. Collectively these locations account for 85% of global volume.

As Global Travel Lead Mark Cushieri explains, the serviced apartment element of their programme is operated regionally. "Our assignment and long stay requirements typically take place in these hubs. In UBS, any traveller staying in a location for five nights or more has to stay in a serviced apartment."

Demand amongst UBS travellers and assignees is being driven by a desire for a 'home away from home'. "Serviced apartments provide comfort, the chance to relax and be who you are" says Mark. "Well-being is now a major driver for UBS and other corporates."

"In the early days we faced a major educational requirement. Today our programme is based on location, experience of the location and overall value. Travellers used to be more familiar with hotels and it is human nature to resist change, so we had to get them away from what they were used to. Now it's the norm to stay in a serviced apartment."

Lile other large corporates, one of the challenges Cushieri now faces is that his travellers like the apartment experience so much that they want to stay in serviced apartments for stays of less than five nights.

"Currently we have direct relationships with all our serviced apartment providers. We believe there is a much bigger opportunity around how we use the apartment programme, but the sector's technology is holding it back. We have a centralised request form that goes to the serviced apartment provider on request."

"These days our travellers want instant information; they want it immediately to make instant buying decisions. For serviced apartments this is still just an aspiration because of the way inventory is bought and managed. It's very, very archaic."

"We want to grow our programme into more locations, but the current booking process inhibits that. Those processes also need to be integrated into OBTs, so travellers can make side-by-side comparisons with other serviced apartments and with hotels as an alternative."

Cushieri admits that there seems to be a willingness amongst operators to address this problem and that there are providers who want to deliver their content more intuitively to UBS consumers. Another issue is inevitably that of quality assurance. "Brand is very important, but service quality needs to be consistent and standardised" he says.

Mark sees Airbnb as an opportunity for suppliers to up their game, delivering the right content at the right time to meet the needs of that consumer and bringing that into a controlled framework. He sees even greater opportunities around data analytics and Artificial Intelligence (AI).

"We work with partners who can help us drive better data to give us total cost overview and that enables us to understand travellers' behaviour and needs. We then use those insights to prepare and refine our programme. We want the serviced apartment industry to plug into every source of data that gives us better understanding of how to plan and buy better when demand is at its peak. So, having access to real-time data is essential. What we did last month is of limited value to me today because we need to make decisions quickly and in real-time."

Mark concurs that serviced apartment adoption rates have peaked in many corporate programmes due to the issues around booking processes, inventory management and availability in key locations. He also agrees "100%" with the research finding from the 2018 GSAIR survey that the procurement of serviced apartments has matured, showing that serviced apartments are now mainstream.

His final message to the sector is succinct. "Operators need to give corporates access to richer content and to make booking processes more intuitive – not just on request."

Case study - Worldwide bank

A well-known global bank has a thriving serviced apartment programme that accounts for 132,000 nights a year, although the programme manager acknowledges that, due to a lack of visibility, that figure could be much higher.

The programme deployed a global serviced apartment strategy in 2016, having previously sourced extended stay properties on a local basis. An RFP was deployed to bring greater visibility to the brand's global serviced apartment spend and to serviced apartment content not available via the GDS.

"We get lots of requests for travellers for serviced apartments" explains the programme manager. "Some for one or two nights because they prefer them to hotels. Traveller demand is coupled with the business' desire to reap the financial benefits of serviced apartments for longer stays."

Each of the bank's 20 divisions is trying to stretch its travel budget as far as possible. Serviced apartments are one way in which they are doing so. As part of the organisation's accommodation programme, a cut-off point beyond which travellers are instructed to stay in serviced apartments instead of hotels is being rolled out in 2018.

The bank has appointed The Apartment Service to manage its new, global serviced apartment programme, although implementation is in its earliest stages, the bank has found that pricing submitted by hybrid operator/agent brands during the RFP process is often meaningless because so little of the stock is their own.
The Issue of who owns what is a major problem because, as a regulated environment, the bank has to be careful to avoid specific countries or owners due to reputational risk.

"Our strategy is to connect with the major countries in which we operate first" says the programme manager, highlighting the UK, US, India and Hong Kong. "Our biggest challenge is the lack of bookability on GDS, so we are having to source manually in many cases. Quality is a big issue too due to the lack of consistency in product quality internationally. We have no means of looking at content before procuring. There are no online tools so there's no visibility around availability. The serviced apartment sector still lacks sophistication compared to hotels."

In terms of objectives, the first task for this corporate is to get the basics right. "It's down to what the providers can give us that can be built into the booking tools" says the programme manager. "The process needs to become a more seamless, which requires serviced apartment operators, TMCs and technology providers to work more closely together. Any supplier-specific solution only gives us part of the picture."
A general lack of awareness about what a serviced apartment is, and how to book, remains another challenge to be overcome. "Serviced apartments do not compare favourably with the likes of Airbnb who have been very proactive in tapping into additional potential demand. In general the serviced apartments brands are virtually unknown to most corporates."

Although more and more brands are focussing on the guest experience, the bank's programme manager says the sector often forgets the basics "when you turn up to an apartment and there is no concierge there to welcome you. A lack of human interaction is counter to the guest experience ethic. It's just not very customer friendly."

Global lodging forecast

Miles Agbanrin, Senior Analyst at Euromonitor International

BY 2022 THE GLOBAL TRAVEL MARKET IS EXPECTED TO RISE TO A TOTAL VALUE OF US$ 2.7 TRILLION

Miles is a UK citizen born in Paris and raised in St. Lucia, Miles joined Euromonitor International's syndicated research team in 2015. A 2014 Edinburgh university business school graduate, he has an academic and professional focus on corporate strategy, microeconomics, and competitive analysis across industries.

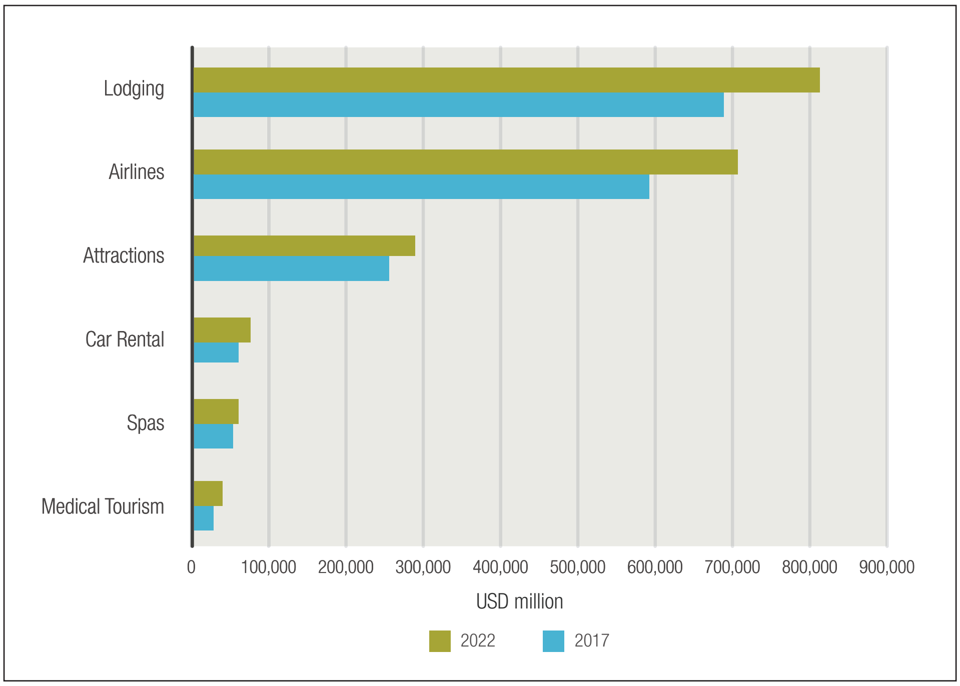
As shifting consumer priorities strengthen the value placed on business and leisure travel, they will also significantly alter its structure. In no single sector of the travel industry will this change be more apparent than in lodging, where demand for greater flexibility will blur the lines between product categories and between competitors. Serviced apartments, a diverse product offering with the features of both hotels and short-term rentals will be at the forefront of this innovation.

In this review of Euromonitor International's travel forecasts we examine the forces shaping the future of the global travel market and lodging by extension. After a review of the growth prospects of each region, we highlight two interrelated trends shaping future demand for lodging: The gig economy and growing influence of short-term rentals.

Global demand for travel resilient in the face of rising uncertainty

From a devastating Atlantic hurricane season, incidences of terrorism to the contentious US travel ban, 2017 brought with it an array of shocks to global travel. Looking further ahead, political concerns, such as the implementation of Brexit and tensions in the South China Sea, will heap

Figure 19 - Global Travel Product Sales USD million



Source: Euromonitor International

significant uncertainty onto the future of the travel market. However, despite the damaging influence of man-made and natural disruptors, global travel remains resilient; forecast to outpace growth in the global economy through to 2022. By 2022, the global travel market is expected to rise to a total value of USD2.7 trillion, up from USD2.3 trillion in 2017. This will comprise 1.5 billion arrivals and approximately USD1.7 trillion of inbound receipts.

Underpinning this positive outlook are changing consumer habits and the growing influence of emerging market travellers. As household incomes improves in a number of emerging markets, consumers will be lifted into middle income status; empowering successive waves of eager new travellers. This trend is led by China which, after reaching the top spot in 2016, will continue on as the largest single source of global outbound travel globally.

Identified by Euromonitor as one of several megatrends shaping the future of consumption, modern consumers place rising value on experiences versus material possessions. As such, the value of travel as a consumer demand has been cemented, then markedly enhanced by the desire to experience more. Alongside resilient business travel, itself supported by increasingly efficient booking technology and more flexible lodging options, this dynamic will manifest itself in steady positive growth for travel sales into the future.

Global Lodging Growth Prospects

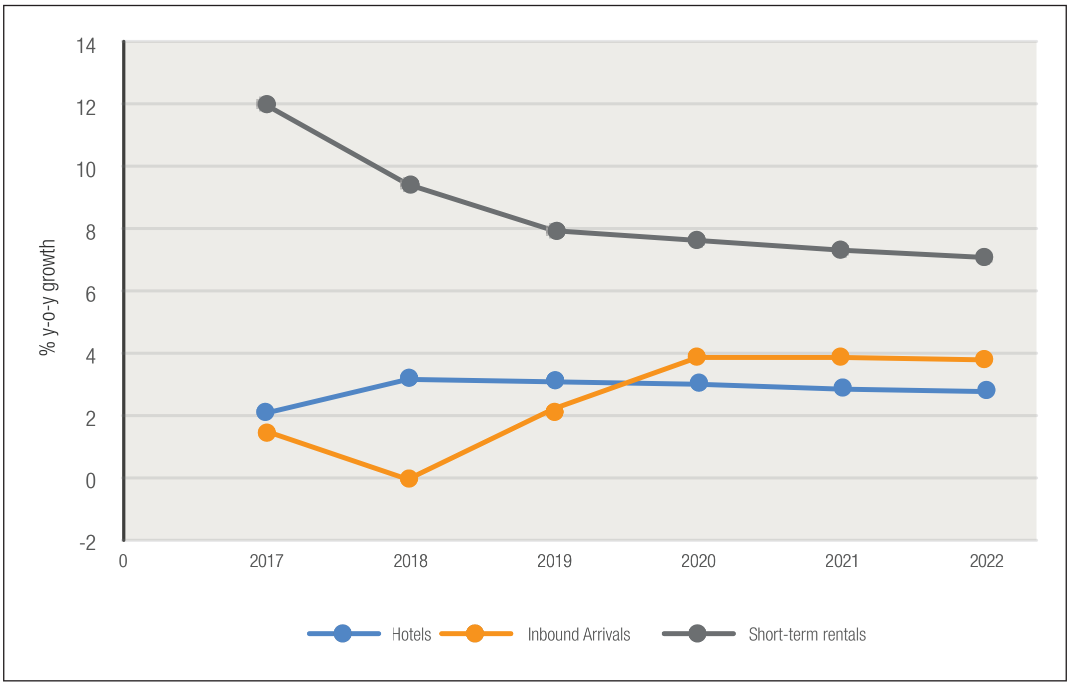
From USD691 billion in 2017, global lodging sales are forecast to reach USD812 billion by 2022. Behind North America, Asia Pacific is to remain the second largest market for lodging in the world; currently at USD188 billion, lodging sales in the region are set to reach USD222 billion by 2022, with 43% of this accounted for by domestic sales in China.

North and Latin America

Although still seeing positive growth, US arrivals witnessed a slowdown in 2016 due to a strong dollar and political uncertainty surrounding the US election. Following this, 2017 saw the partial introduction of US President Donald Trump's highly controversial travel ban. This allowed the government to bar entry to the US to people from six Muslim-majority countries. Uncertainty surrounding the early implementation of the ban led to confusion at airports and was a significant contributor to a drag on arrivals.

In both North and Latin America short-term rentals have performed very strongly leading up to 2017. The main players, Airbnb and HomeAway,

Figure 20 - North America Inbound Performance



Source: Euromonitor International

are both based in the US, and the country accounted for 51% of global sales in the category in 2017. In Latin America, sales values of both hotels and short-term rentals are led by Mexico. In this market, the expected arrival and expansion plans of luxury hotel brands for business and leisure trips will drive sales.

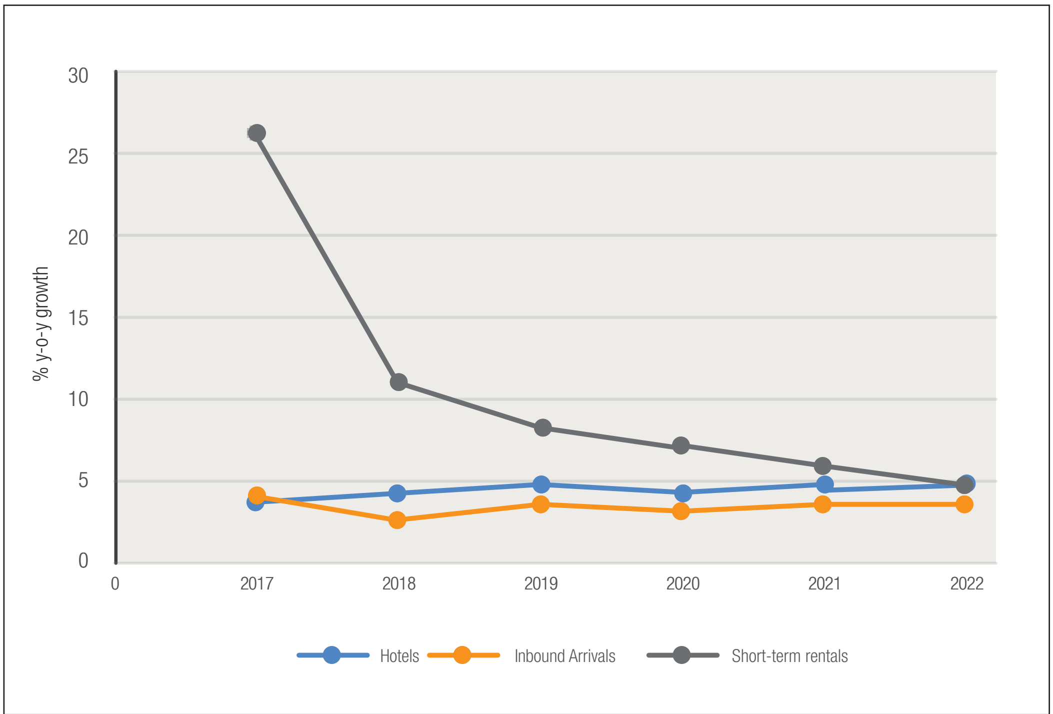
As such, Luxury and mid-market hotels in Mexico will excel with CAGRs of 6% and 5%, respectively between 2017 and 2022. Short-term rentals will see an acceleration of sales value growth with a 6% CAGR at constant 2017 prices. The wide range of prices and options of Airbnb and other home-sharing competitors has been a boost for tourism in Mexican regions or cities with a lack of hotels and other formal lodging such as Pueblos Mágicos.

Asia Pacific and Australasia overview

Inbound arrivals in Asia Pacific and Australasia are to show healthy growth, with value sales growth both regions outpacing North America and Western Europe. Specifically, Asia Pacific will lead all other regions in terms of forecast growth of leisure arrivals through to 2022, with a five-year volume CAGR of 6%.

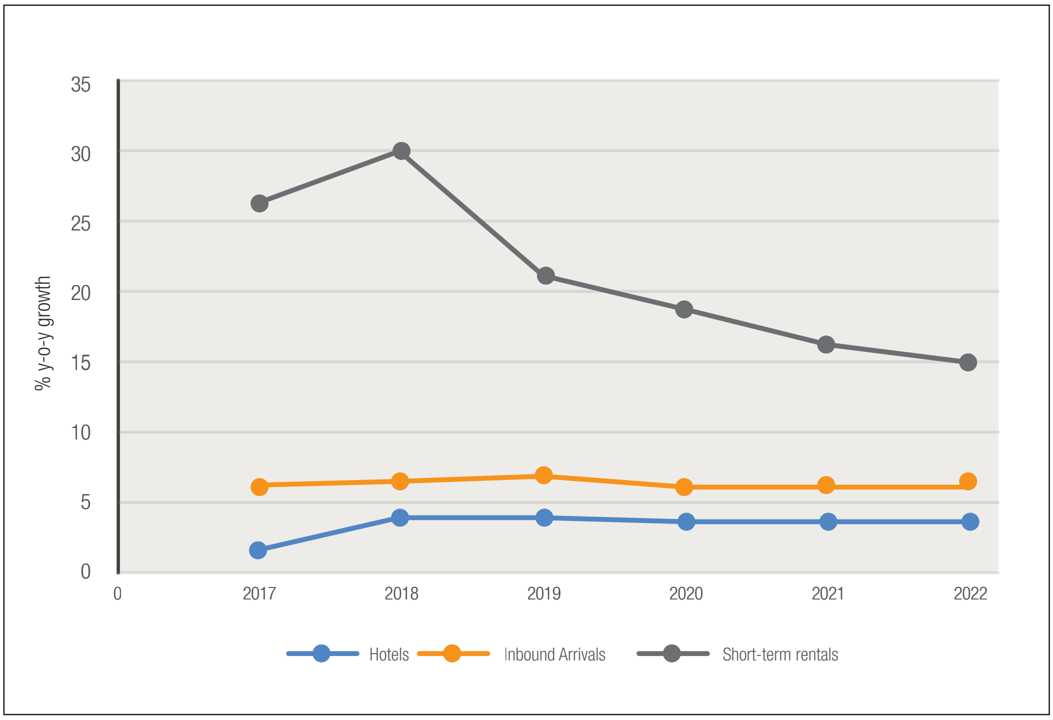
In both Asia Pacific and Australasia Hotels are set to face growing competition from the dynamic performance of short-term rentals in Asia Pacific. While performance in China remains timid, other Asian countries and Australia are expected to register stronger growth. While Airbnb is set to remain the leading intermediary for booking short-term rentals, due to its high brand awareness and wide network, Chinese rival Tujia is quickly catching up. In 2017, short-term rentals remained illegal in many countries, including Singapore, Thailand and Myanmar, which poses an obvious challenge for players looking to expand their reach in these markets.

Figure 21 - Latin America Inbound Performance



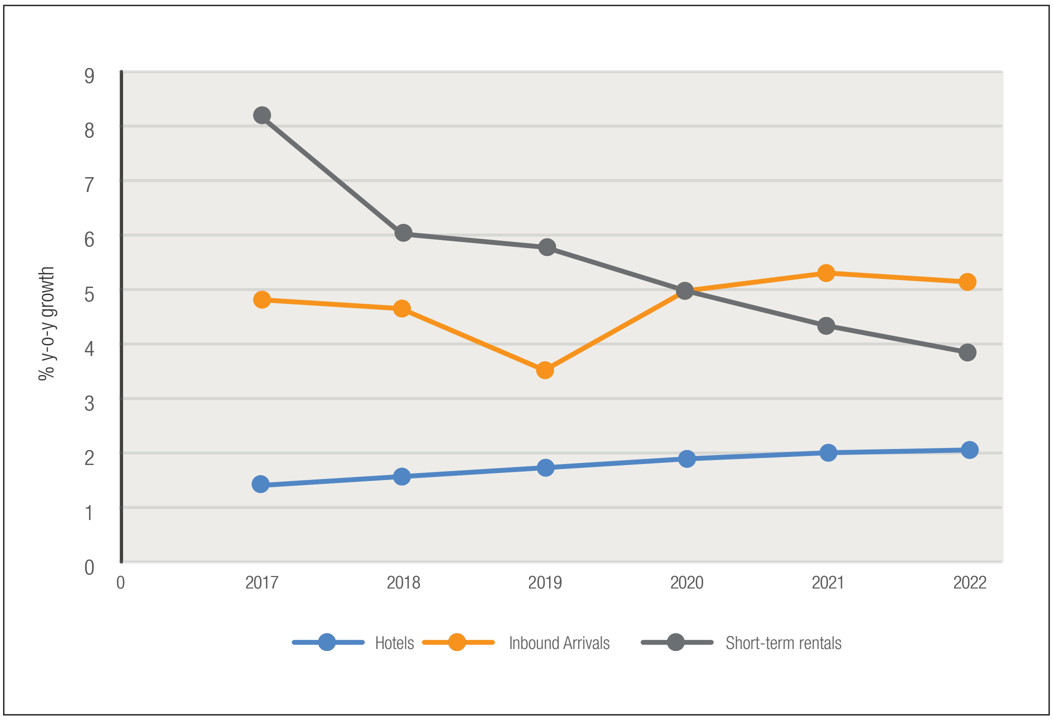
Source: Euromonitor International

Figure 22 - Asia Pacific Inbound Performance



Source: Euromonitor International

Figure 23 - Australasia Inbound Performance



Source: Euromonitor International

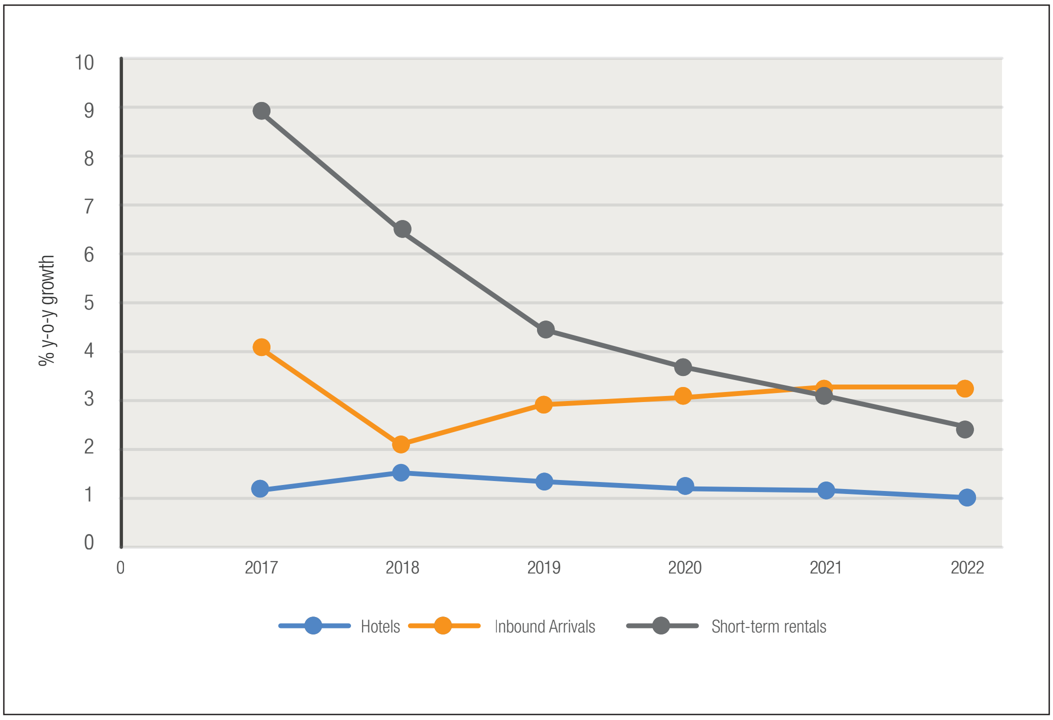
Western and Eastern Europe

Over the five years to 2017, the performance of European travel has been hampered by several events, notably the implementation of Brexit and terrorist attacks in a number of countries. Despite the uncertainty, some European destinations, in particular Spain, Italy and Greece have profited somewhat from unrest in the Middle East and North Africa as they offer a similar climate to affected countries such as Turkey, Egypt and Tunisia.

Short-term rentals will remain the standout performer in European lodging. In both Western and Eastern Europe, short-term rentals will continue to outpace the sales value growth recorded by hotels. Airbnb in particular has seen rapid growth in major cities such as Paris, Amsterdam and London. However, some backlash against the home sharing platform by in cities such as Berlin and Barcelona has prompted expectations of gradually softening growth.

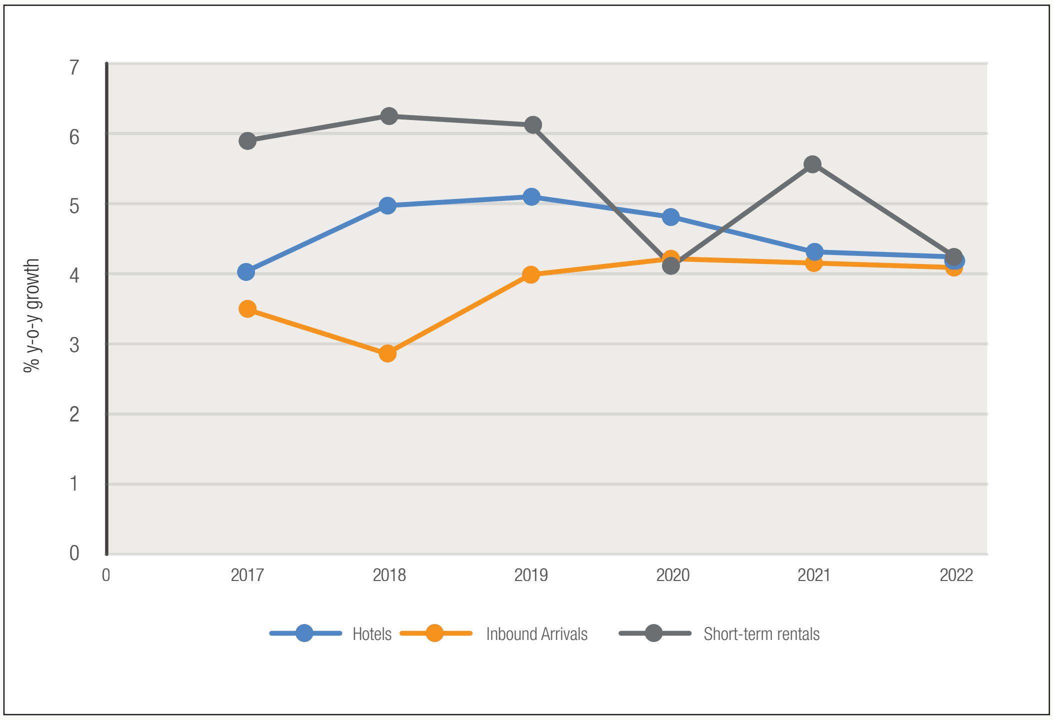
Unsurprisingly, Russia leads Eastern Europe as the single largest market for lodging. Growth expectations for Russian short-term rentals are high, with sales to reach RUB9 billion in 2022 at a CAGR of 6% at constant 2017 prices. The category will continue to benefit from the weak purchasing power of Russian consumers demanding lower prices. The leading international player Airbnb will mainly drive sales, which is extremely popular among international visitors and facing increasing demand among Russians.

Figure 24 - Western Europe Inbound Performance



Source: Euromonitor International

Figure 25 - Eastern Europe Inbound Performance



Source: Euromonitor International

Middle East and Africa

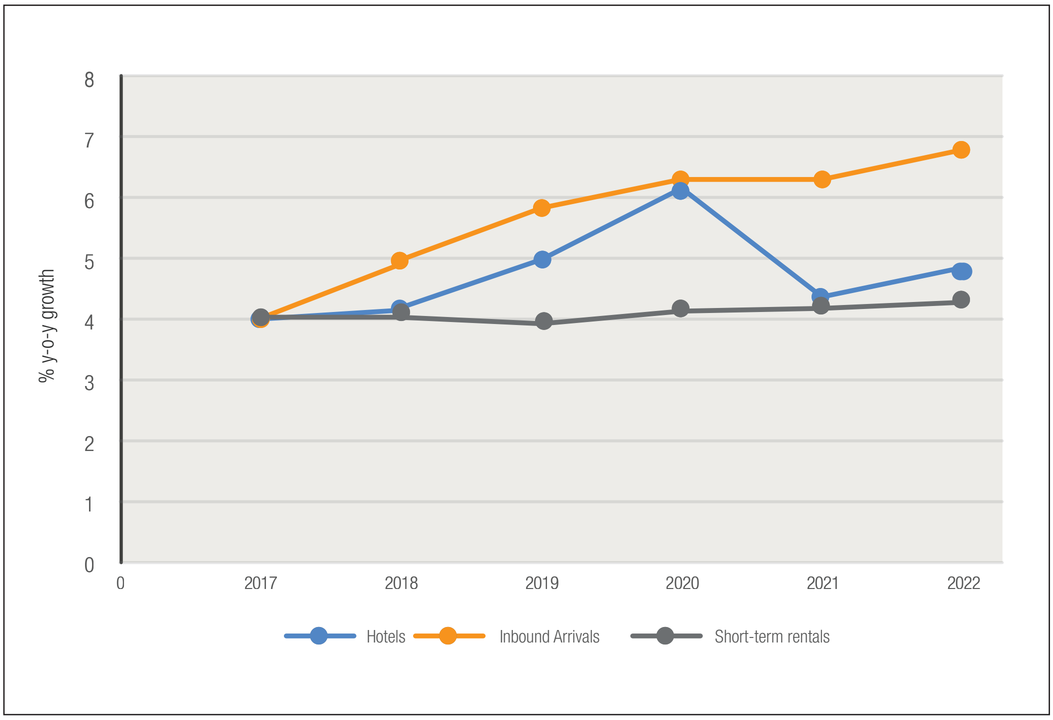
Inbound performance in the Middle East and Africa has fluctuated greatly due to unrest in many countries. However, due to the influence of a number of increasingly business-friendly markets such as The United Arab Emirates and South Africa, the region is set to lead growth of business arrivals at a five-year volume CAGR of 7%.

Lodging is to register a strong performance in the region with mid-market hotels forecast to post the fastest value growth at a five year CAGR of 9%.

South Africa and Kenya are expected to register strong growth in luxury hotels as Sub-Saharan Africa remains popular with luxury travellers. Additionally, South Africa has been identified by short-term rentals platform Airbnb as a key market through which to enter Africa.

The United Arab Emirates, however, will continue to lead the region's development of Short-term rentals posting a five-year value CAGR of 6% at constant 2017 prices. As demand for affordable lodging increases over the forecast period, short-term rentals is likely to be a key factor in the development of feasible and affordable long-stay packages for tourists in the country.

Figure 26 - Middle East and Africa Inbound Performance



Source: Euromonitor International

Key Forecast Drivers in Global Lodging

"Gig economy" shifts balance of business travel

With business arrivals to record strong growth through to 2022, major ongoing change to the structure of business travel is obscured by its resilience to disruption by political and economic factors. The modern working world is increasingly characterised by short-term contracts, freelance and remote work. The global financial crisis was an essential stimulus to this development. During the recession, underemployed workers, particularly in knowledge industries, took on short-term contracts and freelance "gigs" to make ends meet; becoming accustomed to flexible and remote working.

As this "gig economy" becomes more pervasive across industries and job functions, work will be increasingly flexible. The distinction between professional and personal life will become markedly less clear, making the needs of the business traveller increasingly context-specific. This has already necessitated greater variety in the lodging options available to business travellers, thus boosting the uptake of short-term rentals.

With its first tools for business released in 2014, Airbnb has been relatively quick to target the changing demands of business travellers and employers. Following this, an overhauled Airbnb for business, including a centralised billing system and better tools for HR representatives to track spending, launched in 2015. Since then, Airbnb business transactions have boomed: a study by Morgan Stanley showed an increase in uptake of Airbnb amongst business travellers from the US, UK, France and Germany, from 18% in 2016 to 20% in 2017.

As a whole, corporate business travel has been far slower to modernise, restrained by legacy concerns over compliance. Corporate travel managers have thus continued to operate under restrictions imposed more by the fear of litigation than by efficiency. This has prevented faster integration of more flexible lodging formats such as short-term rentals into corporate travel programmes.

For businesses operating in markets prone to political instability, high levels of quantifiable risk justify more rigid controls on corporate travel. However, the administrative cost of these controls and the inherent inflexibility of long-term agreements with travel providers may not be an efficient use of resources for the majority of businesses. For many businesses, particularly those whose staff primarily operate in and around major urban centres, the potential benefits of offering greater flexibility in their corporate travel programmes may markedly outweigh the potential risks.

The experience of leading innovators such as Netflix, where staff are allowed to book their own travel and accommodation, provides a compelling example. It shows the potential for a highly flexible in-house corporate travel programme, when effectively managed and supported, to safely deliver greater satisfaction to staff and savings to employers.

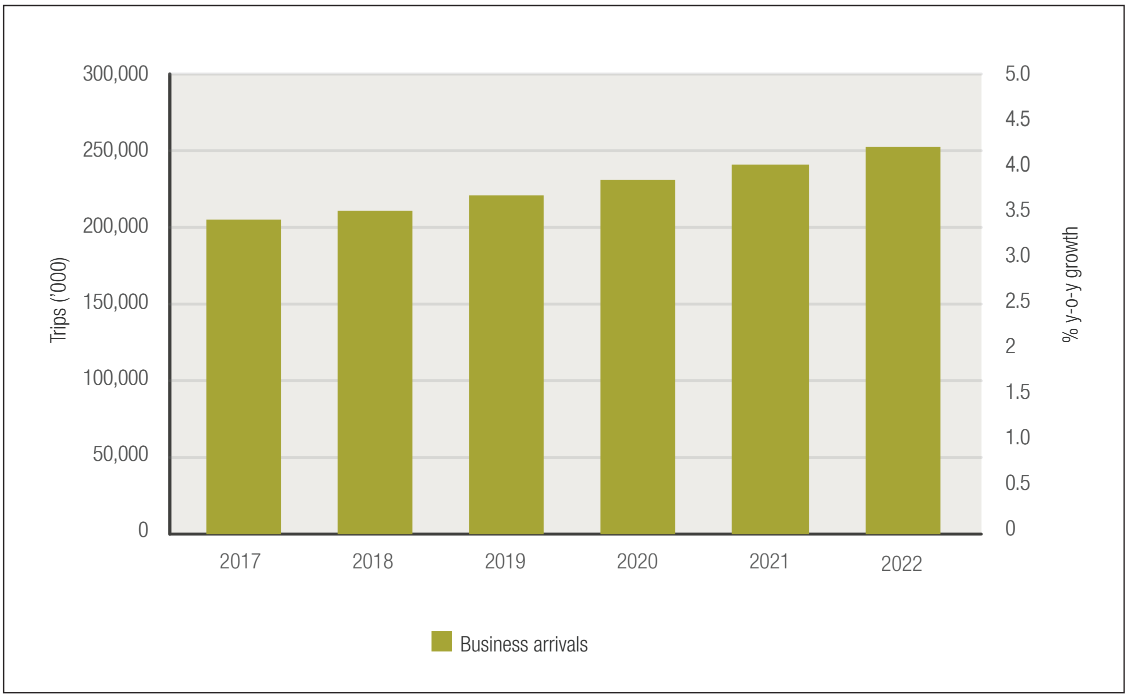
Short-term rentals boom inspires dynamic future for global lodging

Of all lodging formats, short-term rentals will enjoy the fastest sales growth, rising by a CAGR of 7% between 2017 and 2022. This growth is indicative of a long-run shift in consumers' priorities. Consumers are prioritising spending on factors such as easy access to city amenities and events, digital connectivity or communal living spaces. As leaders Airbnb and HomeAway have extended into new services, like business travel, the category has become an increasingly credible threat to the market share of traditional hotels, pushing these players to respond with greater flexibility of their own.

Combining features of both categories, "aparthotel" brands have been launched or purchased by a number of major hotel players. An array of hotel players have also integrated aspects of short-term rentals into new or existing brands. For example, in 2017 Marriot's announced plans to introduce communal and self-catered apartments to its Element brand. Similarly Airbnb's 2017 move to develop its own purpose built apartments suggests an intention to capture a degree of the consistency in product and service offered by hotels.

Lodging that caters to new consumer priorities will lead to even greater blurring of the lines between short-term rentals and hotels. As travellers' preferences are less clearly segmented by traditional categories, players will be pushed to seek an optimal blend of the features of multiple lodging formats. In the future, players across lodging are more likely to operate mixed use properties that pair extended with short-stay rooms, offering multiple levels of service and amenities for guests. In this increasingly complex environment, there is of course significant room for error and inefficient allocation of resources as former specialists extend into new areas. However, it is likely that serviced apartment operators, particularly larger players with institutional experience in catering for a wide variety of guests needs across multiple types of properties, may have a relative advantage in finding and maintaining this optimal balance.

Figure 27 - Global Business Arrivals



Source: Euromonitor International

Euromonitor International Definitions

Unless otherwise stated all data is in US dollars at a fixed 2017 exchange rate and at constant 2017 prices. All arrivals data is measured in volume terms.

Inbound arrivals
Arrivals associated with inbound tourism correspond to non-resident overnight visitors to the country of reference, travelling for business and leisure purposes, excluding same day visitors.

Inbound receipts
Inbound receipts refer to the amount spent by non-residents on the acquisition of travel and tourism goods and services, including transport, for and during a trip.

Hotels
Hotel outlets that provide lodging include independent and chained operators as well as all company-owned, leased, managed and franchised outlets. Aparthotels are included. "Residences" or serviced apartments are also included where the rental offers the service of a hotel.

Short-term Rentals
Rentals are distinguishable from hotels through the absence of services such as catering and housekeeping, while they generally are fully furnished with access to a kitchen and household equipment. Stays over 90 days are excluded from short-term rentals. Covers:

- privately-owned houses or individual rooms rented to tourists
- privately owned holiday homes rented out to tourists
- Organised rentals which are commercially owned and are allocated tourist apartments or flats

Euromonitor Top City Destinations

Top city destinations take the lead in development of global travel.

In the context of global travel, cities have consistently grown in value, with arrivals in the top 100 cities outperforming all other global arrivals almost every year. With rapid and largely unchecked urbanisation occurring globally, cities are to become increasingly popular, with more people visiting for business and personal reasons. As a result, city destinations have come quickly to the forefront of growth and innovation in tourism.

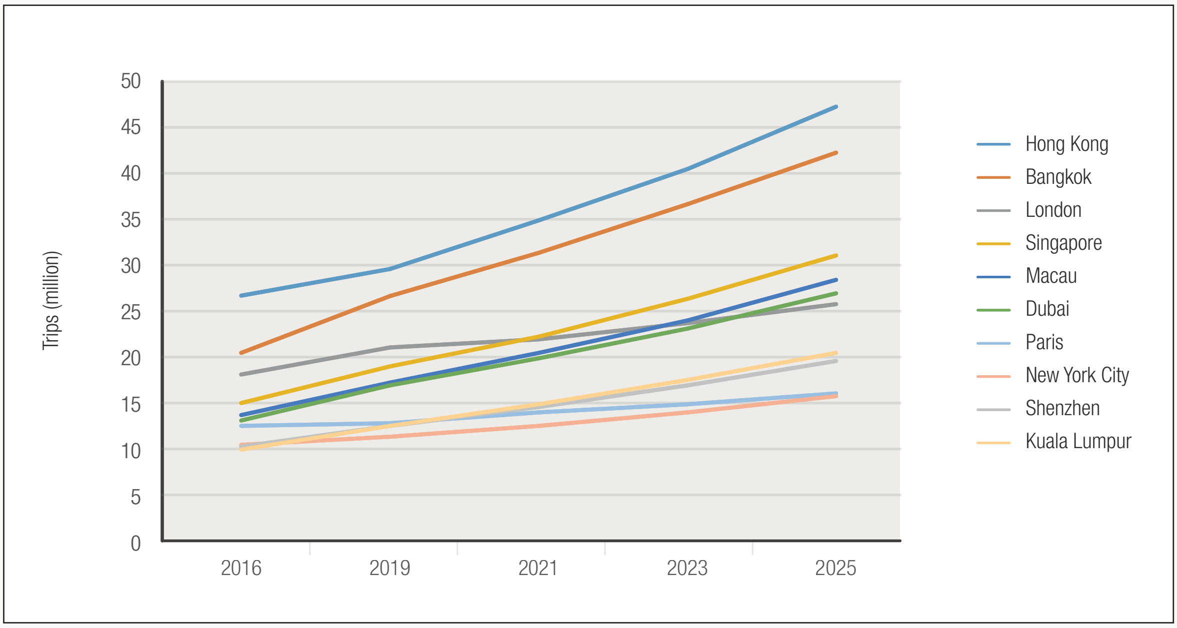
Ranked by the number of annual inbound arrivals, Euromonitor's Top 100 City Destinations tracks the urban locations seeing the most interest from business and leisure travellers. Asia Pacific is the standout region that has driven change in the travel landscape and is expected to continue doing so in the coming decade. As of 2010, 34 cities from the Asia Pacific region were present in Euromonitor's ranking. This soared to 41 cities in 2017 and is expected to grow to 47 cities by 2025, with Singapore overtaking London as the third most visited city in the world.

Looking ahead, the example of popular destinations like Amsterdam suggests that overcrowding will become increasingly challenging for cities across the globe. As top cities grow and limited square footage is occupied by increasing numbers of residents and tourists, policymakers will be required to encourage greater dispersal of travellers or risk gaining notoriety as a congested destination.

Where traditionally cities would compete fiercely with surrounding areas for their share of travellers, an integrated approach to marketing destinations will gradually become standard.

SINGAPORE IS OVERTAKING LONDON AS THE THIRD MOST VISITED CITY IN THE WORLD

Figure 28 - Forecast Growth in Arrivals of Top 10 Cities



Source: Euromonitor International

Case study - Graebel

GRAEBEL

Global relocation services provider Graebel manages 80,000+ relocations a year around the world, providing a wide range of services to assignees from home sale in the US to physical relocation and interim accommodation intra-Europe and beyond.

Graebel clients relocating in their own countries tend to use hotels. However, those relocating in or out of the US, embarking on a longer transition or waiting to settle in a permanent home are placed into serviced apartments because the environment replicates home, as Graebel Chief Strategy Officer Dale Collins explains.

“We look for several essential elements from any serviced apartment provider. The first is safety and security. We take our duty of care very seriously and need to ensure the location and accommodation are safe. We want to replicate home living because this makes the assignee more comfortable.”

“Next we ensure that the accommodation selected offers the right combination of environment and location to provide a real wow factor. For families, the accommodation needs to have suitable schools and activities for children nearby. Assignees don’t want to have to spend ninety minutes every day driving their kids to school.”

The needs of the assignees must be closely matched against family size and requirements; it’s not just about the individual needs of the assignee. Little touches make a big difference, too, such as when assignees have travelled long distances, sometimes overnight. “They need to have the ability to check in when they get there, so having the keys right away is critical” says Dale.

“Assignees are often going to somewhere new. They need to know that on arrival there will be food in the fridge and some information about the local neighbourhood will be available. If so, assignees and their families can relax as soon as they get there. Each small touch goes a long way.”

Collins says availability in popular locations is a challenge in deploying the Graebel serviced apartments programme. In addition, corporate mobility trends and employee needs will continue to drive the demand for serviced apartments. The right supply in the right locations will be critical to service clients and their assignees.

“The choice of serviced apartments in major global cities is often restricted,” says Dale. “For example, people moving into Houston after the 2017 hurricane found themselves in a challenging situation because accommodation was so hard to find. That’s why we work closely with our supply network and with partners like The Apartment Service who can provide a first, second and third choice of accommodation to meet the assignee’s expectations.”

Collins wish-list for the extended stay includes providers having professional relationships with assignees, with concierges available to serve and assist. “Our assignees’ families need to feel positive about their experience, including the safety and security of their accommodations,” he says.

The subject of Airbnb is never too far from any conversation with a buyer of serviced apartments or corporate housing.

“The use of temporary housing options like Airbnb depends on a company’s culture. For our clients, we aim to manage risks and focus on our duty of care,” Dale says.

Other issues and challenges Collins faces around extended stay are residency status, registration and the regulatory impact on length of stay. Country-by-country variations are another. "Throughout most of Europe you can find accommodation of an excellent standard, as you can in most developed Western countries. That's not the case in Western Africa, as an example. However, many of our serviced apartment providers understand our clients and so they source serviced accommodation that meets the required and consistent standards because they are already catering to the same level of customer."

Looking to the future, Collins says that apartment operators must up their game to meet the changing needs of business travellers and assignees if serviced apartments are to fulfil their purpose in ensuring a positive family transition. "In years past, it was all about the basic amenities. Today high-speed internet is essential for both the assignee and the family – even when the assignee is at work. A dedicated workspace is also vital because people no longer work exclusively in the office and sitting at the kitchen table is not good enough. Operators also need to provide plenty of clothes storage space and laundry facilities."

"We want our serviced apartment providers to recognise and understand our clients' needs. We achieve this through close communication and exchange of intelligence about how to make the customer experience absolutely sensational."

TODAY HIGH-SPEED INTERNET IS ESSENTIAL FOR BOTH THE ASSIGNEE AND THE FAMILY – EVEN WHEN THE ASSIGNEE IS AT WORK

by Mark Harris

OVER 10,000 SERVICED APARTMENTS WILL BE BUILT IN EUROPE BETWEEN 2017 AND 2020

Back in 2015, JLL & The Association for Serviced Apartment Providers (ASAP) published Why Serviced Apartments? The Investment Case.[5]

At that time, they reported, yields (income divided by capital value) for serviced apartment investments in the UK ranged from 6.5% to 9.5%, which was higher than hotels. That premium reflected a higher level of risk associated with the serviced apartment sector including the lack of product clarity, benchmarking data and brand awareness.

The report went on to predict that improvements such as the availability of performance data, operator expansion and a rise in transaction volumes could "move yields to between 4% and 5%, sitting between the returns of residential and hotel investments." Three years on, have those predictions come true?

According to HVS, over 10,000 serviced apartments will be built in Europe between the middle of 2017 and 2020. 37% of them were commissioned in 2017, 28% will be commissioned in 2018 and 25% in 2019.[6]

Conventional wisdom dictates that serviced apartments achieve a higher profit margin compared to hotels due to the reduced service offering, principally around the labour costs saved by not offering food and beverage outlets in-house. In their 2017 report Serviced Apartments in Europe: No Longer the Under-dog? HVS research found a large range of Gross Operating Profit (GOP) margins ranging from 17 – 83% and averaging around 60%.

Figure 29 - Gross operating margins

	2015	2016	2017
Weighted Average*	45%	45%	46%
Min	16%	17%	18%
1st Quartile	42%	44%	47%
2nd Quartile	60%	58%	64%
3rd Quartile	76%	72%	72%
4th Quartile	83%	79%	77%

* Weighted by unit count
Source: HVS Research

5 https://hub.theasap.org.uk/wp-content/uploads/2016/12/pages.pdf
6 https://www.hvs.com/article/8044-the-serviced-apartment-sector-in-europe-no-longer-the-underdog

HVS found that GOP margins “positively correlated with average rate, RevPAR and the average length of stay. The weighted average GOP margin for short stays (<5 nights) is 40%, 57% for stays between 5 and 15 nights and 78% for stays longer than 15 nights, confirming that longer stays make the operation more profitable. A strong positive correlation (~80%) was found between RevPAR and GOPPAR; that is, the higher the RevPAR the higher the GOPPAR.”

Nicole Perreten, Head of Feasibility at Cycas, told Hotel Analyst that “The sector is steadily finding its place in the investors’ community with a development pipeline that’s larger than ever and increasingly includes secondary and tertiary markets.

“As a result, brands are having to fight for attention by being creative with the addition of facilities such as communal space or dining areas, often at the expense of kitchens in the rooms. This can also mean that space is used more efficiently, improving profit margins.”

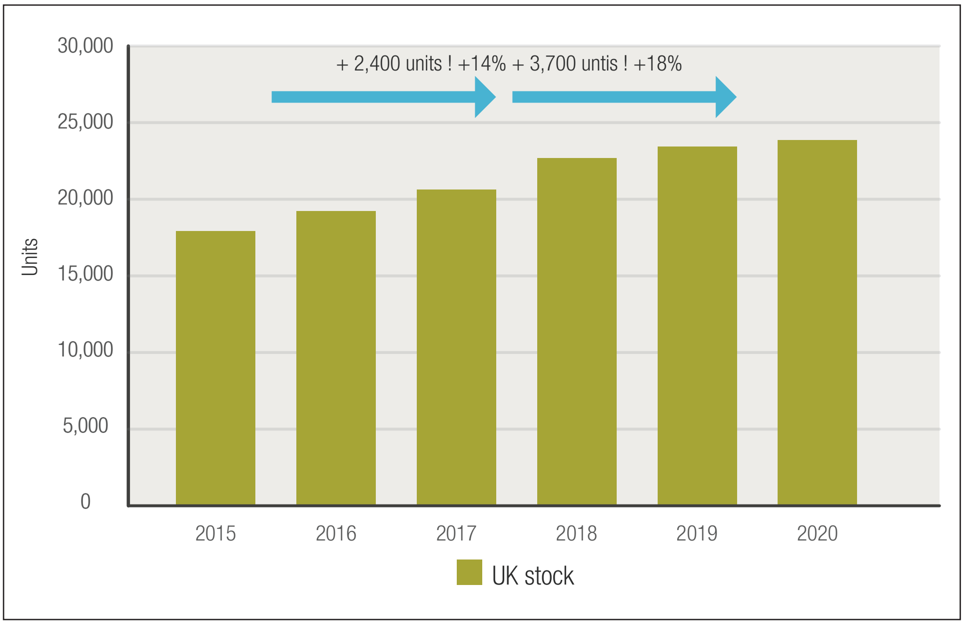
“Our survey of operators confirms this product can be operated very efficiently with high GOP margins because of low staffing levels and few additional services. However, more hotel-type services may become popular in the future as the sector continues to grow.” [7]

A separate report on the German serviced apartment market from Horwath HTL painted a similar picture, highlighting a 17% market growth despite serviced apartments only making up 3.6% of German hotel inventory.

In the UK, a study from Knight Frank predicted that the serviced apartment sector would grow by 21% between 2017 and 2020, equating to approximately 23,500 apartment units. Philippa Goldstein, hotel analyst, Knight Frank, told Hotel Analyst that “the sector is increasingly attractive to investors, who like the fact that they are getting longer term clientele at the same rate during the week and, with less F&B are getting a lower variable cost. The sector is less volatile than other sectors, such as residential.”

7 http://hotelanalyst.co.uk/2017/11/15/brookfield-tipped-for-saco/

Figure 30 - Serviced apartment inventory – expansion forecast



Source: Savills

Aberdeen
629 units
2yr his: +28%
3yr for: +0%

Edinburgh
1,782 units
2yr his: +24%
3yr for: +36%

Glasgow
424 units
+18%

Liverpool
1,260 units
2yr his: +7%
3yr for: +27%

London
12,630 units
2yr his: +8%
3yr for: +18%

Birmingham
886units
2yr his: +31%
3yr for: +0%

Manchester
1,788 units
2yr his: +53%
3yr for: +46%

Investor activity

In November 2017, it was announced that Brookfield Property Partners was to acquire SACO for around £430m from Oaktree Capital Management. With Mapletree and Invesco also rumoured to be bidding for the 39-site business, the deal happened against a background of increasing merger and acquisition activity in the sector, providing further evidence of serviced apartments' mainstream appeal to property investors.

Up to that point, Brookfield's highest profile deal in the UK had been their US$2.4 billion acquisition of CenterParcs. Industry commentators saw the SACO deal as evidence that "serviced apartments and their ilk are now deemed part of the leisure market."

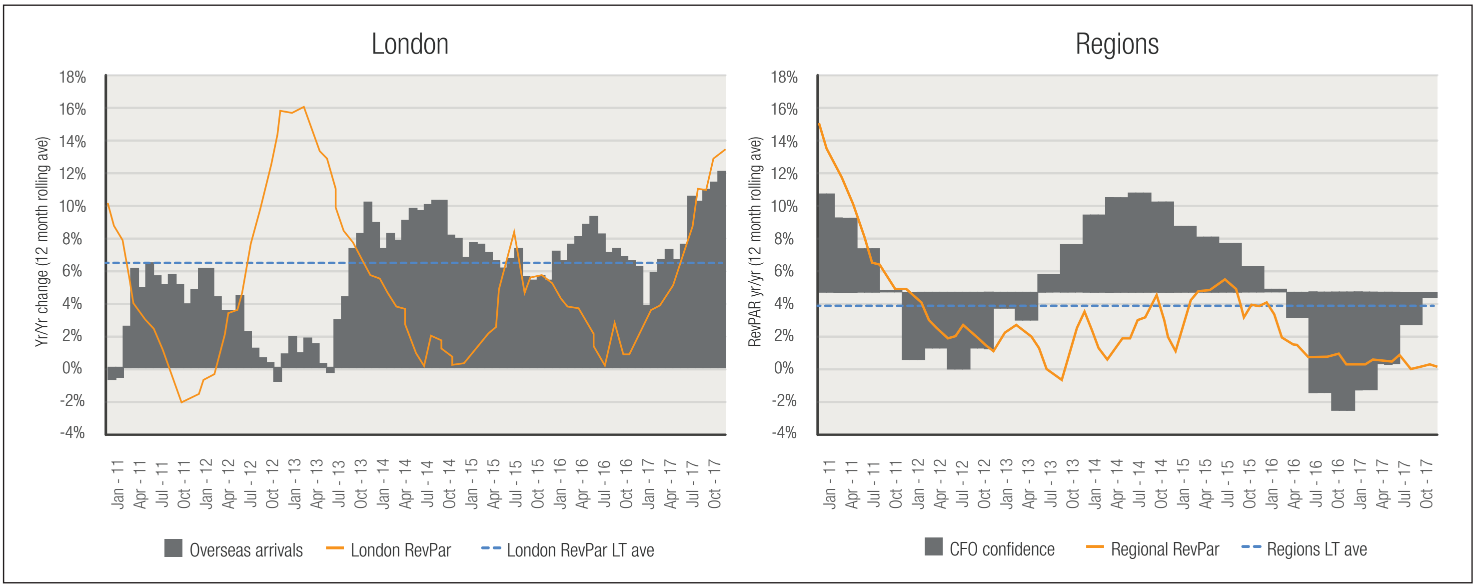
According to a 2017 survey by PwC, 39% of respondents believe the prospects for serviced apartment investments "good" while 29% rate them "very good" The same report puts serviced apartments among the top 10 investment property types in 2018.

So, who is buying what, and why? Marie Hickey is Director of Commercial Research at Savills says that "depends on the product and on whether it's a lease or management contract. Some institutional investors buy leased properties that give them 20+ years of income so effectively they are buying the income stream, which aligns with how institutional investors approach hotels."

"Private equity and other funds are a bit more opportunistic. They are tot as tied to lease products but location is key so their interest will be in the most popular destinations for business and leisure across the UK and Europe."

Most of the investment coming into the sector, like Brookfield's purchase of SACO from Oaktree, However Hickey dismisses claims that aparthotels are more attractive to investors than extended stay. "That is irrelevant. Investors are looking at location, brand and operational strength. However, it is easier for investors to buy into aparthotels because they are just one step removed from hotels and they are conformable with that."

Figure 31 - London vs Regional market performance 2011 – 2017



Source: STR ASAP CNS Deloitte

Investment hot spots – where/why

The performance of UK serviced apartment operators in 2017 reflected on-going, pre-Brexit uncertainty. Most are focussing on primary destination cities like London, Manchester and Birmingham, rather than secondary locations – despite many corporates being in immediate need of apartments in towns like Reading, Farnborough, Slough and others. In 2017 London and Edinburgh both benefited from increased leisure demand, although regional performance proved vulnerable to weaker corporate demand and growth in supply. As in the UK, investor focus further afield has centred on Germany because of its key cities and strong regional economies.

Marie Hickey explains why. "In key cities both serviced apartments and hotels are quite resilient in operational performance. Some markets, such as Manchester, have seen big increase in stock, so operational performance and growth are down. London has bene able to tap into leisure demand, although questions still surround the impact of Brexit on corporate demand. However, if Brexit does go ahead, we believe that impact will only be temporary."

For example, Manchester is increasingly seen as the second city after London, with lots of businesses moving into that city which should help the local market to withstand Brexit. Post-Brexit there will be more opportunities for operators to tap into the leisure market; but that will depend on the location of their properties."

In many respects aparthotels and extended stay apartments have benefitted from the growth in popularity of Airbnb because it has helped them to tap into leisure market. Serviced apartments also represent an acceptable halfway house for corporates who do not want their staff staying in Airbnb.

The leisure market is now being activel targeted by brands like Locke. Others like Adina are already more leisure-focused as their average length of stay is like that of hotels. More and more operators are becoming savvy in making their brands appeal to both corporate and leisure travellers, demonstrating that a so-called lifestyle brand can still appeal to corporates.

Serviced apartments – demand drivers

- Tourist arrivals to Europe forecast to increase 57% by 2030
- 200% increase in Chinese arrivals to Europe
- Airbnb raising awareness of alternatives
- Serviced apartments currently have 4% share of total UK overnight accommodation

Figure 32 - Future trends shaping occupational & investment markets

Source: Savills

What does brand expansion mean for investors?

Serviced apartment brand expansion means greater consistency in product, value proposition and guest experience, says Hickey. “This gives comfort to investor that they are buying into a platform. There is a limited link between the growth of brands and investment, but it does demonstrate further maturity of the market. Brands can also attract the attention of Fund Managers on a human level; recognising a product adds more comfort.”

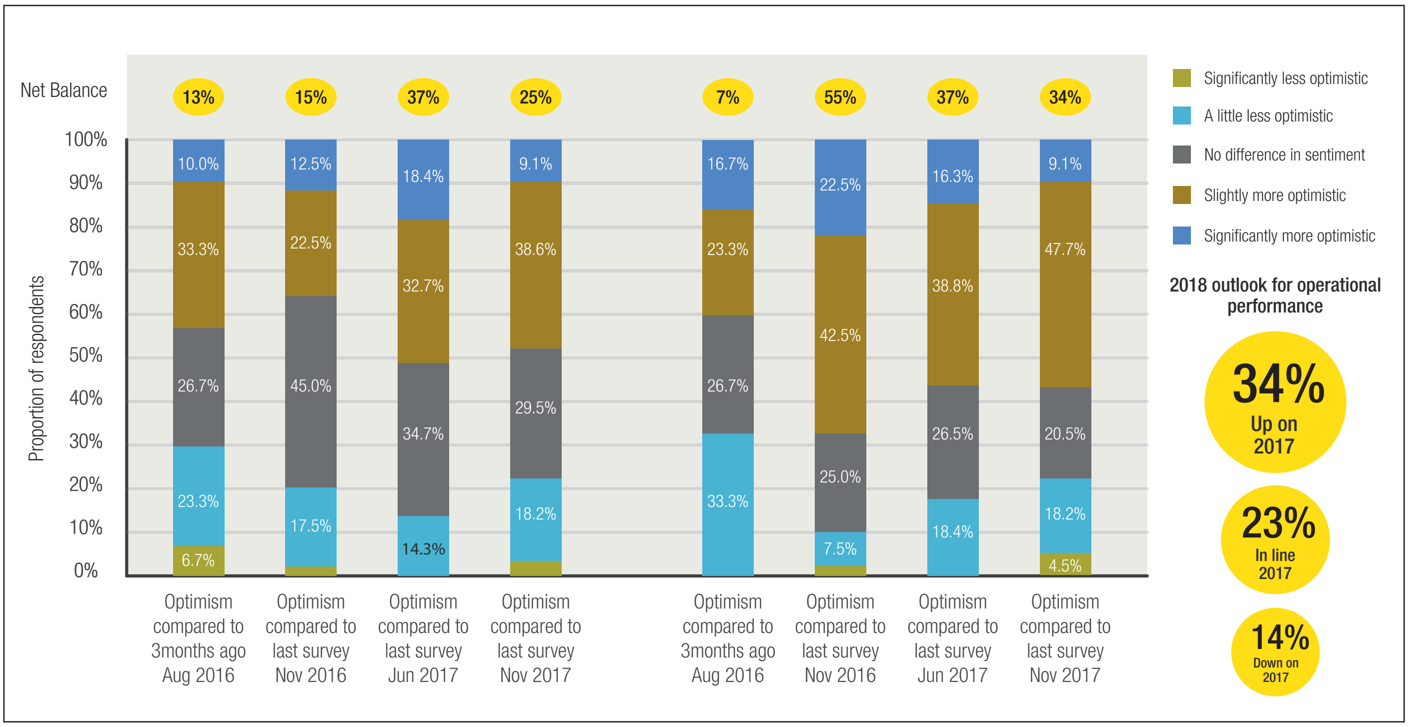
Other factors driving demand include pricing. Leased hotels tend to offer lower yields, (whilst the more expensive a property is, the yield is also lower. Premier Inn is a case in point, offering yields of 3 – 3.75 due in part to the ‘hurdle’ rates which make it harder for institutional investors to buy a Premier Inn than a serviced apartment, but those investors are buying 20+ years of potential because the capital value of a Premier Inn is higher due to the brand being backed by a bigger organisation like Whitbread.

So, what does it all mean for corporates & travellers? Marie Hickey believes that the market will see more consolidation. She points out that the hotel market of the late 90’s had more independent players than it does today, and she says the serviced apartment sector is following the same route. “Consolidation enables brands to scale more quickly. We will still see new brands like Zoku coming into the market whilst some operators may introduce new brands, although the operators behind those brands will be fewer.”

“My hope is that institutional investors will recognise the true value of the product. Serviced apartments are still under-valued in the UK at present. My fear is that there won’t be enough product in the market for those investors to buy. That’s going to happen organically because we are seeing so many newbuilds which will come to market in 3 – 4 years’ time. But we’re not there right now.

“If I had a magic wand I’d immediately make the data more transparent. It’s not the operators’ fault but we still cannot have the data to show how the sector performs during a downturn. There’s very little data available for the period before 2007 and even 2008 data isn’t robust.”

Figure 33 - Sector optimism for 2018



Source: ASAP Savills Research

Supply and the brand landscape

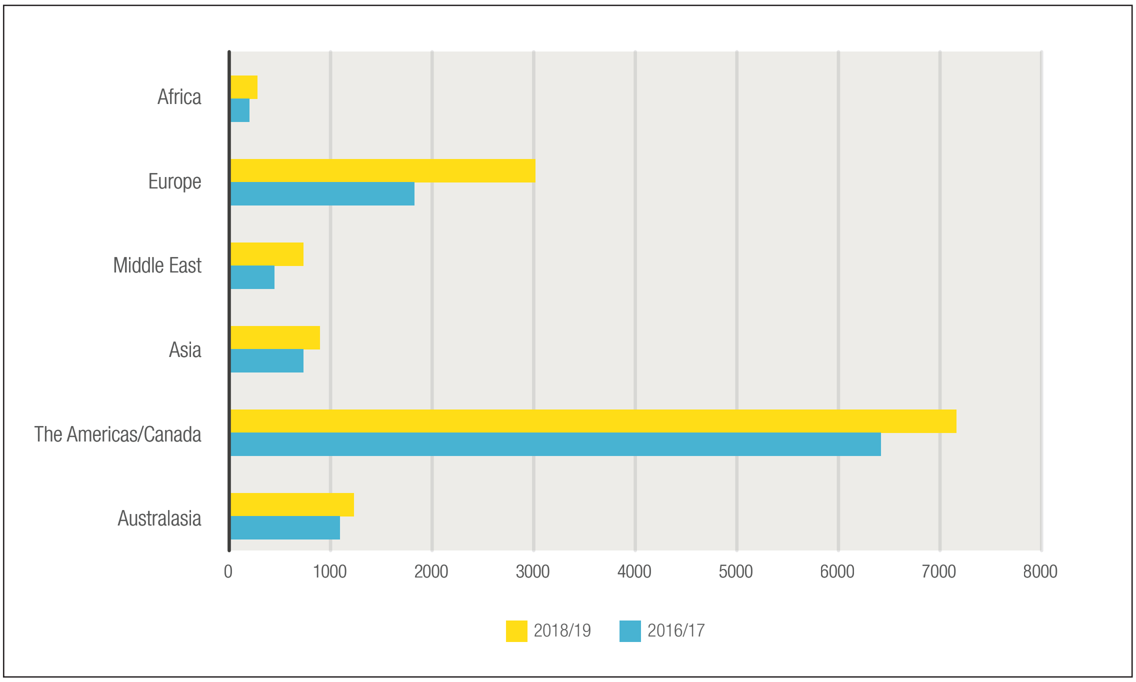
by Bard Vos

WE ESTIMATE THERE ARE 1,096,547 APARTMENTS WORLDWIDE

We estimate there are now 1,022,984 serviced apartments worldwide (with a further 73,563 corporate housing units) in 13,164 locations. This compares to 826,759 apartments (with 70,300 corporate housing units) in 10,777 locations two years ago. These figures represent a big increase in inventory; 23.7% compared to 10.5% two years before that.

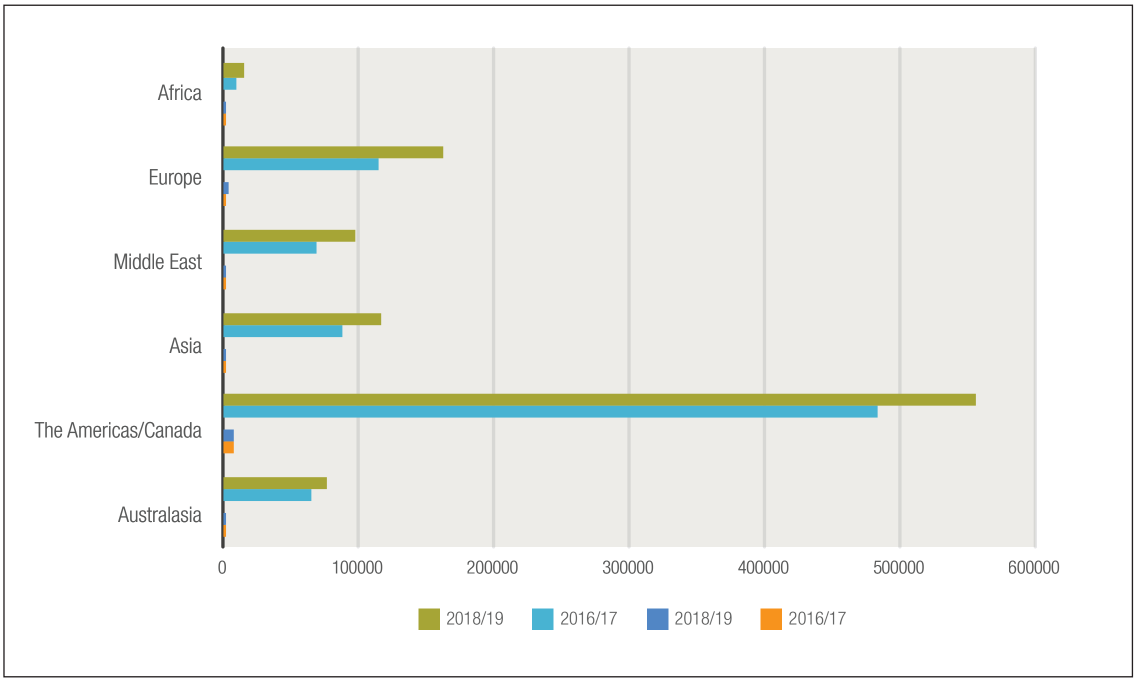
By comparison, as Fig 34 shows, the number of destinations in which these serviced apartments are located has grown by almost as much – 22.2% - showing that operators are expanding their inventories in both new and existing locations.

Figure 34 - Global serviced apartment locations



Source: The Apartment Service

Figure 35 - Serviced apartment totals by units



Source: The Apartment Service

For the fourth GSAIR running, the top 15 global suppliers are largely unchanged in their rankings, with In Town Suites and Hyatt House the only new entries. These suppliers account for 58.8% of global supply, down from 60.7% in 2016.

The biggest leap in the top 15 rankings, as Fig 36 shows, has been made by The Ascott, thanks in no small part to their acquisition of the Australasian brand Quest, now re-branded as Quest Apartment Hotels. The deal more than doubled The Ascott's footprint in terms of locations, and not far short of that figure in units.

This expansion by The Ascott is a continuation of a trend evidenced in the 2016/17 edition of GSAIR, which showed that the brand had increased inventory by 23.5% in the previous 18 months, with Frasers having added 2,456 units in the same period. This time around, by comparison, Frasers' estate remains virtually unchanged.

The other brands in the top 15 to show significant growth include and Marriott, whose 134,311 units represents an increase of 15.1% in two years, and Hilton Worldwide who grew their inventory by 16.8% in the same period.

As demand for serviced apartments matures, and the millennials come to dominate marketers' thoughts, global providers are now deploying multiple brands to meet the disparate needs of business, leisure and bleisure guests alike.

As Fig 37 shows, The Ascott has focused expansion across all its brands, although the mid-market Citadines product has seen most growth – increasing from 11,338 units in 77 locations to 20,170 units in 124 destinations.

Figure 36 - Global brands by locations & units 2018/19 vs 2016/17

		Locations 2018/19	Units 2018/19	Locations 2016/17	Units 2016/17
1	Marriott (Worldwide)	1,160	134,311	1,001	116,672
2	Hilton Worldwide	631	69,871	479	53,040
3	Extended Stay Hotels (USA)	629	69,400	629	69,400
4	The Ascott Ltd (Worldwide) including Quest Apartment Hotels	512	70,337	250	37,712
5	Intercontinental Hotel Group (Worldwide)	619	61,863	561	56,292
6	Choice Hotels (USA)	362	39,860	106	10,881
7	Oakwood Corp Housing (estimated)	2,000	27,000	1,895	25,350
8	Accor Hotels (Worldwide)	221	24,046	204	22,997
9	Pierre & Vacances (Europe)	257	22,252	257	22,252
10	Mantra Group (will be acquired by Accor)	127	20,100	126	19,276
11	In Town Suites	209	15,700		
12	Frasers Hospitality (Worldwide)	74	12,607	71	12,531
13	Hyatt House	88	12,567		
14	Studio6	120	11,496	99	10,034
15	Hawthorn Suites	108	10,613	98	10,584
	Sub-total	**7,117**	**602,023.**	**5.146**	**466,821**

Figure 37 - Global serviced apartment operators by brand

		Locations 2018/19	Units 2018/19	Locations 2016/17	Units 2016/17
Accor Hotels	Adagio	102	12,000	97	11,200
	Mercure / Grand Mercure	58	6,049	58	6,049
	The Sebel	28	1,893	16	1,644
	Suite Novotel	33	4,104	33	4,104
	Total	**221**	**24,046**	**204**	**22,997**
The Ascott Ltd.	Ascott The Residence	57	11,087	41	7,180
	Citadines	124	20,170	77	11,338
	Somerset	88	16,554	69	12,908
	Other Serviced Residences	44	7,114	54	4,969
	Tujia Somerset	15	2,687	6	1,005
	Quest Apartment **Hotels**	180	11,974		
	Lyf	4	751		
	Total portfolio The Ascott Ltd.	**512**	**70,337**	**247**	**37,400**
Extended Stay	Extended Stay America/Canada	**629**	**69,400**	**629**	**69,400**
Frasers Hospitality	Fraser Residence	14	1,792	13	1,563
	Fraser Suites	30	4,968	29	5,034
	Fraser Place	15	2,596	16	3,066
	Modena Residence	6	1,385	5	1,116
	Capri	9	1,866	8	1,752
	Total	**74**	**12,607**	**71**	**12,531**
Intercontinental	Candlewood Suites	374	35,251	341	32,328
	Staybridge Suites	245	26,612	220	23,964
	Total	**619**	**61,863**	**561**	**56,292**
Marriott	Marriott Executive Apartments	27	3,851	25	3,363
	Residence Inn	780	95,160	698	85,287
	Towne Place Suites	353	35,300	278	28,022
	Total	**1,160**	**134,311**	**1,001**	**116,672**
Pierre et Vacances	Pierre & Vacances	226	20,020	226	20,020
	Maeva	31	2,232	31	2,232
	Total	**257**	**22,252**	**257**	**22,252**
Choice Hotels	Mainstay Suites	58	4,309		
	Suburban	69	7,314		
	Woodspring Suites	235	28,237		
	Total	**362**	**39,860**	**0**	**0**
GLOBAL PROVIDERS TOTAL		**3,834**	**434,676**	**71,741**	**337,544**

Figure 38 - Average TripAdvisor/Booking.com rankings 2018-19

	Europe	Africa	Middle East	Asia	Australasia	USA & Canada	Central & South	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	Online rankings	Online rankings
Fraser Residence	✓			✓				✓		✓	Yes	✓		✓	✓	✓		✓	✓		8.9	8.9
Staybridge Suites	✓	✓				✓		✓	✓	✓	No	✓		✓	✓	✓	✓	✓	✓		8.9	8.9
Capri by Fraser	✓			✓	✓			✓		✓	No		✓	✓	✓	✓		✓	✓		8.7	8.7
Residence Inn	✓					✓		✓		✓	No	✓		✓		✓		✓	✓	✓	8.7	8.6
Fraser Suites	✓	✓		✓	✓			✓		✓	Yes	✓		✓	✓	✓		✓	✓		8.7	8.5
The Sebel (Accor)				✓	✓			✓		✓	No	✓	✓	✓	✓	✓		✓	✓		8.6	8.5
Marriott Executive Apartments	✓	✓	✓	✓		✓	✓	✓		✓	Yes	✓		✓		✓		✓	✓		8.6	8.3
Fraser Place	✓			✓	✓			✓		✓	Yes	✓		✓	✓	✓		✓	✓		8.6	8.2
Candlewood Suites						✓	✓		✓	✓	Yes	✓		✓			✓	✓	✓	✓	8.5	8.6
Towne Place Suites						✓		✓		✓	No	✓		✓		✓		✓	✓	✓	8.5	8.5
Modena Residence by Fraser				✓				✓		✓	No	✓		✓	✓	✓		✓	✓		8.5	8.3
Ascott The Residence	✓	✓		✓				✓		✓	No	✓		✓	✓	✓		✓	✓		8.5	8.3
Somerset by Ascott	✓		✓	✓	✓			✓		✓	No	✓	✓	✓	✓	✓		✓	✓		8.5	8.3
Mercure Apartments					✓		✓	✓		✓	No	✓		✓		✓		✓	✓		8.4	8.4
Citadines	✓			✓	✓	✓		✓			No		✓	✓		✓		✓	✓		8.4	8.3
Suite Novotel	✓			✓				✓			No		✓	✓	✓	✓		✓	✓		8.4	8.1
Quest Apartment Hotels	✓				✓			✓	✓	✓	No	✓	✓	✓		✓		✓	✓		8.3	8.2
Adagio	✓		✓				✓	✓			No	✓		✓		✓	✓	✓	✓	✓	8.2	8.1
Adagio Access	✓						✓	✓			No	✓		✓		✓	✓	✓	✓	✓	7.9	8
Extended Stay America						✓			✓		No	✓		✓		✓				✓	7.2	7.3

Source: Trip Advisor/Booking.com

On-line reputation and the guest experience

In our last GSAIR we introduced a comparison of the leading serviced apartment brands by guest ratings on Booking.com and TripAdvisor, quantified by way of an average updated total. This year's findings are shown at Fig 38.

The top three brands in the 2018 listings and once again Fraser Residence, Staybridge Suites and Capri by Fraser remain unchanged both in rankings and average scores. The biggest year-on-year improvement was realised by Fraser Place (+ 0.4), followed by Marriott Executive Apartments and Suite Novotel (each + 0.3).

Four brands improved their average scores by 0.2 and five improved by 0.1. Five brands' scores were unchanged and three – Candlewood Suites, Adagio Access and Extended Stay America - saw a marginal decline.

Overall the trend if one of gradual improvement, with eight brands now scoring an average of over 8.6 compared to five in 2016/17.

ReviewPro brand rankings

The annual Serviced Apartment Digital Benchmark Report publishes online reputation rankings for serviced apartment brands based on 548,800 aggregated online guest reviews from 175 Online Travel Agencies (OTAs) and review sites during the 12-month period from 1st July 2016 to 30th June 2017, analysed by ReviewPro..

ReviewPro's online reputation score are used by thousands of hotels worldwide as a benchmark for reputation management efforts. In the serviced apartment sector, managers respond online to an average of 42% of reviews versus only 37% last year. This indicates that the level of engagement with review sites is increasing but that there is still room for improvement.

Figure 39 - Summary of ReviewPro rankings of brands[8]

Brand	GRI™	Service	Value	Location	Cleanliness	Room
AKA	1	3	13	2	5	10
Cheval Residences	2	1	2	1	2	1
Roomzzz	3	5	1	4	6	3
Jumeirah Living	4	2	3	11	1	2
Fraser Residence	5	7	4	27	8	8
Capri	6	11	10	30	7	6
Modena Residence	7	8	14	15	9	13
Marriott Executive Apartments	8	4	8	14	3	9
Homewood by Hilton	9	9	7	8	13	7
Saco	10	6	5	3	4	4

8 Reviews were classified as follows: Positive (score between 80% - 100%); Neutral (score between 60% - 79%); Negative (score of 59% or less).

Case study - AIG

Jan Jacobsen Global Accommodation Manager, AIG

With 25,000 of 64,000 employees travelling regularly, AIG's serviced apartment usage is global. The organisation splits its accommodation programme between hotels and serviced apartments, defining the latter as any product with kitchen or kitchenettes facilities.

"We differentiate between them due to the fragmentation of product and stay purpose" says Jan Jacobsen, Global Accommodation Manager at AIG, where he works in the Global Corporate Travel & Meeting Services team.

"We've moved a lot of our hotel business into serviced apartments or corporate housing, but there's still a long way to go. Right now, just 5% of our global spend is in serviced apartments, which is 15% behind where it needs to be."

Serviced apartment adoption within AIG is driven by a combination of space, flexibility, convenience and quality of rest. Serviced apartments are recommended to travellers or assignees for any stay of seven nights or more, whilst stays of 7+ nights fall automatically under the AIG long-stay programme which offers hotels and serviced apartments.

So what does an apartment operator need to do to become part of the AIG programme? A fast and slick booking process is the top priority, as Jan Jacobsen explains. "Travellers are used to using apps and Online Booking Tools (OBTs). If a product isn't easy to book, travellers won't book them. Slow booking process is a key reason why we are underachieving in our adoption of serviced apartments."

An online booking tool was built for AIG with live inventory so travellers can book serviced apartments and hotels in the same way. "Our top priority for the future is to get operators to understand the importance of this and for us to get our travellers to trust the content" says Jacobsen. Jan works closely with the global serviced apartment booking agent - TAS Global (The Apartment Service, whom he describes as "more like a concierge service, providing lots of information to the traveller or assignee that puts them at ease. This really pays off on long stays, where the choice of provider is crucial. It doesn't matter that much if you make the wrong hotel choice for a couple of nights whereas that kind of mistake can have a catastrophic impact when your stay is three months or longer. You have to get people to trust the channel they use."
On average, 72% of enquiries for serviced apartment stays result in bookings, a high level although AIG measures traveller satisfaction through post-stay feedback. Providers' overall service is scored 1 – 5 for professionalism, speed of response, knowledge of the consultant and the information provided. In 2017 serviced apartments scored an average 4.73, comparing very favourably to hotels used.

Traveller satisfaction with apartment products varies according to locality says Jan. "We find that operators' content reflects their flagship properties so there is a lot of variance to what travellers find in others. Individuality in the apartment sector also makes it harder to match expectation and delivery." In 2017 serviced apartment brands scored an average of 3.37 out of five for their products.

Programme compliance is a constant challenge, as Jacobsen explains. "We are seeing those travellers who stay in apartments asking to stay in them for shorter stays too. We allow them to make that choice. Budget holders are now very cost-conscious, so price does have an impact on their choices too."

Jan's team has also found that the extra space available in a serviced apartment is also a big factor, especially in popular destinations. However he cites a number of challenges that the serviced apartment sector is yet to overcome, many of which are linked to education.

"Brand awareness is an issue, especially when travellers go into unknown territories where known brands provide reassurance. Despite an international client base, too many serviced apartment providers are purely focused on their domestic markets, so they are not achieving any level of brand awareness. The hybrid agent/operator model creates additional confusion because one operator is putting their brand before another."

“A good example of this is SACO. Well-known in the UK but not amongst travellers from Australia, US, Columbia, Brazil and so on. Hybrids devalue the awareness of SACO and other brands because they are competing with the likes of IHG, Marriott and Accor which are more familiar to the international traveller.”

Over the last three years, Jacobsen and his team have worked hard to educate AIG travellers about the safety and service benefits of serviced apartments and their attention has now shifted to distribution. “There is so much mutual distrust amongst operators” says Jan. “Too many operators are not prepared to upload their rates to an agency-managed programme in case the agent offers those rates to another client. This thinking is totally outdated.”

“Airbnb has shown how it can be done everyone is operating in their own silo instead of co-operating to market serviced apartments in the wider accommodation world. ”One of the principal findings of the research for this report was that serviced apartment adoption rates have peaked in many corporate programmes. Although AIG is bucking the trend with serviced apartment usage increasing 34% year-on-year, Jan Jacobsen agrees that adoption has plateaued in many organisations.

“Most other buyers outsource their programmes to TMCs. This means that don’t have control and therefore are not selling serviced apartments into their organisations. Many find that the booking process is too fragmented and too much work to implement. With so much in travel management to be dealt with, human nature dictates that if operators make it harder to tackle it will be de-prioritised.”

AKA

aka.

AKA is an acclaimed luxury long-stay brand composed of an international portfolio, with properties situated in global, urban hubs including New York City, Philadelphia, Washington, D.C., Los Angeles and London.

As a brand, we've seen an opportunity to differentiate from other providers, such as residential hotels, by providing curated in-residence experiences and top-of-the-line amenities. AKA's residences go above and beyond the hotel room, in addition to full-sized, gourmet kitchens, our properties cater to the C-suite business traveler by offering high-end fitness centers, cinemas, indoor pools, resident programming, 24-hour security, washers and dryers on the premises and much more.

Across our brand, we provide a personalized experience for each resident. Upon arrival, a member of the AKA resident services team sits one-on-one with each resident to ensure all needs are met during their stay. Specifically, the AKA resident services team can arrange for premium tickets, impossible-to-get restaurant reservations, and specialty services including a fashion stylist, in-suite massages, and more.
In addition to personalized service, AKA provides a wide range of services from our hand-selected preferred vendors, including 24-hour concierge, laundering services, luxury transportation, TESLA charging stations, as well as valet cleaning and parking.

AKA has catered its serviced residence offering to a new class of traveler, who is more elas-tic than the traditional business or leisure traveler in their style of living. As these travelers have a greater appreciation and yearning for high-design, unpretentious service, innovation in technology, flexibility, anonymity, and cachet – as well as a desire to live like a local, they seek sophisticated apartment hotel offerings.

To accomplish all these criteria, the apartment hotel must offer residences with fully fur-nished and accessorized living rooms, bedrooms, and work spaces, as well as fully equipped kitchens. While residents seek the space and privacy of a condominium, they also want the cachet of a luxurious location, concierge services, and resort like amenities, all of which are top-of-mind for the AKA brand.

At its core, the AKA brand provides a best-in-class experience through amenities that serve the brand's guests, or AKA residents, as the needs of longer-stay travelers greatly differ from those of traditional, short-stay hotel guests. AKA only serves a maximum of 100 residents at a time at each property, allowing the brand to truly tailor this special serviced residence offering to the needs of each person.

Almost all the public spaces are to be enjoyed just by those few residents and their guests and feature such exclusive amenities as our private-label vodka, a.vod, which is only served in these spaces.

AKA's commitment to personalizing amenity spaces to reflect the spirit of the neighbor-hood is perfectly exemplified in Level 28, AKA University City's 25,000 square foot luxury lifestyle club. Level 28 features everything a guest could ever need, including a heated infinity pool; a private yoga studio with complimentary classes; a state-of-the-art fitness center featuring Technogym and Peloton equipment; a private cinema with curated film screenings; a cozy outdoor fire pit on a 5,000 square foot landscaped terrace; a full-room 3-D golf simulator programmed with 36 of the world's best courses; a fully equipped business center; a private conference and dining room with built-in catering from the acclaimed Walnut Street Café; and more.

AKA's approach to distinctive service, design, and excellence for the long-stay traveler has led to numerous positive testimonials and accolades, most notably recognized by the Serviced Apartment Awards for "Best Extended Stay Brand."

THE WORLD'S MOST TRUSTED FURNISHED RESIDENCES

AKA balances the style and hospitality of an intimate hotel with the space and comfort of a fully appointed luxury residence. Designed for weekly and monthly stays, AKA stands for unparalleled metropolitan locations; signature design; fair value; attentive, yet unobtrusive service; and exceptional business, entertainment and lifestyle amenities.

STAYAKA.COM

aka.

HOTEL RESIDENCES

NEW YORK
PHILADELPHIA
WASHINGTON DC
LOS ANGELES
LONDON

Frasers Hospitality

Frasers Hospitality, a member of Frasers Property Group, owns and operates properties under five brands and asset-manages third-party properties held by Frasers Hospitality Trust. Since its inception in 1998, Frasers Hospitality has grown from an initial 412 residences in Singapore to more than 150 properties in over 80 cities including those in the pipeline. This represents over 24,000 keys worldwide across North Asia, Southeast Asia, Australia, Europe and the Middle East.

In 2014, Frasers Hospitality Trust was the first global hotel and serviced residence trust to be listed in Singapore, comprising Frasers Hospitality Real Estate Investment Trust and Frasers Hospitality Business Trust. Collectively, the 15 assets in the portfolio are valued at S$2.4 billion and have a total of 3,072 hotel rooms and 842 serviced residence units.

Frasers Hospitality operates serviced, hotel residences and boutique lifestyle hotels that cater to different market segments:

• Fraser Suites, Fraser Place and Fraser Residence: Gold-Standard serviced residences that cater to the extended stay needs of business executives.

• Modena by Fraser: modern and eco-lifestyle serviced residences that emphasise simplicity, sustainability and holistic wellness.

• Capri by Fraser: design-led and high-tech hotel residences for 'always on' Millennial travellers seeking connectivity and social interaction.

• Malmaison: stylish boutique hotels in iconic buildings paired with individually designed guest rooms and energetic brasseries and bars for those who dare to be different.

• Hotel du Vin: classic and elegant hotels offering quintessentially British hospitality with their trademark bistros.

A globally awarded leading hospitality operator, Frasers Hospitality aims to anticipate and exceeds customers' evolving expectations through continuous innovation and intuitive service to deliver memorable experiences. It is on track to achieve 30,000 keys by 2019.

FROM EDINBURGH TO SHANGHAI TO SINGAPORE, YOU'RE NEVER FAR FROM FRASER.

In the heart of key gateway cities, Fraser Gold-Standard residence offer all the comforts of home – and so much more. Take Fraser Suites Edinburgh, its 19th Century stained glass and 21st Century amenities only moments from the royal castle.

You too can experience the award-winning Fraser Difference in over 150 properties ideally located in more than 80 cities worldwide.

FRASERSHOSPITALITY.COM

FRASERS 20 YEARS OF HOSPITALITY | FRASER SUITES | FRASER PLACE | FRASER RESIDENCE | MODENA BY FRASER | capri BY FRASER hotel residences | Malmaison | Hotel du Vin & Bistro

AFRICA WILL ACCOUNT FOR $400 BILLION TO THE FMCG SECTOR BY 2020

Africa is home to seven of the 10 fastest-growing economies in the world,[9] and despite the challenges of disease, war and turmoil, Africa is rapidly becoming one of the world's most desirable investment destinations.

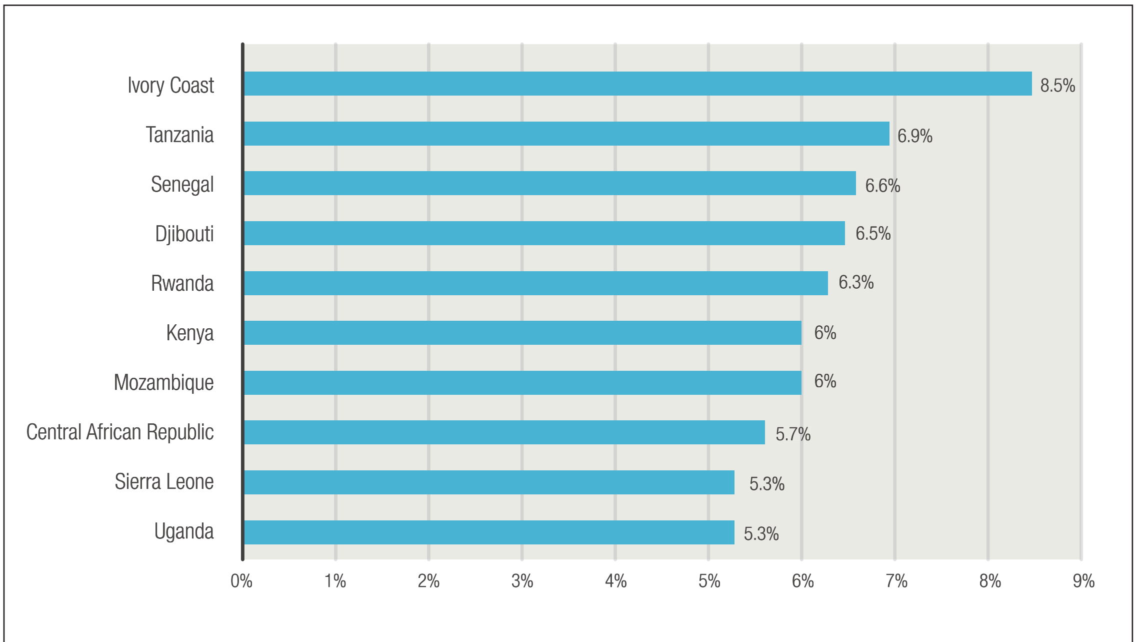
The African business landscape has been transformed by more regional mobility, rapid urbanisation and population growth which have driven demand for African manufactured products and services.

The trends driving large-scale private sector growth include greater attention on processing of raw agricultural produce domestically and rising demand for fast-moving consumer amongst a burgeoning African middle class. McKinsey projects that Africa will account for $400 billion to the FMCG sector by 2020. [10]

Governments export initiatives have started to pay-off too. Through market linkages, partnerships, consultation, information sharing and training. African business is now taking advantage of global demand for African exports. In the longer term, the growing world population and future global food shortages could render African exports critical to global society.

Fig 41 illustrates the importance of commodities to different economies. These exports will become extremely important in the growth of Africa's private sector in 2017 and beyond.

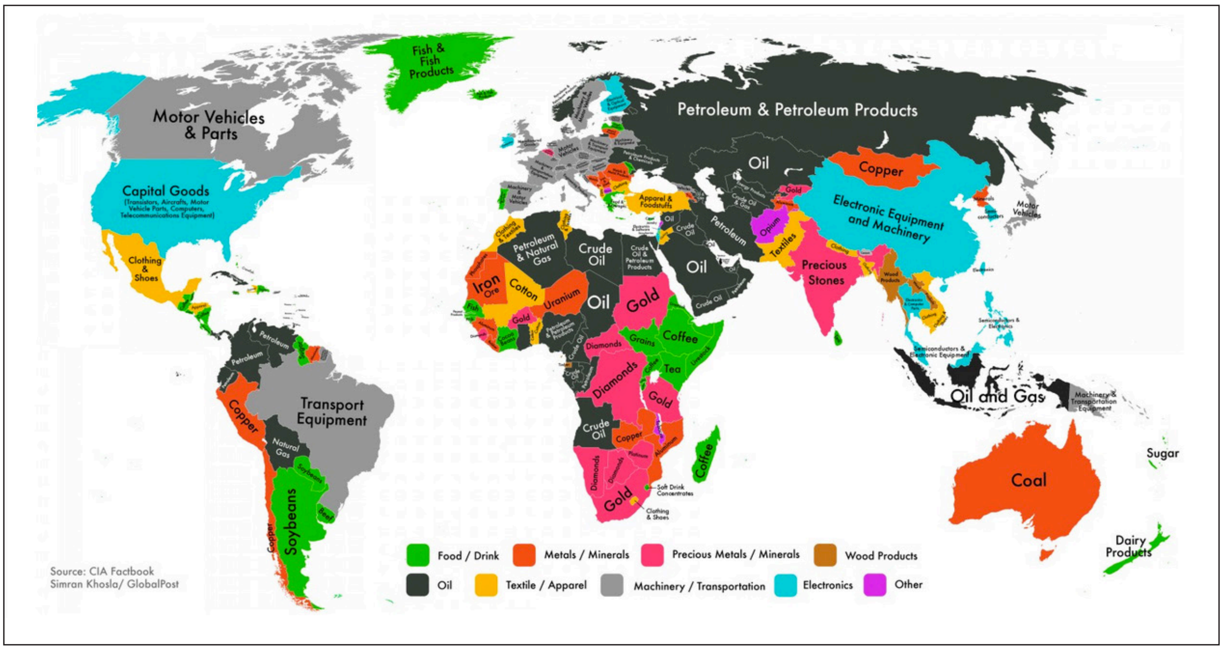
Figure 40 - Africa's fastest-growing economies



Source: IMF World Economic Outlook April 2016

9 https://www.weforum.org/agenda/2017/01/four-trends-that-will-shape-the-african-business-landscape-in-2017/
10 https://www.mckinsey.com/industries/retail/our-insights/the-rise-of-the-african-consumer

Figure 41 - Global commodity demand map



Travel & mobility

Traditionally, companies find it difficult to do business in Africa due to the shortcomings and inconsistencies in infrastructure from country to country – not to mention health and security worries.

However, the growing attractions of Africa have encouraged investment in assignment and relocations, especially in Sub-Saharan Africa where Rwanda and other countries have young workforces, and a relatively high level of working women.[11] Oil, gas and mineral deposits are particularly attractive to overseas companies, with oil giants such as BP, Chevron, Exxon Mobil and Royal Dutch Shell making explorations around the Horn of Africa.

Travel and tourism industry in Africa has grown despite sluggish economic performance, contributing 7.8% ($165.6bn) to Africa's GDP in 2016 and more in 2017.[12] Tourism and travel directly supported 8.8m jobs - 2.4% of Africa's total employment.

In the 2016/17 edition of GSAIR we reported that the volume of assignees deployed in Africa was largely restricted to Accra in Ghana, Lagos in Nigeria, Johannesburg and Cape Town in South Africa. 89% of companies surveyed were deploying assignees in Africa on long-term projects, compared to 56% on permanent relocations and 50% on short-term projects. [13]

Almost two years on that picture is changing. Africa's growing technology sector is helping to expand the local business travel market. In the first half of 2017, total international flight arrivals grew by 14.0% over the same period in 2016. Arrivals from Europe, which make up 46% of the market, were up 13.2%; arrivals from the Americas were up 17.6%; Middle East arrivals were up 14% and from Asia Pacific were up 18.4%. Internal African air travel, which makes up 26% of the market, was up 12.6%.[14]

2017 was the year that Africa finally signed up to an 'Open Skies' agreement, thereby ending the often-tortuous routes business travellers were forced to take within Africa.[15] Previously, travelling between some African destinations involved flying via the Middle East or into Europe and back again. The Single African Air Transport Market (SAATM) – a flagship policy of the African Union and African Civil Aviation Commission (AFCAC) – operates along similar lines to the European Commission's Single European Skies framework. It opens up competition and routes across Africa, as well as bringing airfares down:- two key drivers of mobility.

The 17 countries of the 55 African Union members that originally signed up include most of the biggest – Nigeria, Egypt, South Africa, Ethiopia and Kenya. The long-term benefits for Africa have been estimated at an extra 155,000 jobs and US$1.3 billion in annual GDP.[16]

11 https://www.forum-expat-management.com/users/19795-claire-tennant-scull/posts/12838-the-serviced-accommodation-industry-hots-up-in-africa
12 World Travel & Tourism Council 13 New research by Crown World Mobility 14 http://www.servicedapartmentnews.com/home/features/2017/8/15/africa-takes-flight/ 15 https://buyingbusinesstravel.com/feature/2727502-africa-aviation-special-report 16 2017 study by Intervistas

Figure 42 - Airport developments in Africa

Accra (Ghana) – A third terminal at Kotoka International airport will add 5m in capacity

Addis Ababa (Ethiopia) – a new US$4 billion airport will have an annual capacity of 12m passengers

Cape Town - A second terminal will open in 2022

Dakar - The new Blaise Diagne airport has increased annual capacity to 10 million passengers

Johannesburg – The international terminal is being refurbished

Kigali (Rwanda) - The new Bugesera International airport opens in late 2019

Lusaka (Zambia) - A new terminal at Kenneth Kaunda International will be completed in 2019

Over the last five years the largest growth in business travel has been in the Democratic Republic of Congo, while Mozambique, Sudan, Angola, Rwanda and Ivory Coast also featured in the top 15 countries globally for corporate travel growth during this period. Countries forecasting the biggest increases in business travel in the coming decade include Rwanda (average 8.5% increase per annum), Gabon and Tanzania.

Accommodation in Africa

2017 was a bumper year for Africa's hotel sector. Hilton Worldwide Holdings and Hyatt Hotels & Resorts both announced ambitious expansion plans. Hilton announced will invest $50m over the next five years to add 100 hotels to its portfolio, while Hyatt plans to develop six new hotels in Africa by 2020.[17]

The number of planned hotel chain developments has doubled since 2009 from around 30,000 rooms in 144 hotels to 73,000 rooms in 417 hotels, driven in part by increased activity in sub-Saharan Africa; growth of both domestic and international travellers into the market and under-supply of quality hotels.

The tourist hubs of Tanzania, Kenya and South Africa are forecast for significant growth in visitor numbers in 2018 and beyond, with commodity-export countries such as Nigeria and Algeria seeing an increase in business travellers. One likely outcome is a proliferation of branded hotel chains across Africa as the large companies expand their businesses.

Airbnb in Africa

Short stay rental providers are gaining traction in the region. Airbnb's accommodation listings in Africa increased from 62,000 to 100,000 in the 12 months to 1st September 2017.[18] The figure in 2013 was just 6,000.[19]

South Africa accounts for over 43,000 of Airbnb listings. Cape Town is the most popular destination. Morocco and Kenya are the second and third largest African hubs respectively, but whilst Morocco has 21,000 active listings, Kenya has just 5,900. Despite Lagos in Nigeria having a population of 21m, Nigeria boats just 730 listings.

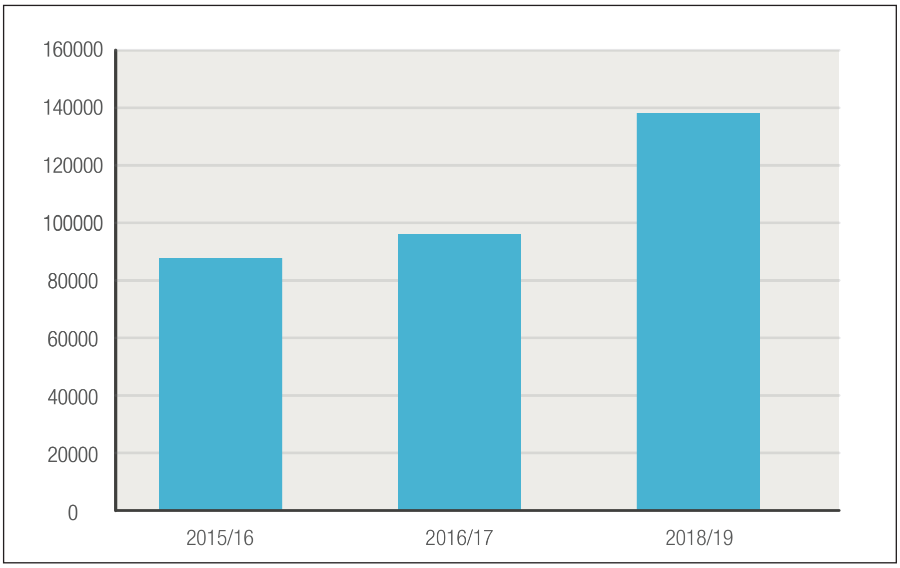
However, Airbnb also sees Africa as a long-term investment opportunity. In October 2017 the company announced a $1m investment in community-driven tourism projects across Africa, including training South African township residents in hospitality. In response, hotels in Cape Town and elsewhere are fighting back by offering self-catering and studio apartments to try to replicate the Airbnb experience.

Serviced apartments in Africa

Today, there are 13,883 serviced apartment units in 216 locations across Africa. This compares to 9,477 units in 166 locations two years ago and 8,802 apartments in 102 locations four years ago. This means that regional inventory has increased by 57.7% in four years – and by 47.7% in the last two.

17 http://africanbusinessmagazine.com/region/continental/africas-hotel-industry-booms/
18 http://africanbusinessmagazine.com/sectors/retail/airbnb-looks-scale-africa/
19 http://africanbusinessmagazine.com/sectors/retail/airbnb-looks-scale-africa/

Figure 43 - Serviced apartment units in Africa



Source: Global Serviced Apartment Industry report 2018/19

New and planned serviced apartment developments in Africa include:[20]

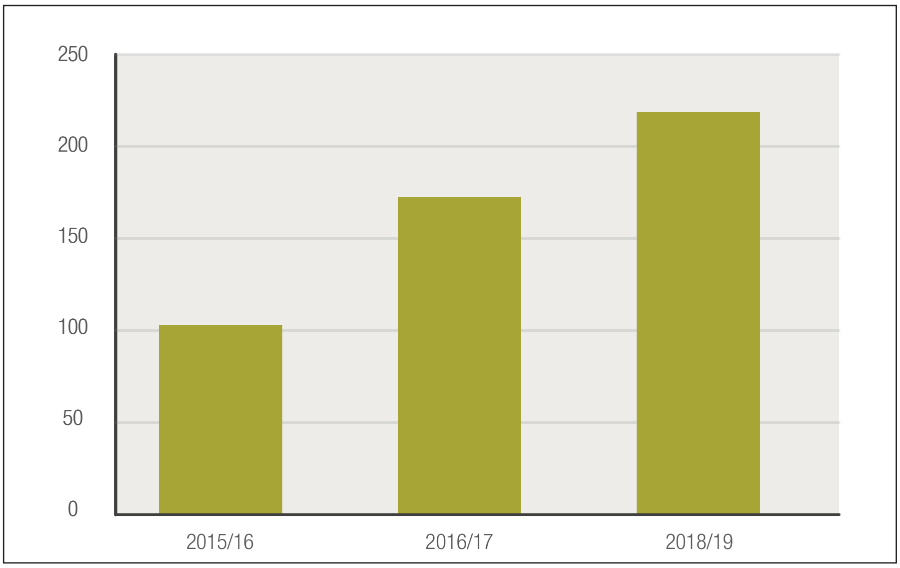
- Marriott Executive Apartments will open 44 apartments in Lagos' Landmark Village along the Atlantic Ocean waterfront in the Victoria Island central business district. Landmark Village is Africa's first mixed-use development and like London's Canary Wharf. Having opened the Protea by Marriott Owerri Select in Nigeria in 2017, the brand is on track to add over 200 hotels and 37,000 guest rooms by 2022 as part of a $8.5-billion investment across Africa.

- The Ascott Ltd will manage two properties in Accra, Ghana. The 220-unit Ascott 1 Oxford Street Accra will open in phases from 2019, while the 40-unit Kwarleyz Residence will open in Q4 of 2018.

- AccorHotels will open a dual branded 200-room Novotel and 110-apartment Adagio complex in Abidjan, Ivory Coast in 2020. This will be the first complex of its kind in Africa as well as the debut of the Adagio brand in the region.

- Minor Hotels' upscale AVANI Hotels & Resorts brand will launch two properties in Tunisia. The 41-key AVANI Les Berges Du Lac Tunis Suites will open in the Tunisian capital, offering studios to three-bedroom apartments and lofts, plus restaurant, health club, gym, spa treatment rooms, sauna, steam rooms and indoor swimming pool. The 250-key AVANI Gammarth Tunis Resort & Spa will follow in the beachfront Gammarth area of Tunis in 2021.

Figure 44 - Serviced apartment locations in Africa



Source: Global Serviced Apartment Industry report 2018/19

20 www.servicedapartmentnews.com

Focus on...East Africa

By Mark Chabari
Research Analyst – Broll Kenya

East Africa is one of the fastest growing regions across Sub Saharan Africa playing host to some of the largest economies in Africa. The region has witnessed tremendous improvement in cross border relations as well as international business foot count.

One of the most critical challenges in the region is the fragility of the economic growth coupled with an uneven development agenda across the region. In addition to this, infrastructure remains a key point of concern with population and development far outpacing infrastructural improvement across the region creating an uneven development terrain.

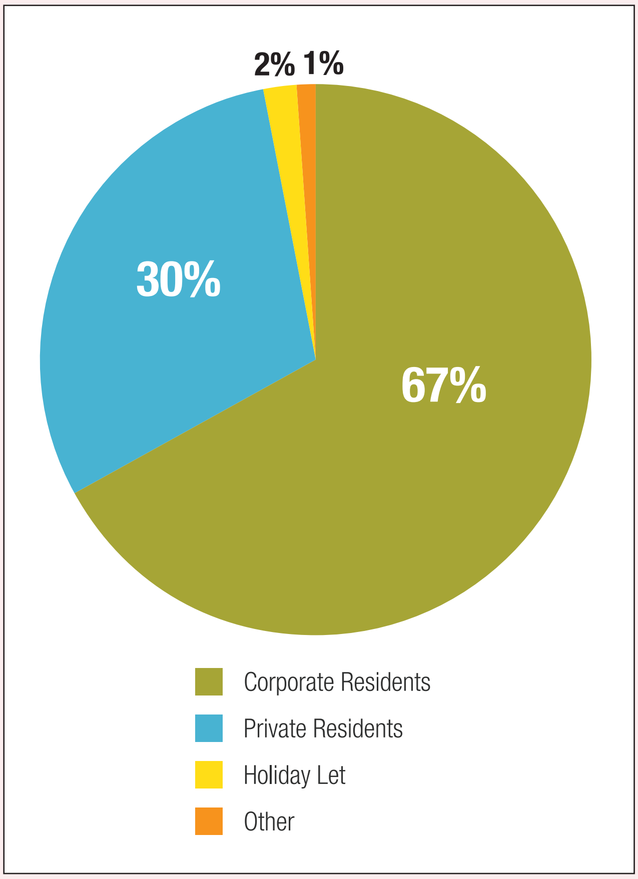
However, the region continues to record large economic growth spurts and enjoys relative political stability which creates a conducive environment for continued growth.

Across East Africa, extended stay options have experienced rapid evolutionary strides in a bid to meet globally acceptable standards. Asset maturity is visible within some markets where branded serviced apartments have begun emerging and an increase in the room count per property is on the rise. Two bedroom units are the most popular offering within this market.

Nairobi is the most popular serviced apartment market followed by Kampala with Dar es Salaam and Addis Ababa following respectively. The regional culture and treatment of serviced apartment offerings is yet to fully mature with the primary point of focus being on select service. Serviced apartments offering the full range services.

Branding remains at a low level with branded serviced apartments remaining few and far in between in comparison to brand penetration within the short stay options that has witnessed the entry of some of the largest chains in the world. The popularity of branded serviced apartments has been hampered by the lack of investor knowledge and the inability of the large brands to adapt a locally compatible model within the region that suites developer and user desires.

Figure 45 - Nairobi Serviced Apartment Demand Share



Technological advancement within the service apartment scope in the region remains relatively untapped with aspects such as bookings and reservations persisting as over the counter services. Operators are yet to fully adopt online booking and reservation platforms as well as hotel management systems within their properties.

A review of serviced apartment guest share reveals that currently the largest number of serviced apartment users are largely business based. They are mostly attached to a corporate entity or are independent residents but are still attached on work commitments.

A visibly missing user within the region is government through its various functions and arms. Governments in the region are yet to adapt to the use of serviced apartments and remain accustomed to conventional hotel use.
Serviced apartments in the region continue to outperform short stay hotels with an average occupancy rate of 82% versus 59% occupancies on the latter.

Supply

There are over 6,600 operational serviced apartments across the major capitals in Eastern Africa. Kenya leads the development pack in the region with 3,350 keys in operation. Kampala is also noted to be have an active serviced apartment scene with approximately 1,900 keys in operation.

The most popular serviced apartment concept in the region largely follows a residential concept where the majority of serviced apartment units exist as reconversions from residential premises. An emerging trend within the local scene has been dual branding that has seen multiple developers pair extended stay units with a mix of select and full service hotels. Despite the growth in popularity of the trend, the region is yet to see a fully branded two pack development. However, this is expected to change with the signing of Best Western Plus and executive Residence in Nairobi under Vantage Square.

With the growth of mixed use development in the region, serviced apartments have experienced a larger growth trajectory following the incorporation of serviced apartments in mixed use development projects. Nairobi has multiple mixed-use development projects that are looking to incorporate an extended stay option to the development such as The Pinnacle of Africa – with Hilton Residence and Montave. We foresee the growth of branded serviced apartments in the area signalled by the entry of Marriott, Best Western, Carlson Rezidor and Hilton.

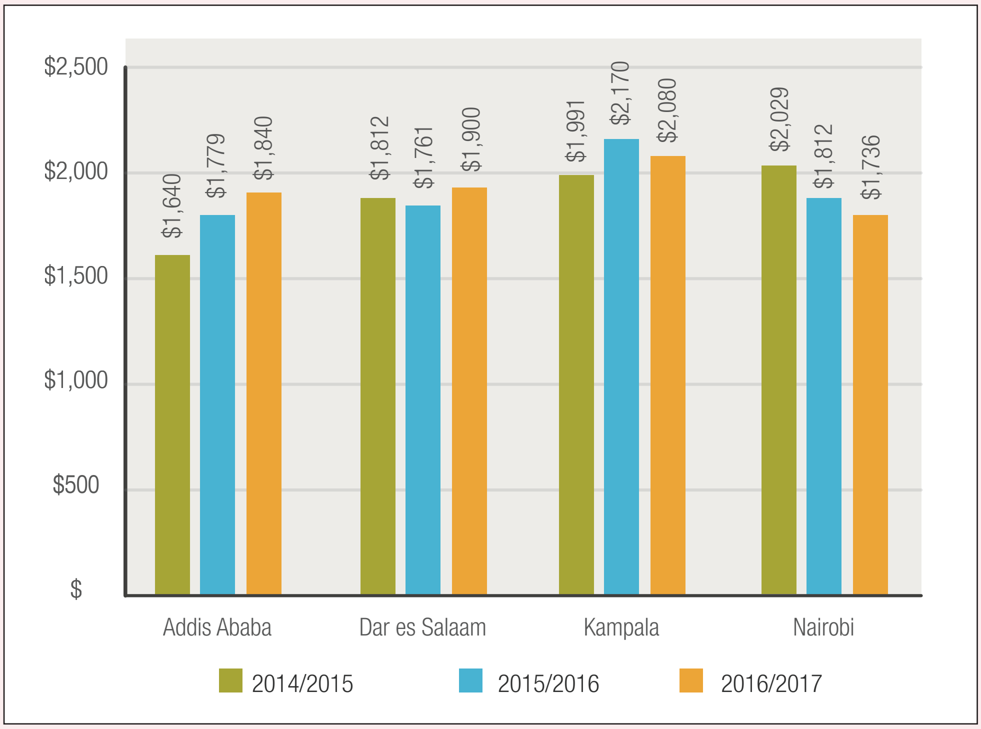
Sectional ownership of serviced apartments is also on the rise with the development of fully serviced units for sale in Nairobi including The Soho and 9 Oak. Branded options of such developments are also expected to join the market over the coming years with unit pooling expected to catalyse investment affinity to this offering.

Rates

The East African Region offers some of the most competitive rates for serviced apartments across SSA. The performance monitored across four of the largest capitals in the region indicates a monthly average rate of $ 1,889.

Nairobi's monthly average rates are the most competitive rates due to the relatively high supply of serviced apartment units in the area.

Figure 46 - Monthly Serviced Apartment Rate Across Eastern Africa



Source: IMF World Economic Outlook April 2016

Future Outlook

A future outlook on the region shows a growing preference for extended stay options following the growth of corporate use of the extended facilities and increased demand for a more corporate centred offering

We anticipate the delivery of premium, branded serviced apartments in the region with the entry of larger brands as well as the diversification of existing hotel operators into the extended stay scene.

Sectional ownership of serviced residences is also expected to grow in the coming years. Proposed serviced residences shall operate under a fully owned and occupied or pooled operation model with the latter expected to become more popular with investors. Branding is poised to be a driving factor within this segment as brand affiliation is poised to gain market control over the next few years.

Conclusion

The regional market remains under supplied with respect to premium serviced apartment offering. There is room for the growth within this segment in comparison to conventional short stay options in the market.

Market penetration for serviced apartments in the region remains relatively in comparison to traditional hotel offerings. Target markets have largely been confined to expatriate use with a relatively low local based use. Alternative users have remained untapped with users such as government and insurance remaining at bay within the extended stay use in the region. However, with the industry still at its infancy stages in the region, further market penetration is expected to increase serviced apartment users in the region.

Further growth in dual branding projects in the region, that incorporate extended stay options, is expected with investors looking to tap into various markets under the same development. The concept of dual branding will grow through international, regional and local brands looking to grow their traditional brands as well as an extended stay option. This also suites the hoteliers' expectations of driving up revenues and lowering development and operational costs. A no frills offering of serviced apartments is anticipated to take root in the market with development of serviced apartment currently focused on mid to upper scale accommodation options. This is expected to capture the growing business travels from a regional and inter-national perspective with clients requiring the basics at an affordable cost.

There has been a growth in the average key count per property observed in the major market namely Nairobi and Kampala. This progression of development shows a growing demand within which developers are hoping to exploit. We anticipate a growth in the development of branded serviced apartments that provide global extended stay standards as well as provide developers with wider loyalty bases that they can tap into.

Rates

Rates for the same size of serviced apartment and length of stay vary significantly from city to city. For example, a studio apartment in Nairobi for 1 – 6 nights costs US$55 compared to US$81 in Cape Town. Similarly, a two-bed apartment in the Kenyan capital costs US$118 compared to US$135.

Figure 47 - Leading operators in Africa

Operator	Locations	Units
Nairobi serviced apartments	89	2,959
Atalayoun Golf Resort	1	2,400
Fraser Suites	7	1,139
Other Providers	19	1,253

Figure 48 - City rates analysis - Africa

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay property and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%
AFRICA															
Cape Town (ZAR)															
1-6 nights (nightly rate)	ZAR 1,030	ZAR 1,200	USD 101	EUR 81	17%	ZAR 1,100	ZAR 1,250	USD 105	EUR 84	14%	ZAR 1,700	ZAR 1,600	USD 135	EUR 109	-6%
7 nights + (weekly rate)	ZAR 6,450	ZAR 7,200	USD 606	EUR 487	12%	ZAR 6,600	ZAR 7,200	USD 606	EUR 487	9%	ZAR 10,300	ZAR 10,000	USD 842	EUR 676	-3%
One month + (monthly rate)	ZAR 13,700	ZAR 15,800	USD 1,330	EUR 1,068	15%	ZAR 13,900	ZAR 15,300	USD 1,287	EUR 1,034	10%	ZAR 18,400	ZAR 17,900	USD 1,507	EUR 1,210	-3%
3 month + (monthly rate)	ZAR 12,800	ZAR 14,100	USD 1,212	EUR 953	10%	ZAR 13,500	ZAR 14,600	USD 1,228	EUR 987	8%	ZAR 17,000	ZAR 16,200	USD 1,364	EUR 1,095	-5%
Nairobi (KES)															
1-6 nights (nightly rate)	KES 6,700	KES 7,000	USD 69	EUR 55	4%	KES 9,500	KES 9,800	USD 96	EUR 77	3%	KES 11,800	KES 12,000	USD 118	EUR 95	2%
7 nights + (weekly rate)	KES 34,000	KES 35,400	USD 347	EUR 279	4%	KES 61,000	KES 61,200	USD 600	EUR 482	0%	KES 66,000	KES 66,100	USD 648	EUR 521	0%
One month + (monthly rate)	KES 121,000	KES 123,000	USD 1,206	EUR 969	2%	KES 181,000	KES 181,500	USD 1,780	EUR 1,430	0%	KES 211,000	KES 211,500	USD 2,075	EUR 1,666	0%
3 month + (monthly rate)	KES 116,000	KES 117,250	USD 1,150	EUR 923	1%	KES 169,000	KES 169,900	USD 1,667	EUR 1,338	1%	KES 200,000	KES 200,750	USD 1,969	EUR 1,581	0%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay perperty and exclude taxes. Exchange rates used March 2017.

ASIA IS THE WORLD'S BIGGEST MARKET FOR BUSINESS TRAVEL ACCOUNTING FOR 38% OF US$1 TRILLION

The Asian economy, especially in East and South Asia (ESA) is on a roll. ESA countries expanded by 6.3% annually in Q4 of and are forecast to grow 6.1% in 2018[21] despite economic transition in China and more moderate growth in the mature economies of Hong Kong, Korea and Taiwan. The power house economies in the region are China and India, with the Indian econom expected to be Asia's top performer in 2018 with 7.3% growth, followed by Bangladesh. The Chinese economy is expected to expand by 6.5%.

Travel and mobility in Asia

Asia is the world's biggest market for business travel, accounting for 38% of US$1 trillion[22] in annual spending globally and is set to dominate business travel spending until 2026.[23]

Business travel expenditure is expected to grow 2.8% in 2018.[24] Its rate of expansion is four times quicker than the North American market and more than twice that of Europe. Intra-Asian business travel is the biggest growth factor although the Middle East is another primary source market.

Asian business travellers enjoy greater autonomy and want both freedom and flexibility, so the serviced apartment market is ideally placed to benefit.[25] However, the region's diverse range of cultures means that Asian corporate travel managers are having to customise their travel policies to meet those needs. For example, research by the Singapore Travel Board has found that Singaporean and Japanese business travellers are more budget conscious and prioritise comfort compared to Chinese and Indonesian travellers who focus on service and prestige.

Business travellers in Asia have a high degree of autonomy too. booking flights and hotels. Research by McKinsey has found that 69% are able to choose their airlines, whilst 74% can choose their own accommodation providers.

21 https://www.focus-economics.com/regions/east-and-south-asia

By 2025, it is estimated that 32% of global airline traffic will originate from Asia, and this positive outlook is fuelling growth across the region. Major infrastructure projects include the Pan-Asia Railway Network and the Singapore-Kuala Lumpur High Speed Rail (HSR) link. The latter will cut travel time between the two cities from four hours to 90 minutes.

Despite a slowdown in its economic growth, China is now the biggest business travel market in the world with total spend reaching US$350 billion in 2017.[26]

A survey by CWT Solutions Group found that while managing costs and driving savings remain key priorities for travel managers in China, more attention is being paid to duty of care and the traveller experience. 50% of travel managers in China are trying to manage travel-related stress more effectively and improve traveller well-being.

The number of Asian luxury travellers is also increasing, leading existing and new suppliers to meet their needs,[27] boosting a market that draws 70% if its business from the Asian continent.

The Asian luxury traveller is value conscious, so much of their spend stays in Asia where prices are lower, service standards higher, and tourism attractions diverse. Most of the region's tourism destinations, including Thailand, Malaysia, and Hong Kong, are now focusing on the luxury segment.

The region's relocation market is evolving too. For example, in Hong Kong employers are cutting back on rental allowances, making serviced accommodation an increasingly attractive option for expatriates. JLL reports that just 14% of expats enjoyed a monthly housing allowance of more than HK$100,000 last year, down from 23 per cent in 2013.[28]

As Worldwide ERC President and CEO Peggy Smith told Relocate magazine[29] in late 2017, the relocation sector's interests in Asia currently focus on the recently introduced China Unified Work Authorisation Policy and on Chinese multinationals going global.

"China's new Unified Work Authorisation Policy has a two-fold purpose: to attract foreign talent that supports the country's growth as a knowledge and technology economy, and to limit the admission of general foreign workers to protect the local labour force." said Smith.

First piloted in Beijing, Shenzhen and Guangzhou, the policy was implemented nationwide from April 2017, classifying foreign nationals. Category A is for top-talent foreign nationals; Category B for professionals and Category C, for general foreign workers who participate in seasonal or temporary work. "Even a title or an occupation change can trigger additional requirements, and it is advisable for companies to review appropriate processing and lead times" explained Peggy.

Chinese multinationals going global is forcing providers to customise their programmes, although the pillars of global mobility trends are true across Asia; having the right policies, employing the right staff, and collecting data to track performance and progress.

In the long term, the Asian relocation market will be directly affected by the changing global workforce. Deloitte estimates that up to 53% of jobs could disappear in the next ten years. According to Worldwide ERC, 70% of employers believe they need a different mix of talent for the future.

22 https://www.mckinsey.com/industries/travel-transport-and-logistics/our-insights/cracking-the-worlds-biggest-business-travel-market
23 https://www.ttgmice.com/2017/07/18/perspectives-the-evolving-landscape-of-asia-the-worlds-largest-business-travel-market/
24 http://aegve.org/wp-content/uploads/2017/12/EstudioMorganStanley-Corporate-Travel-Survey-2018-InterEU.pdf
25 https://www.ttgmice.com/2017/07/18/perspectives-the-evolving-landscape-of-asia-the-worlds-largest-business-travel-market/
26 https://www.ttgmice.com/2018/01/23/different-priorities-for-chinas-business-travel-market-cwt-study/
27 https://skift.com/2018/02/09/travel-megatrends-2018-asian-upscale-travelers-are-creating-a-luxury-tipping-point/
28 http://www.scmp.com/special-reports/property/topics/weekend-property/article/2069792/serviced-apartments-hit-sweet-spot
29 https://www.relocatemagazine.com/articles/mobility-industry-mobility-in-apac-exploring-current-trends

Accommodation in Asia

The Asian real-estate market is also booming. In 2017 Hong Kong recorded the world's highest transaction for a single office block with the sale of The Center for US$5.2 billion.[30]

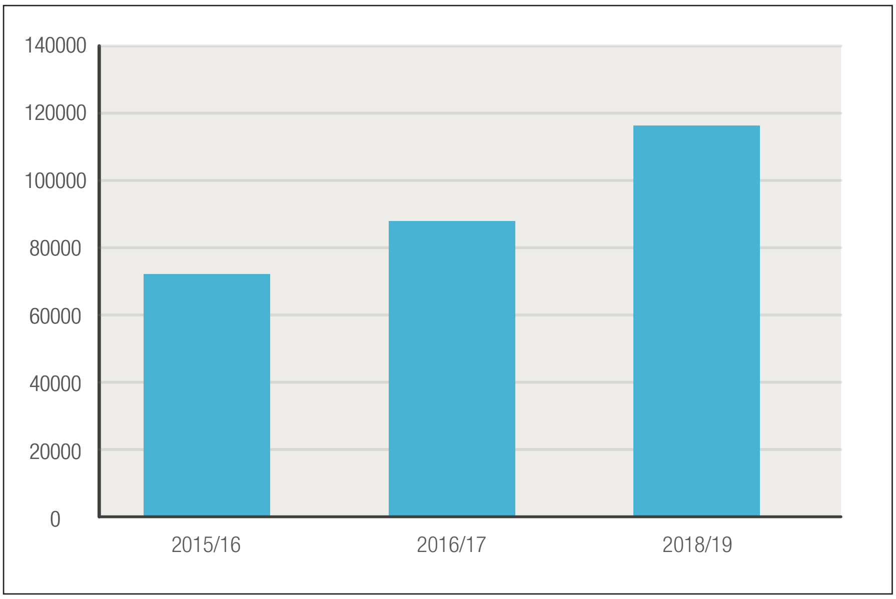
Research by professional services and investment management company JLL projects that Asia Pacific transaction volumes will grow by 5% to US$135 to US$140 billion in 2018, driven by continued interest in existing and developing markets. India is high on investors' hit lists. In 2017 Allianz announced a partnership with India's Sharpoorji Pallonji Group to establish a fund worth US$500 million to target India's office market.

Hotel and serviced apartment development in Asia, especially in the South East, has been likened by some to a feeding frenzy. A 2017 report by G9 Hotelworks says that "with nearly 100 mainstream hotel residence projects and over 21,000 units completed, the next three years is set to take the sector into bold new territory."[31]

Between 2018 and 2020 additional supply will add 83% in capacity, with the top five pipeline project locations being Danang, Phuket, Kuala Lumpur, Bali and Bintan. The most active brands include Marriott, Banyan Tree, Hyatt, Melia, Minor and Mövenpick.

Airbnb is having a real impact on the region's serviced apartment sector. In Hong Kong, homestay accommodation platforms account for 5% of room bookings.[32] Japan recently passed legislation lifting the ban on Airbnb-style vacation rentals, new law capping stays at 180 days annually, excluding certain areas. The biggest growth cities for Airbnb In Asia are Guangzhou, China (up 190%) and the Vietnamese cities of Hanoi (up 212%) and Da Nang (up 255%).[33]

Figure 49 - Serviced apartments units in Asia



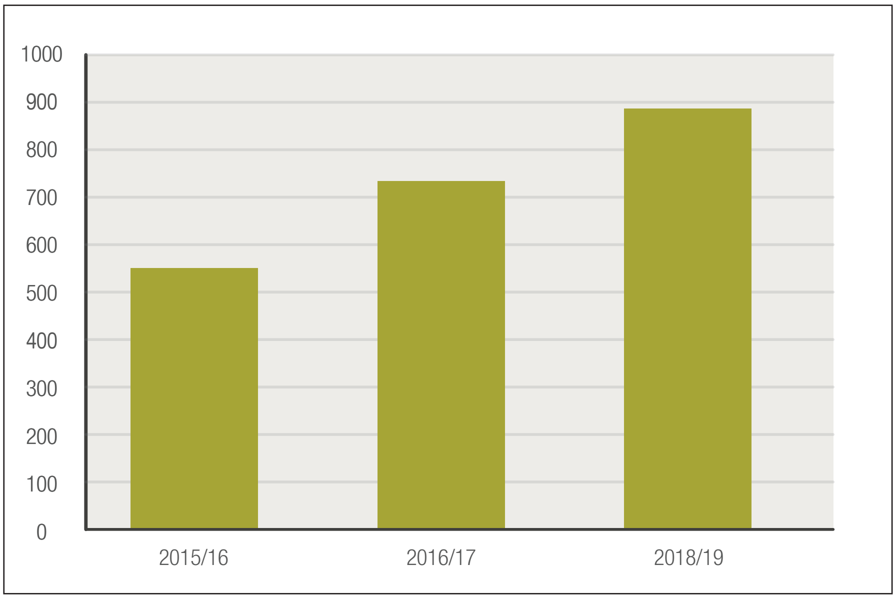
30 https://www.relocatemagazine.com/articles/residential-property-top-trends-for-asia-pacific-real-estate-in-2018-jll
31 https://www.c9hotelworks.com/downloads/southeast-asia-hotel-residences-market-trends-2017-10.pdf
32 http://www.scmp.com/special-reports/property/topics/weekend-property/article/2083705/airbnb-growth-tempts-hong-kong
33 www.servicedapartmentnews.com/home/news/2018/1/3/airbnb-highlights-its-top-growth-areas/

Serviced apartments in Asia

Today, there are 116,603 serviced apartment units in 889 locations across Asia. This compares to 87,487 units in 728 locations two years ago and 71,573 apartments in 541 locations four years ago. As Figs 50 and 51 show, this means that regional inventory has increased by 63% in four years – and by 33.3% in the last two.

116,603 SERVICED APARTMENTS IN 889 LOCATIONS ACROSS ASIA

Figure 50 - Serviced apartment locations in Asia



Serviced apartments are increasingly popular among investors and clients in Asia. Singaporean luxury hotel operator Banyan Tree Group recently launched its serviced apartment brand Cassia and plans to launch in Phuket in Thailand, Beruwala in Sir Lanka, the Australian Gold Coast, Indonesia and Lijiang, China. The company intends to build strong presence in 33 countries.[34]

In Tokyo Japan, the burgeoning market has attracted Singapore-based MetroResidences, Sekisui House and other developers. MetroResidences plans a Japan-focused website for serviced apartments.

Demand for serviced apartments across Asia is focussed on the gateway cities, as Kevin Goh, CEO of The Ascott Limited explains. "We plan to expand through acquisitions of turn-key developments or existing buildings which Ascott can convert into serviced residences, strategic alliances, management contracts and franchises" he says.

"China's status as the world's biggest outbound travel market is another demand driver. In 2016, over 4 billion domestic trips were made in China.[35] We are also stepping up our online marketing efforts tailored for the China market to better capture the Chinese travellers' demand for properties outside of China."

Several Southeast Asian markets present robust growth potential for serviced residences, with the region's young population, rising middle-income group, growing export figures and various economic policies in place to attract foreign capital. The ASEAN Economic Community is expected to boost its competitiveness and connectivity, as well as increase business activities and foreign direct investment, driving demand for serviced residences."

"Vietnam hit a record high foreign direct investment of US$15.8 billion in 20167 and it is where Ascott's biggest South-East Asian portfolio is located. We have 21 properties with close to 4,700 units in Vietnam. Emerging markets such as Myanmar, Cambodia and Laos are also presenting opportunities for serviced residences. As the government in these markets push for

34 https://www.focus-property.com/article-101
35 China travel market overview 2016 - China Internet Watch

THE ASCOTT HAS CLOSE TO 2,300 UNITS ACROSS 13 PROPERTIES IN SINGAPORE

more economic reforms and attract more foreign companies to set up offices in their country, the number of corporate travellers is expected to increase, generating demand for our serviced residences."

There are significant expansion opportunities in Singapore too as the government ramps up efforts to attract multinational companies and innovative start-ups as part of its drive to shape Singapore's future economy. "Singapore has seen historical highs in tourist arrivals and spending in 2016 and is expected to continue with strong growth in 2017. Singapore was also ranked the top Asian city for expatriates, with the best infrastructure in the world. We added five properties in Singapore in 2017, making Ascott the largest and fastest growing serviced residence operator in Singapore with close to 2,300 units across 13 properties" says Goh.

Bleisure, the combination of travel for business and leisure, is a growing trend in Asia Consumer demand for greater flexibility in room bookings and pricing has seen some long-stay providers target short-term guests. In Singapore, increased supply of hotels and serviced apartments is likely to outpace demand.[36]

The region's serviced apartment market is not without challenges however. For example, in Yangon rates are priced out of most expatriates' reach. As a result, the market is expected to see a change towards more affordable developments. Colliers is advising developers to target the untapped demand for limited service and mid-tier developments among a large and growing expatriate market that mainly comprises singles and couples. Currently, this type of apartments only accounts for 16% of total supply.[37]

New and planned serviced apartment developments across Asia include:

- **China:** The Ascott has partnered with Riverside Group, to launch serviced residences in Zhejiang, Chongqing and future riverside themed towns in other key cities [38]
- **Indonesia:** The Ascott has announced plans for a S$74.3 million 192-unit serviced residence in Jakarta – its sixth within Jakarta's Golden Triangle.[39]
- **Myanmar:** Japanese railway operator Keio Corp has partnered with Yangon-based Adventure Myanmar Tours & Incentives Co to build hotels and serviced apartments in Yangon.[40]
- **Malaysia:** The government of Negri Sembilan state has made it mandatory for serviced apartment developers to provide public amenities such as halls and playgrounds. Serviced apartments must also be built "within town parameters and on lots of not less than 0.8094 hectares". The move is intended to prevent developers categorising serviced apartments as a business and not housing.[41]
- **Thailand:** Onyx Hospitality Group reports a shift towards shorter stays in their apartments thanks to Airbnb showing that apartments offer more freedom and space. Onyx operates the Shama serviced apartment brand across several Asian cities, including Bangkok, Hong Kong and Shanghai.[42]
- **Thailand:** InterContinental Hotels Group will launch in Thailand with Staybridge Suites Bangkok Thonglor in 2019, followed by Staybridge Suites Chonburi Siracha in 2020, which will be developed in partnership with Nomura Real Estate Development Company Limited.
- **Vietnam:** Oakwood Worldwide will launch a second property in Ho Chi Minh City, District 7 following the opening of Oakwood Residence Saigon, the first Oakwood serviced apartment developed by Mapletree Investments in Vietnam.

36 http://sbr.com.sg/hotels-tourism/exclusive/singapores-45-largest-serviced-residences-in-2017
37 http://www.servicedapartmentnews.com/home/news/2016/10/5/lower-and-mid-tier-serviced-apartments-set-for-growth-in-yangon/
38 http://www.servicedapartmentnews.com/home/news/2018/4/9/major-boost-for-ascott's-asian-pipeline/
39 http://www.servicedapartmentnews.com/home/news/2017/9/6/ascott-announces-jakarta-serviced-apartment-investment/
40 http://www.servicedapartmentnews.com/home/news/2017/8/4/japanese-railway-company-to-move-in-to-myanmar-serviced-apartment-sector/
41 http://www.servicedapartmentnews.com/home/news/2017/1/19/malaysian-state-enforces-mandatory-public-amenities-for-serviced-apartments/ 42 http://www.servicedapartmentnews.com/home/news/2016/11/11/onyx-feels-airbnb-effect-as-business-mix-shifts/

Figure 51 - Principal operators in Asia

Operator	Locations	Units
Somerset	80	15,335
Citadines	76	14,297
Other Providers	80	10,610
Ascott The Residence	45	9,444
Other Serviced Residences	33	5,030
Oakwood	28	4,112
Tujia Somerset	15	2,687
Fraser Suites	12	2,481
Co-op Residences - Seoul	8	2,195
Fraser Place	11	2,178
Marriott Executive Apartments	15	2,009
Compass Hospitality - Bangkok	10	2,000
Nieva World Apartments	14	2,000
Tokyu Stay Apartment Hotels - Tokyo	15	1,950
Fraser Residence	8	1,649
Centre Point Residences Bangkok	9	1,600
Shangri-la Serviced Residences	21	1,555
Lanson Place	10	1,400
Modena	6	1,385
Capri	5	1,232
Shama Group	10	1,193
Astons Apartments (including The Grove Suites) - Indonesia	77	1,164
Kantary Collection	7	1,162
Far East Serviced Apartments Company - Singapore	9	1,029

Focus on...India

By S.P.Deepeka, Teaching Research Associate, School of Management, Hindustan University; Dr.M.K.Badri Narayanan, Professor, School of Management, Hindustan University and Paras Sangwan, CEO, PAJASA Apartments

Ever since the 1990's, when multi-national corporations flocked to India, serviced apartments have been growing in popularity, especially in metro cities like Delhi, Mumbai, Hyderabad, Bangalore, Pune and Chennai which are home to 80% of inventory.

The Indian hotel industry will be worth US$36 billion 2020, of which extended stay represents 12 - 18% with a current value of $1.5billion.

India has almost 25,000 serviced apartments in 500 locations. International chains like Grand Hyatt, Leela Venture, Marriott International and Hilton operate serviced apartments across the metro, second and third tier cities as well as tourist destinations like Kochi, Neemrana, Bhubaneswar and Ahmedabad. India attracts tourists from all over the world and leisure tourism have started patronizing serviced apartments because they are budget-friendly. It is estimated that 25% of total demand is for extended stays in tier 1 cities.[43]

Although rates differ from destination to destination, between the type of services provided, and even land value, on average, serviced apartment rates tend to be 25 – 30% cheaper than 5-star hotels and apartment products tend to be bigger than their western counterparts although mid and lower-level apartments exist, especially on company premises where the firm develops the infrastructure and allows professional service companies to run them.

Key source markets include expatriates and Indian executives who have relocated from other cities in India, although medical tourism, meetings, incentives, conventions and exhibitions (MICE) and the financial institutions are all consumers of serviced apartments. Management trainees use serviced apartments on projects lasting anywhere from two or three weeks to three months. Senior management on deputation normally stay more than 6 months.

Medical tourism is a booming segment in India. The country provides world class medical facilities with hospitals and multi-speciality health centres practically covering every aspect of medicine, combining modern treatments with traditional experience. India is witnessing 22-25% growth in medical tourism and it is expected that the industry will double to $6 billion by 2018. These tourists prefer serviced apartments than hotels due to its cost effectiveness, flexibility of staying with their relatives, customized services like food as they can prepare their own food and so on.

The townships holding all housing units in the country offer a well-planned and organized living experience with excellent connections to the city. Many builders and promoters are leasing office spaces for commercial use, so enabling township with serviced apartments to become self-contained communities in which residents live and work, with schools, medical are and recreation zones on the doorstep.

Serviced apartments are being promoted as an investment opportunity with returns of 9 -14% per annum. At present, investments in residential properties are more for capital appreciation than rental income. Annual yield via rental income from a residential property is generally 3 - 4% a year while capital appreciation is 10 - 15%.

Ascott - The Residence was amongst the first operators to recognise the potential of the Indian market and has already launched apartments across Mumbai, Bangalore, Delhi, Chennai and Pune. The company has six properties in Bangalore, Ahmedabad, Hyderabad, Gurgaon and Sri City with over 900 units in various stages of development.

In addition to standalone serviced apartment properties, numerous hotel chains are offering a section of their suites as serviced residences and are even launching new properties that will be operated as serviced apartments. GRT Hotels & Resorts has set up serviced residence properties under the brand name GRT Vibes in Hyderabad and Coimbatore. Five-star hotels like Marriot, Hyatt and ITC which offer serviced apartments within their hotels are also seeing great growth.

Although 90% of serviced apartment bookings are made off-line, more than 100,000 searches were done on Google for service apartments in India during 2017 – an increase of 10% on 2016. Increased competition and, for some operators, greater reliance on the OTAs for business is forcing the sector to devise new strategies, which are summarised at Fig 52.

43 http://www.servicedapartmentnews.com/home/features/2017/10/13/talking-business-sekhar-sandhu-skyla/

Figure 52 - Serviced apartment strategies to attract and retain customers

Domains	Strategies Adopted
Tariff	Flexible Rates
	Customized Packages for Corporates
	Customized Packages for Medical tourists
	Offers on Weekend stays
On-Site Services	Translator Services
	Doctor visit every day
	Doctor on call
Food & Beverages	Special diet menu plans for patients
	Vegetables and Groceries Delivery
	Complimentary Breakfast
	Cooking services on request
Leisure & Relaxation	Provision of Party halls & Conference halls
	Garden and Swimming Pool facility
	Gymnasium & Fitness
Travel related services	Ticket booking upon request
	On-site Travel Desk
	Forex Services
	Complimentary Airport Transfers
Website	360-degree Virtual Tour facility
	User Friendly Website
	Availability calendar in website to check for room availability status
	Feedback Forms
Payments related services	For long staying Guests, payment shall be on weekly basis in advance
Linkages	Agreements with OTAs
	Agreements with corporate companies
	Agreements with Hospitals
Offers and Promotions	
	Promotions through Social media
	Promotions through Online portals
	Promotions through websites
	Offers in booking through their website
	Offers and discounts are provided when booked through OTAs
	Great deals given for corporate bookings and long stay guests
	Loyalty Programs

Apart from growing demand, the industry faces a lot of challenges when it comes to positioning themselves in the market. In the Indian market, there is a lack of clarity in defining the serviced apartment industry. Other challenges include:

- No standardization of rental tariffs and inconsistency of amenities reflects a fragmented sector in need of product, service and quality standards.
- Lack of regulation - anyone owning an empty apartment/unit can rent it out as a serviced apartment by providing limited services like a kitchen, washing machine and so on.
- No standard for viable operating size – most independent operators have less than 10 units.
- A skills shortage that is driving hospitality professionals to the international hotel chains.
- As India's economy expands, so will the size of the floating population and demand for serviced apartments. As demand rises, developers will offer facility management services, either directly or in collaboration with hospitality firms. The regulatory vacuum will have to be filled too.

Rates

Rates for the same size of serviced apartment and length of stay vary significantly from city to city. For example, a studio apartment in Bangalore for 1 – 6 nights costs US$58 compared to US$271 in Singapore.

TOTAL UNIT INVENTORY IN ASIA INCREASED BY 65% IN FOUR YEARS

Figure 53 - City rates analysis Asia

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro		Local	Local	US$	Euro		Local	Local	US$	Euro	%
ASIA															
Bangalore (INR)															
1-6 nights (nightly rate)	INR 3,100	INR 3,675	USD 58	EUR 46	19%	INR 3,575	INR 4,275	USD 67	EUR 54	20%	INR 5,250	INR 6,150	USD 97	EUR 78	17%
7 nights + (weekly rate)	INR 21,200	INR 23,200	USD 365	EUR 293	9%	INR 23,100	INR 23,700	USD 373	EUR 299	3%	INR 34,625	INR 37,500	USD 590	EUR 473	8%
One month + (monthly rate)	INR 57,500	INR 58,750	USD 924	EUR 742	2%	INR 70,000	INR 75,000	USD 1,180	EUR 947	7%	INR 82,500	INR 87,000	USD 1,369	EUR 1,099	5%
3 month + (monthly rate)	INR 54,200	INR 55,000	USD 865	EUR 695	1%	INR 62,800	INR 68,000	USD 1,070	EUR 859	8%	INR 82,500	INR 84,000	USD 1,321	EUR 1,061	2%
Hong Kong (HKD)															
1-6 nights (nightly rate)	HKD 1,675	HKD 1,700	USD 217	EUR 175	1%	HKD 1,700	HKD 1,775	USD 227	EUR 182	4%	HKD 1,900	HKD 1,925	USD 246	EUR 198	1%
7 nights + (weekly rate)	HKD 9,400	HKD 9,500	USD 1,215	EUR 975	1%	HKD 10,500	HKD 11,000	USD 1,407	EUR 1,129	5%	HKD 12,000	HKD 12,100	USD 1,547	EUR 1,242	1%
One month + (monthly rate)	HKD 31,000	HKD 31,200	USD 3,990	EUR 3,203	1%	HKD 39,000	HKD 40,000	USD 5,115	EUR 4,106	3%	HKD 42,800	HKD 43,000	USD 5,500	EUR 4,413	0%
3 month + (monthly rate)	HKD 29,000	HKD 30,000	USD 3,836	EUR 3,079	3%	HKD 37,000	HKD 38,500	USD 4,923	EUR 3,952	4%	HKD 40,000	HKD 40,800	USD 5,217	EUR 4,188	2%
Mumbai (INR)															
1-6 nights (nightly rate)	INR 8,500	INR 8,600	USD 135	EUR 109	1%	INR 10,500	INR 10,700	USD 168	EUR 135	2%	INR 18,000	INR 18,100	USD 285	EUR 229	1%
7 nights + (weekly rate)	INR 53,550	INR 54,000	USD 849	EUR 682	1%	INR 75,800	INR 76,000	USD 1,196	EUR 960	0%	INR 116,400	INR 116,700	USD 1,836	EUR 1,474	0%
One month + (monthly rate)	INR 99,400	INR 100,000	USD 1,573	EUR 1,263	1%	INR 109,200	INR 110,000	USD 1,730	EUR 1,389	1%	INR 123,900	INR 124,300	USD 1,955	EUR 1,569	0%
3 month + (monthly rate)	INR 93,250	INR 95,000	USD 1,494	EUR 1,200	2%	INR 105,400	INR 106,000	USD 1,667	EUR 1,339	1%	INR 114,000	INR 115,500	USD 1,817	EUR 1,458	1%
Shanghai (CNY)															
1-6 nights (nightly rate)	CNY 1,350	CNY 1,625	USD 258	EUR 207	20%	CNY 1,500	CNY 1,700	USD 270	EUR 217	13%	CNY 2,200	CNY 2,750	USD 437	EUR 351	25%
7 nights + (weekly rate)	CNY 7,300	CNY 8,000	USD 1,272	EUR 1,021	10%	CNY 10,000	CNY 12,200	USD 1,940	EUR 1,558	22%	CNY 15,250	CNY 16,000	USD 2,544	EUR 2,042	5%
One month + (monthly rate)	CNY 28,600	CNY 31,000	USD 4,929	EUR 3,958	8%	CNY 36,500	CNY 38,900	USD 6,185	EUR 4,966	7%	CNY 47,100	CNY 48,500	USD 7,711	EUR 6,191	3%
3 month + (monthly rate)	CNY 26,400	CNY 29,500	USD 4,691	EUR 3,766	12%	CNY 34,500	CNY 36,800	USD 5,851	EUR 4,698	7%	CNY 42,450	CNY 45,000	USD 7,155	EUR 5,744	6%
Singapore (SGD)															
1-6 nights (nightly rate)	SGD 335	SGD 355	USD 271	EUR 218	6%	SGD 388	SGD 400	USD 306	EUR 245	3%	SGD 500	SGD 525	USD 401	EUR 322	5%
7 nights + (weekly rate)	SGD 1,750	SGD 1,890	USD 1,445	EUR 1,160	8%	SGD 2,400	SGD 2,480	USD 1,896	EUR 1,522	3%	SGD 3,100	SGD 3,225	USD 2,465	EUR 1,979	4%
One month + (monthly rate)	SGD 7,200	SGD 7,600	USD 5,810	EUR 4,664	6%	SGD 8,750	SGD 9,000	USD 6,880	EUR 5,522	3%	SGD 9,350	SGD 9,500	USD 7,262	EUR 5,829	2%
3 month + (monthly rate)	SGD 6,730	SGD 7,000	USD 5,351	EUR 4,295	4%	SGD 8,350	SGD 8,700	USD 6,650	EUR 5,338	4%	SGD 9,000	SGD 9,225	USD 7,052	EUR 5,660	3%
Tokyo (JPY)															
1-6 nights (nightly rate)	JPY 15,300	JPY 18,200	USD 167	EUR 134	19%	JPY 19,100	JPY 23,000	USD 211	EUR 169	20%	JPY 25,100	JPY 27,000	USD 248	EUR 199	8%
7 nights + (weekly rate)	JPY 77,000	JPY 80,000	USD 735	EUR 590	4%	JPY 97,000	JPY 100,000	USD 918	EUR 737	3%	JPY 121,000	JPY 123,500	USD 1,134	EUR 910	2%
One month + (monthly rate)	JPY 207,000	JPY 210,000	USD 1,929	EUR 1,548	1%	JPY 223,000	JPY 227,000	USD 2,085	EUR 1,673	2%	JPY 256,000	JPY 260,000	USD 2,387	EUR 1,916	2%
3 month + (monthly rate)	JPY 200,000	JPY 205,000	USD 1,883	EUR 1,511	3%	JPY 205,000	JPY 210,000	USD 1,929	EUR 1,548	2%	JPY 232,000	JPY 236,000	USD 2,167	EUR 1,739	2%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2017.

Growth in the Australian economy slowed towards the end of 2017 as its largest contributor, household consumption, fell although business investment helped to maintain year-on-year growth of 2.4%.[44]

KPMG Economics forecasts that Australia's Gross Domestic Product will grow in real terms by 2.9% in 2018 and by 2.6% in 2019.[45]

Travel and mobility in Australasia

There were 8.9 million visitor arrivals for year ending February 2018, an increase of 6.6% on the previous year. Leisure arrivals drive international arrivals growth, with an increase of 8.1% over the 12-month period.[46]

Business travel in Australia has soared over the past six years due to improving economic conditions and cheap domestic airfares. Domestic and international business travel is estimated to be growing 8.5% per annum.[47] International arrivals were up 6.5% to over 8.8 million visitors in 2017.

Across both international and domestic markets, leisure was outperformed by other segments. Among international visitors, business and education focused travel grew most strongly while for the domestic market, business travel and VFR (those visiting friends and relatives) travel showed the strongest growth.[48]

Tourism 2020 is the Australian government's strategy to build the resilience and competitiveness of Australia's tourism industry and grow its economic contribution. The strategy's goal is to achieve more than $115 billion in overnight spend by 2020 (up from $70 billion in 2009).[49]

Research firm Strategy Analytics' Global Mobile Workforce Forecast Update 2016-2022 predicts that 1.87 billion people will become mobile employees over the next four years, comprising 42.5% of the total global workforce.[50] A PwC report predicts a 50% per cent increase in overseas assignments by 2020, with multinational companies averaging employees in 33 countries. Australasia continues to be a destination market, exemplified by Amazon's recent establishment in Sydney, Australia.[51]

44 https://www.businessinsider.com.au/myefo-australia-government-economic-forecasts-2017-12
45 https://home.kpmg.com/au/en/home/insights/2018/04/economic-outlook-global-australia-april-2018.html
46 http://www.tourism.australia.com/en/markets-and-research/tourism-statistics/international-visitor-arrivals.html
47 https://www.ibisworld.com.au/media/2017/05/02/business-surging-business-travel-driving-demand-corporate-travel-services/
48 https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/tourism-hotel-outlook.html
49 http://www.tourism.australia.com/en/about/our-organisation/our-performance-and-reporting/tourism-2020.html
50 http://www.humanresourcesonline.net/future-trends-and-challenges-of-employee-mobility/
51 https://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/pdf/talent-mobility-2020.pdf

Accommodation in Australasia

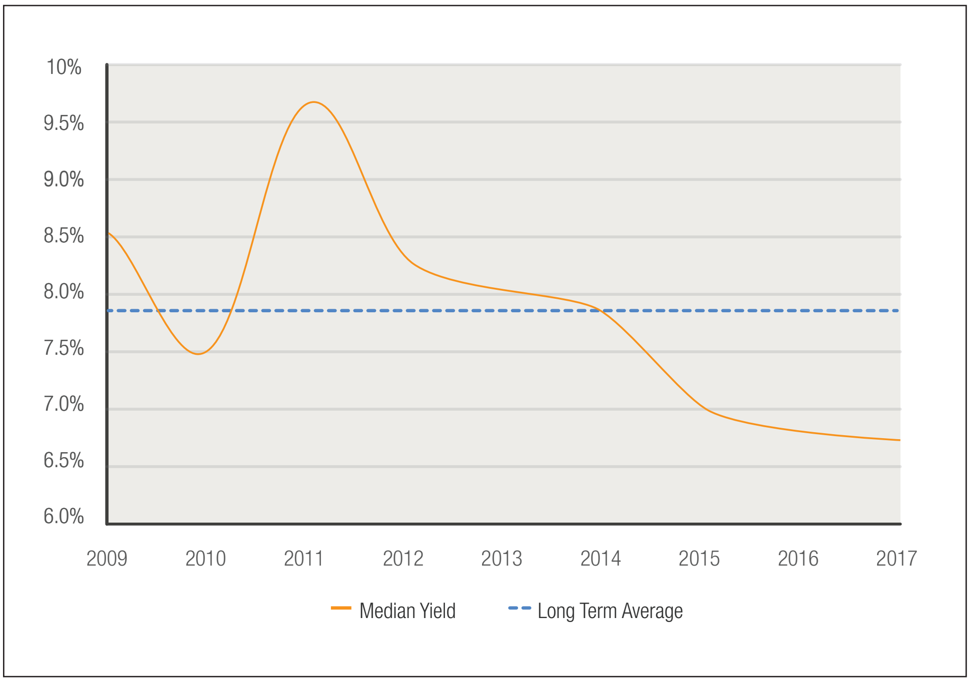
According to Tourism 2020, Increased investment and utilisation of current capacity is required to meet the Potential, with estimates of between 40,000 and 70,000 rooms needed (at occupancy rates of 75%). If yields and occupancy rates increase, less reliance on volumes is required. New rooms will be needed mainly in our capital cities, with improvements on quality rather than quantity the focus for regional Australia.

Against this background the Australian lodging market is attracting significant foreign capital. Colliers International's 2016/17 Capital Markets Investment Review reported that 13 Australian hotels sold to Chinese investors for a total of $1.12 billion.

Hotels across the country performed well during 2017, recording gains across key indicators. Room occupancy added one percentage point over the year to reach 68.5%.[52]

During 2017, 41 hotel transactions took place In Australia at total value of over $3.05 billion. The market continues to attract strong levels of foreign capital, primarily from Chinese investors who bought 13 hotels for a total of $1.12 billion in 2017. Domestic investment accounted for $439 million, 14% of total investment.

Figure 54 - Australian hotel market transaction activity

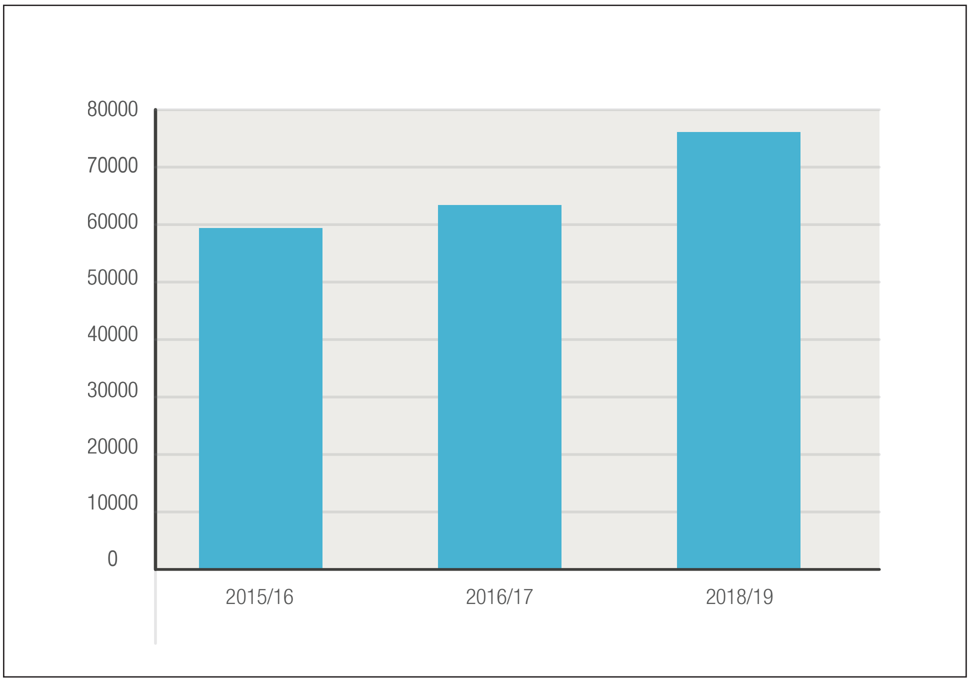


Source: www.savills.com.au/blog/article/158541/australia-articles/the-hidden-opportunities-in-the-2018-hotels-market.aspx

52 https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/tourism-hotel-outlook.html

The hotel markets performing particularly well are Melbourne, Sydney. Brisbane and Perth. Hotels in Sydney and Melbourne are experiencing unprecedented trading performance.[53] Brisbane is set to benefit from the 2018 Commonwealth Games and activities associated with the Queens Wharf development, as well as several other significant public infrastructure projects and large scale private developments. By contrast, Perth has additional new supply yet to come online which will drive occupancy and room rate downwards.[54]

Figure 55 - Serviced apartment units in Australasia



Source: The Apartment Service

Serviced apartments sector in Australia

Today, there are 75,524 serviced apartment units in 1,147 locations across Australasia. This compares to 63,512 units in 1,090 locations two years ago and 59,169 apartments in 1,073 locations four years ago. As Figs 55 and 56 show, this means that regional inventory has increased by 27.64% in four years – and by 18.91% in the last two.

The region's serviced apartments industry has directly benefited from increased tourism activity. The depreciation of the Australian dollar over the period has made it substantially cheaper to travel in Australia and this has in turn increased demand for the accommodation sector, including serviced apartments.[55]

749 businesses employ 20,000 people in the Australian serviced apartment sector. Rising profits and business confidence have supported industry growth, with industry revenues expected to grow by 6.1% over the five years to reach $3.4 billion by 2023. In 2018 the sector is projected to grow by 2.9%.

The spread of serviced apartment operators generally follows Australia's population distribution and tourism patterns. Consequently, serviced apartments are largely concentrated in business hubs and holiday destinations which also contain a high concentration of population. New South Wales, Victoria and Queensland are Australia's busiest business locations and have the highest concentrations of serviced apartments, collectively accounting for just under 80% of industry establishments. Queensland has a substantial number of industry establishments

53 https://www.thehotelconversation.com.au/news/2018/02/26/savills-release-their-feb-2018-hotels-market-report/1519616995
54 http://www.savills.com.au/blog/article/158541/australia-articles/the-hidden-opportunities-in-the-2018-hotels-market.aspx
55 https://www.ibisworld.com.au/industry-trends/market-research-reports/accommodation-food-services/serviced-apartments.html

due to its status as a major holiday destination, which attracts a higher number of leisure travellers.

The cities' serviced apartment providers have experienced yo-yoing fortunes. In 2015, Perth was at the height of a boom, whilst Melbourne was in the doldrums. Mining investment and strong commodity volumes drove a high Australian dollar, choked-off tourism and saw assignment project cancelled or postponed. In 2018 the positions have been reversed. The telecoms and IT industries, government led infrastructure projects and a revival in assignment working has seen house, and accommodation prices rocket.[56] Meanwhile in Perth, accommodation providers, such as ourselves are having to discount strongly to attract sparse demand.

Serviced apartments are expected to experience the fastest rate of growth of any lodging sector in the region until 2020, with an average expected rise of 3% per annum. Bankwest for Business says that in 2022, Australia will have approximately 8,586 hotels and resorts, 2991 motels, 1481 caravan parks and camping grounds, 3648 serviced apartments, and 1,188 hostels, making up a total of 17,893 accommodation businesses.[57]

Serviced apartments sector in New Zealand

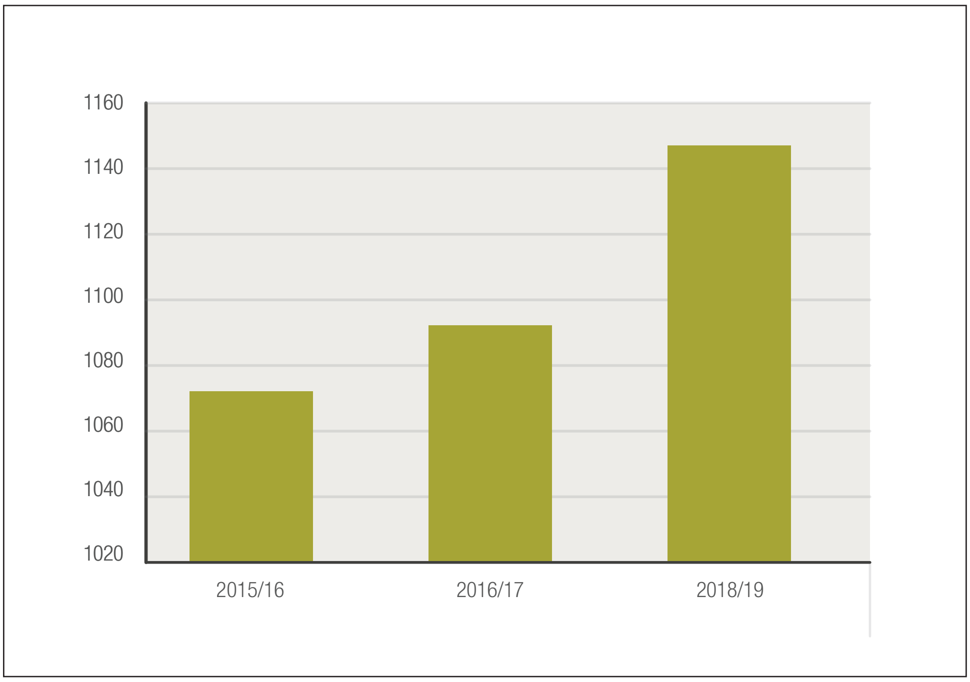
New Zealand's hotel sector is focused on the country's five main visitor destinations – Auckland, Rotorua, Wellington, Christchurch and Queenstown, with just over 20,000 hotel rooms. By 2025 it is estimated that 5,174 additional rooms will be built.

Serviced apartments are a growing segment of the lodging market. Here serviced segments took their rise from motels. Today they are becoming the option of choice as travellers look for larger rooms and the ability to prepare simple meals. Quest and Waldorf Apartments are already in place, whilst hotels moving into serviced apartments include The Sebel, Heritage Hotels, Quay West Hotel, The Standford, Pullman Hotel and others.

The agency model is present too; Quinovic Viaduct supplies serviced apartments and town-houses for the Auckland Central City, Viaduct, and city fringe suburbs. Quinovic Viaduct's David Graham explained his business model to Serviced Apartment News in 2017.[58]

"As all apartments/townhouse are not equal in quality, views, facilities etc, we look at how we can get the best possible return for the owner - so we started doing flipping. This is when we operate the apartment as a short-term rental over the peak summer months and then flip them into a six to

Figure 56 - Serviced apartment locations in Australasia



Source: The Apartment Service

56 https://convido.global/extended-stay-rates-are-dramatically-down-in-perth/

57 https://www.accomnews.com.au/2017/09/areas-on-the-rise-in-the-australian-accommodation-sector/

nine-month rental over the spring/winter/autumn months. Flipping came about due to a desire to get the best return for the owner and ourselves - empty stock over the winter months was not earning money for the owner or ourselves."

"We look at what the apartment offers in location, transport, quality of views, furnishings, facilities in the building also if they were within a hotel or not. We know all apartments will rent over summer, but over winter those without great views, locations, or which don't have facilities will not rent as well over the winter months. Also, we know the larger apartments/townhouses, while they will rent well over summer, families and business users don't travel in the same numbers over winter. So, we try to get most of our three-bedroom apartments/ townhouses and two-bedrooms on the fringe of the city into a long-term rental pool from March to October of each year."

New and planned serviced apartment developments across Australasia include:

- Australia: Vanguard Pty Ltd is preparing a planning application to Logan City Council for a $160 million mixed-use development in Springwood.
- Australia: Veriu Hotels & Suites has opened the 64-room Veriu Broadway, an $18 million conversion of a former warehouse space offering self-contained studios, one and two-bedroom loft style apartments.
- Australia: Quest Apartment Hotels has lodged an application for the construction of an eight-storey development in the Sydney suburb of Parramatta.
- Australia: Oaks Hotels & Resorts has initiated a dedicated, 'gui bin' VIP service for Chinese guests.
- Australia: Tyrian's new Melbourne property has views over the city's F1 Grand Prix track and beyond and features 85 apartments, a 14th floor sky deck, an infinity pool, health club, spa and sauna.
- Australia: The Aria Hotel in Canberra has been sold for AUS$35 million to Sydney fund manager Aligned FM and has been rebranded as an Adina aparthotel.
- Australia: The Schaller Studio, a hotel in Bendigo, Victoria, has been rebranded as Quest Schaller Hotel Bendigo.Australia: Following a deal with TwoSpace, Ovolo Woolloomooloo in Sydney will feature co-working spaces in its lounge, allowing TwoSpace members to work round the clock. Ovolo will be installing co-working spaces at all its Ovolo hotels in Australia including the 1888 hotel in Pyrmont, Sydney.
- Australia: IHG will open a Holiday Inn and Suites in Geelong, Victoria, in 2020. The property will be the largest hotel in Geelong and the first new hotel in the city in nearly 20 years.
- New Zealand: AVANI Metropolis Residences has opened on Auckland's Kitchener Street, featuring 65 one and two-bedroom apartments. Guests have access to 'For-get Me Not' amenities, which include yoga mats, GHD hair straighteners, international power adaptors, and sewing and dental kits.
- New Zealand: A new 69-room five-star hotel in the Lakeside View area of Queenstown, the first large hotel built for about a decade, with a further 2,700 rooms and serviced apartments including 19 two-key apartment suites.[59]

Figure 57 - Leading operators (1,000+ units) in Australasia

AUSTRALIA/NEW ZEALAND		
Mantra Hotels (rebranded from Mantra Group June 2017)	127	19,486
Quest Apartment Hotels (Australia, New Zealand & Fiji)	180	11,974
Mercure/Grand Mercure	38	8,366
Oaks Apartments (Australia, New Zealand)	56	7,000
Other Providers	492	6,927
Meriton Suites	17	4,469
Best Western Australia	38	3,382
Adina Apartment Hotels	21	2,325
The Sebel	28	1,893
Waldorf Serviced Apartments	27	1,200

58 http://www.servicedapartmentnews.com/home/features/2017/9/11/talking-business-david-graham-quinovic-viaduct/
59 http://hub.theasap.org.uk/2700-hotel-rooms-and-serviced-apartments-proposed-in-queenstown-new-zealand/

Figure 58. City rates analysis - Australasia

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay property and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	
AUSTRALASIA															
Auckland (NZD)															
1-6 nights (nightly rate)	NZD 170	NZD 175	USD 130	EUR 104	3%	NZD 200	NZD 210	USD 156	EUR 125	5%	NZD 235	NZD 245	USD 182	EUR 146	4%
7 nights + (weekly rate)	NZD 1,000	NZD 1,075	USD 796	EUR 639	8%	NZD 1,250	NZD 1,375	USD 1,019	EUR 817	10%	NZD 1,420	NZD 1,475	USD 1,093	EUR 877	4%
One month + (monthly rate)	NZD 3,000	NZD 3,100	USD 2,297	EUR 1,843	3%	NZD 3,825	NZD 4,000	USD 2,964	EUR 2,378	5%	NZD 5,000	NZD 5,100	USD 3,779	EUR 3,032	2%
3 month + (monthly rate)	NZD 2,850	NZD 3,000	USD 2,223	EUR 1,783	5%	NZD 3,500	NZD 3,700	USD 2,741	EUR 2,199	6%	NZD 4,850	NZD 5,000	USD 3,705	EUR 2,973	3%
Canberra (AUD)															
1-6 nights (nightly rate)	AUD 180	AUD 182	USD 174	EUR 118	1%	AUD 210	AUD 215	USD 174	EUR 140	2%	AUD 300	AUD 305	USD 247	EUR 198	2%
7 nights + (weekly rate)	AUD 1,100	AUD 1,100	USD 891	EUR 715	0%	AUD 1,375	AUD 1,400	USD 1,134	EUR 910	2%	AUD 1,500	AUD 1,500	USD 1,216	EUR 975	0%
One month + (monthly rate)	AUD 3,400	AUD 3,400	USD 2,754	EUR 2,211	0%	AUD 3,650	AUD 3,700	USD 2,997	EUR 2,406	1%	AUD 4,000	AUD 4,000	USD 3,242	EUR 2,601	0%
3 month + (monthly rate)	AUD 3,000	AUD 3,000	USD 2,430	EUR 1,950	0%	AUD 3,000	AUD 3,075	USD 2,491	EUR 1,999	3%	AUD 3,600	AUD 3,600	USD 2,917	EUR 2,341	0%
Melbourne (AUD)															
1-6 nights (nightly rate)	AUD 225	AUD 235	USD 190	EUR 153	4%	AUD 250	AUD 270	USD 219	EUR 176	8%	AUD 355	AUD 380	USD 308	EUR 247	7%
7 nights + (weekly rate)	AUD 1,300	AUD 1,310	USD 1,061	EUR 852	1%	AUD 1,600	AUD 1,675	USD 1,357	EUR 1,089	5%	AUD 2,275	AUD 2,500	USD 2,026	EUR 1,626	10%
One month + (monthly rate)	AUD 4,050	AUD 4,100	USD 3,321	EUR 2,666	1%	AUD 4,350	AUD 4,500	USD 3,646	EUR 2,927	3%	AUD 4,380	AUD 4,600	USD 3,728	EUR 2,991	5%
3 month + (monthly rate)	AUD 3,725	AUD 3,850	USD 3,118	EUR 2,503	3%	AUD 4,125	AUD 4,300	USD 3,484	EUR 2,796	4%	AUD 4,290	AUD 4,375	USD 3,546	EUR 2,845	2%
Sydney (AUD)															
1-6 nights (nightly rate)	AUD 190	AUD 193	USD 156	EUR 125	2%	AUD 230	AUD 224	USD 181	EUR 146	-3%	AUD 332	AUD 309	USD 250	EUR 201	-7%
7 nights + (weekly rate)	AUD 1,100	AUD 1,100	USD 891	EUR 715	0%	AUD 1,180	AUD 1,175	USD 952	EUR 764	0%	AUD 1,380	AUD 1,380	USD 1,118	EUR 897	0%
One month + (monthly rate)	AUD 3,420	AUD 3,400	USD 2,754	EUR 2,211	-1%	AUD 3,680	AUD 3,650	USD 2,957	EUR 2,374	-1%	AUD 4,000	AUD 3,800	USD 3,080	EUR 2,471	-5%
3 month + (monthly rate)	AUD 3,300	AUD 3,300	USD 2,673	EUR 2,146	0%	AUD 3,420	AUD 3,350	USD 2,714	EUR 2,179	-2%	AUD 3,800	AUD 3,650	USD 2,958	EUR 2,374	-4%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2017.

Quest Apartment Hotels

The last year has marked a period of consolidation and capitalising on favourable market conditions, with Quest continuing to further its dominance in the domestic market, as well as setting the foundation for international expansion.

After a prolonged downturn, the mining sector has rebounded, which, together with a resurgence in the property market and public and private infrastructure investment, has driven growth in poorer performing markets.

This was particularly evident in Brisbane, with the development of three Quest properties, strategically located in major business park redevelopments.

In total, Quest opened 7 new properties and rebranded 3 existing properties, and currently has the largest number of apartment hotel rooms under construction in the history of our group, with a further 15 properties scheduled to open in the next 2 years.

Quest's core markets of Melbourne and Sydney continued to perform strongly, due in large part to the record numbers of international and domestic tourism.

This tourism sector is predicted to grow significantly over the next 12 months, with a greater focus on Australia as a holiday and business destination for conferencing, events and exhibitions. As airlines broaden their footprint and offer flights to other parts of the country, such as direct flights from China to Perth, we expect to see strength in the leisure tourism market reflected across the board.

Quest's core corporate travel market remains stable, and we predict that room demand will remain strong due to a resurgence of investment in projects and infrastructure, and strong government and defence demand. We continue to pursue growth opportunities to meet this demand, particularly in Melbourne, Sydney and Hobart, which remain undersupplied.
Perhaps the business's biggest consolidation of growth was demonstrated through the partnership with The Ascott Limited, which took a controlling stake in Quest, increasing its ownership to 80 per cent. Partnering with the largest global service apartment operator has enabled Quest to offer international corporate clientele an extended stay accommodation solution in almost every part of the world.

Quest's international footprint has also extended to the UK, with the business's first apartment hotel scheduled to open in Liverpool next year. Plans are underway to open a further 10 UK properties over the next five years, in key regional target locations such as Glasgow, Birmingham, Manchester and Edinburgh. Quest Head Office will oversee operations in the initial establishment period, before engaging franchisees to manage the properties.

Franchisees remain an important cornerstone of the business. In recognition of this, Quest last year developed the Franchisee Accelerator Program to identify and support leaders within the company to realise their ambitions to become Quest franchisees. Selected participants receive training, ongoing support, and financial assistance to achieve equity in the business and grow their personal wealth.

The ongoing expansion of Quest's $7 million Training Academy continues to enhance Quest's reputation as an industry leader in learning and development and achieve best practice across the brand.

The comprehensive six-week foundation training program has been designed for new franchisees and staff, while more tailored programs are available to meet the requirements of more experienced franchisees.

Given the strong underlying economic conditions and continued growth in tourism and infrastructure, Quest remains optimistic the year ahead will see the business extend its dominance of the Australasian market and continue to capitalise on opportunities internationally.

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QUEST

APARTMENT HOTELS

Despite the uncertainties created by Britain's decision to leave the European Union, the region's economy is undeniably growing although the rate of growth is expected to slow as many economies approach full capacity. Across the eurozone Austria, Germany, Ireland, Luxembourg and the Netherlands all performed well in 2017.[60]

The highest EU performers include Austria, Germany and the Netherlands, albeit with contrasting growth factors. Austria's integration with the Central, Eastern and Southern European regions is driving exports. In Germany, domestic consumption is boosting imports. For the Netherlands two years of playing catch-up to their rivals has seen recovery driven by a broad-based economy supported by private consumption, net trade, investments and government expenditure.

Outside the EU, Switzerland and Turkey are also seeing good growth. The Turkish economy saw robust economic growth in 2017 and although that growth is expected to slow in 2018 and 2019. Turkey will continue to outperform its emerging market peers in Europe.

ALMOST EVERY EUROPEAN CITY SAW GROWTH ACROSS ITS HOSPITALITY SECTOR IN 2017 AND IS EXPECTED TO DO SO AGAIN IN 2018

Figure 59 - RevPAR growth rates (local currency)

2017	2017 RevPAR
Porto	14.8%
Dublin	8.7%
Budapest	6.8%
Madrid	5.9%
Lisbon	5.6%
Prague	5.5%
Barcelona	5.4%
Frankfurt	4.5%
Paris	3.6%
London	3.3%
Amsterdam	2.1%
Berlin	2.1%
Milan	1.9
Vienna	1.3%
Rome	1.1%
Geneva	-1.6%
Zurich	-2.8%

2018	2018 RevPAR
Porto	12.8%
Dublin	9.9%
Budapest	8.2%
Madrid	7.4%
Lisbon	6.8%
Prague	5.8%
Barcelona	5.2%
Frankfurt	3.1%
Paris	3.0%
London	2.6%
Amsterdam	2.5%
Berlin	2.4%
Milan	2.2%
Vienna	1.7%
Rome	1.2%
Geneva	0.1%
Zurich	-2.3%

Source: PwC European Cities Hotel Forecast 2017 & 2018

60 https://www.pwc.nl/nl/themas/europe-monitor/documents/pwc-european-economic-outlook-2018.pdf

European hospitality industry

Almost every European city saw growth across its hospitality sector in 2017 and is expected to do so again in 2018, according to PwC's European cities hotel forecast.[61]

Whilst demand has grown, the average annual increase of hotel supply has been just 1% over the past decade.[62] This added pressure on supply has resulted in increased RevPAR across virtually every European capital.

Although supply growth has been generally limited, there are exceptions. Berlin will add about 3,700 hotel rooms by 2020, and London will have opened 8,000 new rooms by the end of 2018. Budapest will have added 2,600 rooms in the same period.

As Figure 60 shows, demand has propelled cities up and down within the occupancy and RevPAR rankings. In 2017 Porto saw almost 15% RevPAR growth; Dublin 8.7% with further growth in cities like Budapest, Madrid, Lisbon, Prague and Barcelona.[63]

Figure 60 - European city occupancy rankings

2016	2016 rank	2017 (F)	2017 (F) rank	2018 (F)	2018 (F) rank
Dublin (82.5%)	1	Dublin (83%)	1	Dublin (83.8%)	1
London (81.3%)	2	London (82%)	2	London (82.4%)	2
Amsterdam (78%)	3	Amesterdam (78.3%)	3	Barcelona (79.8%)	3
Berlin (77.1%)	4	Prague (78.25)	4	Amsterdam (78.9%)	4
Prague (76.9%)	5	Barcelona (77.9%)	5	Prague (78.5%)	5
Barcelona (76.6%)	6	Berlin (77.5%)	6	Berlin (78.4%)	6
Budapest (75.1%)	7	Budapest (76.8%)	7	Budapest (77.7%)	7
Vienna (74.7%)	8	Porto (75.7%)	8	Porto (77.6%)	8
Lisbon (74.2%)	9	Lisbon (75%)	9	Lisbon (76.1%)	9
Porto (73.5%)	10	Vienna (74.8%)	10	Vienna (75.5%)	10
Zurich (73.3%)	11	Zurich (73.5%)	11	Madrid (75.4%)	11
Madrid (70.5%)	12	Madrid (72.7%)	12	Paris (74.2%)	12
Frankfurt (69.8%)	13	Paris (72.1%)	13	Zurich (73.6%)	13
Paris (69.4%)	14	Frankfurt (70.8%)	14	Frankfurt (71.6%)	14
Rome (69.3%)	15	Rome (69.7%)	15	Rome (70.1%)	15
Geneva (67%)	16	Geneva (67.2%)	16	Geneva (67.8%)	16
Milan (65.5%)	17	Milan (65.7%)	17	Milan (66.2%)	17

Source: PwC European Cities Hotel Forecast 2017 & 2018

61 https://www.pwc.com/gx/en/industries/hospitality-leisure/publications/european-hotels-forecast.html
62 https://www.hotelzon.com/2017/06/2018-hotel-forecasts-increasing-demand-limited-supply-growth/
63 https://www.pwc.com/gx/en/industries/hospitality-leisure/publications/european-hotels-forecast.html

European serviced apartment sector

The results of a poll of serviced apartment operators at the 2017 Serviced Apartment Summits in New York, Dubai and London illustrates the level of optimism amongst operators across Europe in particular.[64]

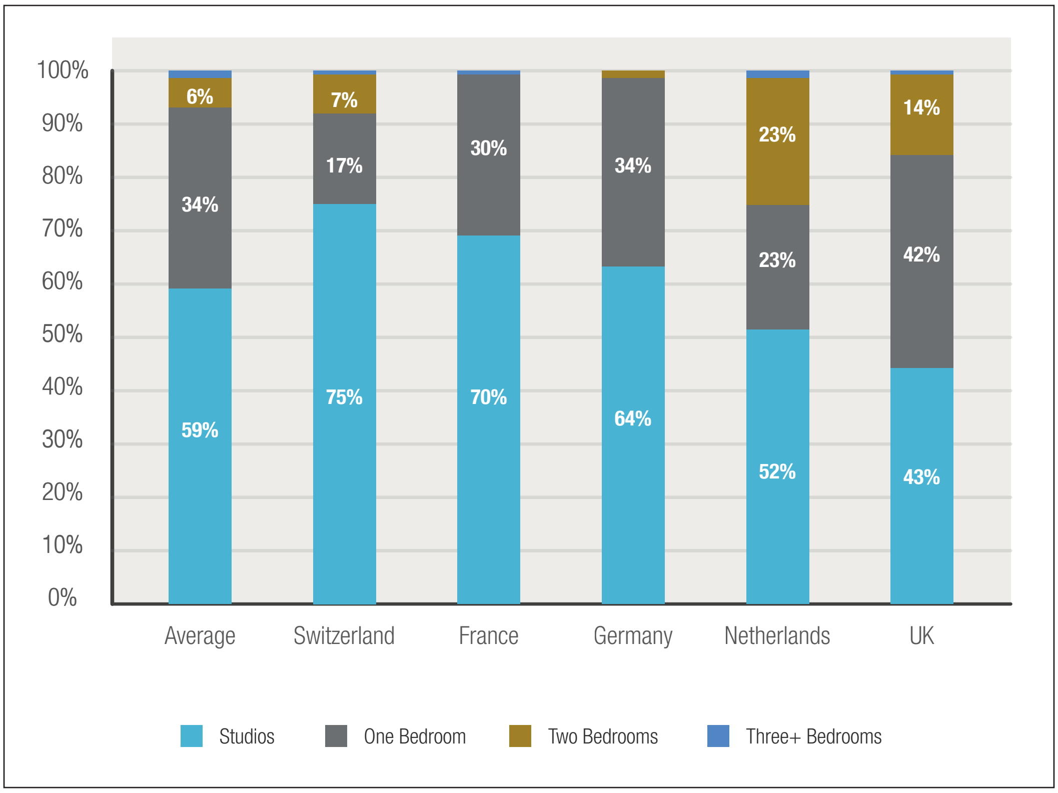
Asked whether they are more or less confident about the prospects for the serviced apartment sector, 60% of Europe and Middle East-based operators were optimistic. 64% of Europeans were more optimistic about their own business prospects, compared with 60% in the Middle East and 50% in the Americas.

The same poll revealed that, in Europe, 63% of operators had taken on new units in past 12 months, with 79% planning to do so by the end of 2018. Amsterdam, Germany and Dublin were the three European markets predicted to see most growth, while London, Paris, and Spain were predicted to struggle. Bulgaria's presidency of the Council of the European Union is expected to fuel a boom in Sofia's serviced apartment sector,[65] with 18,000 delegates expected to attend 230 events in Sofia.

On changing distribution trends, 33% of European operators reported more direct bookings over the previous 12 months whilst 29% received more OTA business, and 38% reported no change. Leisure bookings continue to increase for 47% of European operators, and this trend is expected to increase over the next 12 months too.

Another example of the digitalisation of serviced apartments comes from the expansion of Homelike, the online booking platform for temporary housing. Homelike has expanded its business to Switzerland, offering more than 12,000 furnished apartments in 20 cities across Germany, Austria and Switzerland.[66]

Figure 61 - Serviced apartment mix by European country



Source: The Apartment Service

64 http://www.servicedapartmentnews.com/home/features/2017/12/6/the-global-serviced-apartment-industry-how-does-it-feel/
65 http://www.servicedapartmentnews.com/home/news/2017/9/18/sofia-expecting-serviced-apartment-boom-thanks-to-eu-council-presidency/
66 http://hub.theasap.org.uk/homelike-expands-to-switzerland/

The European branded serviced apartment sector is becoming increasingly crowded, with some operators are moving away from the original extended-stay concept to cover short-stay business and expanding the range of amenities available to guests.[67] There is a trend towards microapartments in which kitchen facilities are replaced by communal dining areas. This not only makes the use of space more efficient but drives operators' profit margins too.

There are lots of examples on view. Livinghotel has two apartments in Vienna and Vevey with communal rather than in-room kitchens. Bridgestreet's Stüdyo concept has shared common spaces and their new Stow-Away brand properties will consist of 20 prefabricated modular microapartments. Aparthotels Adagio, the joint venture between Pierre et Vacances and AccorHotels, will launch a similar concept in 2018. The brand will include shared kitchens, co-working areas, delicatessens and world map display board for customers' photos or comments, as well as games areas and entertainment to encourage socialising.[68] Ascott's lifestyle brand lyf is aimed at millennials, while Vision apartments is amongst the first brands to accept payment via Bitcoin.

Jonathan Humphries of HoCoSo says that this level of brand development is a relatively new phenomenon in the serviced apartment sector. "Some of the newcomers have had the opportunity to stand on the shoulders of the more traditional hotel brands such as Locke by SACO, MODE by BridgeStreet and Capri by Fraser. They are targeting the savvy, urban traveller, with stylish FF&E and fresh F&B concepts.[69]

"Focus comes on space utilisation and optimisation as these new concepts have been conceived by investors with sophisticated real estate experience. No wonder every square meter developed has been envisaged in ways to impact the future residents. It is a real estate developer's raison d'être.

"Extended stay products have always been leanly operated, in some instances with only the basics and a limited service - think of a pin code entry and no more than a weekly cleaning service. However, the new concepts that are surfacing have been redefining this sector's hospitality norms by creating host-like experiences and services curated and flexible for the extended-stay customer."

While most established hotel groups now have an extended-stay product, with some expanding through franchising, most operators manage, own or lease properties. The result is an increasingly competitive market. Serviced apartment brands are also optimising performance from room mix, standardising their products and matching room types to audience segments. 59% of apartments across Europe and studios, compared to 39% one-bed and 6% two-bed. Less than 1% of European serviced apartments are three-bed, existing only where the target market is to be found. Fig. 61 shows how these are spread, country-by-country.

Sharing economy & European serviced apartments

Research undertaken at the 2017 London Business Travel Show revealed that 28% of European travel managers now include sharing economy providers in their travel policies, compared to just 8% in 2016. That's a 250% year-on-year increase.[70]

17% have increased bookings through Airbnb over the same period, proving that the disruptors are gaining traction in the B2B accommodation market. 48% of buyers believe their travellers are booking sharing economy providers independently - more than twice 2017's figure – with 37% of buyers believing they benefit their travel programme.

The Serviced Apartment Summit poll of operators confirmed varying attitudes towards Airbnb and other disruptors. 82% of European operators believe the sharing economy has been broadly beneficial to the serviced apartment sector, with 55% of operators listing on Airbnb or similar. Attitudes amongst destinations towards Airbnb vary wildly. In Geneva, the number of nights apartments can be rented on Airbnb or other rental platforms has been capped at 60 nights a year. In contrast, Berlin has relaxed what was one of Europe's strictest regimes for short-term rental companies by permitting private individuals to rent out their main home without time limitations.

Arguably however the true impact of Airbnb on the serviced apartment sector is clearly manifesting itself in a sense of "if you can't beat them, join them." 44% of European operators have introduced new products or altered existing ones to attract the millennials and Gen Z travellers. A further 23% plan to do similar.[71]

67 https://www.hvs.com/article/8044-the-serviced-apartment-sector-in-europe-no-longer-the-underdog 68 http://hub.theasap.org.uk/adagio-celebrates-10th-anniversary-with-new-accommodation-concepts/ 69 http://www.servicedapartmentnews.com/home/news/2017/7/10/what-are-the-innovative-concepts-in-today%E2%80%99s-extended-stay-and-serviced-apartment-sectors/ 70 http://www.servicedapartmentnews.com/home/news/2016/12/16/250-per-cent-rise-in-european-travel-managers-using-sharing-economy-providers/ 71 http://www.servicedapartmentnews.com/home/features/2017/12/6/the-global-serviced-apartment-industry-how-does-it-feel/

Market perspective – Belgium

By Bernard Kerkhof, BBF

The serviced apartments industry in Brussels has always been very focused on corporate stays since BBF (Brussels Business Flats) became a serviced apartments provider. 99% of our clients are business travellers and expats on assignment in the international companies and NGO's based in and around the city. The presence of the European commission and NATO headquarters with all their representations has always been a key factor for making Brussels into a European business hub.

This resulted in the high demand for housing with providers of aparthotels and serviced apartments and contributed to a rapid expansion of our portfolio in the capital and the position as market leader. Currently BBF manage 1339 serviced apartments (80% occupation rate throughout 2017) and 215 residential (unfurnished) apartments (95% occupation rate in 2017).

Recently the legislation for serviced apartments providers has changed in Brussels so we will be only focusing on stays of at least three months. Our average length of stay in recent years has been around five months so this won't be a big change for us.

Denmark

The serviced apartment market in Denmark is made up of 3,500 units, including aparthotels. Demand comes from the larger corporations operating around Copenhagen, with supply focusing on short-term stays, although supply is dominated by aparthotel operators.

Copenhagen's population is increasing steadily, with a 15% growth forecast over the next 25 years. New construction, renovation, infrastructure upgrades and the rent levels on new properties are all increasing as a result. 81% of the properties in CPH are apartments rented out with normal rental agreements to consumer sector, and the majority belong to so-called 'old' building stock, constructed before 1992 and under rental price regulation of the Danish Residential Regulation Act. The price regulation law together with the Copenhagen municipality resident rules on registration of the resident address are the main reasons behind the growth of aparthotels in the Copenhagen area.

Most aparthotels are at the higher end with common facilities like fitness, swimming pools and restaurants. All are operated like normal high-standard hotels. In 2017 Denmark overnight stays increased by 2% and the total number of hotel rooms is nearing 43,900.

Finland

Finland as a business area has grown faster than the economic cycle. Capacity grew by 15% in 2017 to 4,000 serviced apartment and hostel units. Growth is driven by strong operations and a recovering national economy. The later has seen increased investment in projects, corporate travel and mobility of workforce. Demand is also growing for locations away from the capital including rural areas.

The Finnish serviced apartment market in Finland is receive g more attention from real estate investors who are more interested in serviced apartment real estate than in traditional hotel properties.

Germany

Serviced apartments are a relatively recent entrant to the lodging market but with record transaction volumes of EUR€235 million in 2018,[72] the market is forecast to grow by some 40% by 2019.

A further 13,000 new serviced apartments will come onto the domestic market in the next two years.[73] Centred upon Munich, Berlin, Frankfurt, Hamburg and Düsseldorf, the German serviced apartment market is a hybrid of the residential apartment sector and the hotel market. However, as in other European countries, new entrants are bringing different types of product to the market, although the impact of urbanisation on living and working practices are helping to drive the trend towards smaller apartments and microapartments.

72 http://www.servicedapartmentnews.com/home/news/2018/4/23/record-year-expected-for-german-serviced-apartment-market
73 http://hub.theasap.org.uk/40-growth-forecast-for-german-market-by-2019/

According to Luxembourg-based bank Catella Market Tracker, Germany ranks second in the expansion plans of national and international investors, with a clear gap to the next ranked countries Switzerland and Ireland. The bank has identified Cologne, Stuttgart, Hanover, Leipzig and Nuremberg as cities with large future potential.

"We assume that the overall market will continue to grow, primarily fed by a change in the labour market," said Dr Thomas Beyerle, head of group research at Catella, predicting that serviced apartments' share of the overall hotel market will rise to 10% by 2030. "Co-working, project structures and an increasing number of business travellers are push factors for this development," added Beyerle.

Netherlands

The Dutch serviced apartment sector is the fastest growing segment of the domestic hospitality industry. The number of branded providers has increased exponentially over the last three years[74] as has demand, with occupancies and average room rates continuing to rise. In 2017, average occupancy increased by 6% to 79%, with average room rates rising from €119 to €126. As a result, RevPAR for serviced apartments in the Netherlands increased by 15% to €100 in 2017.

Although 60% of serviced apartments bookings in the Netherlands are for business purposes, in Amsterdam leisure guests dominate. Traditionally, serviced apartments in the Netherlands have drawn business from corporate or government staff and management. Recently, serviced apartments have become more closely aligned to hotels, targeting shorter stays as well as longer. As a result, serviced apartments are now attracting leisure guests and as such are competing directly with hotels for that business.

In 2017, 24% of serviced apartment stays were for less than three nights, whilst 20% stayed three to seven nights. 35% stayed between seven and thirty nights, although 45% of guests still stay for less than seven nights. In Amsterdam, the average length of stay is notably longer, with over 46 per cent staying seven to thirty nights and only 35% staying less than seven nights. In other cities, over 54 per cent of guests stay less than seven nights.

The local branded serviced apartment market is made up of 27 main providers offering a total of more than 3,500 serviced apartments. With more than 1,900 serviced apartments, the Amsterdam Metropolitan Area accounts for 56% of total supply. This rapid expansion is expected to continue in the coming years, with at least 12 new developments and 1,100 new apartments planned for launch by 2020.

Norway

The market in Norway is relatively small and fragmented, with just 3,000 serviced apartment unit. The largest operator is Thon Hotels with 800 units; none of the 13 other players have more than 500 units. Estimated to be worth 70m EUR in

74 www.servicedapartmentnews.com/home/news/2018/1/23/serviced-apartments-is-the-fastest-growing-hospitality-sector-in-the-netherlands/

2017 the Norwegian serviced apartment market is nevertheless expected to grow by 11% year-on-year until 2020. The biggest growth driver is the increasing population; Oslo is the fastest growing capital in all Europe. However, public awareness of serviced apartments is low, apart from companies with white collar foreign expatriates and project workers.

As in other countries, the regulatory environment for serviced apartments industry has seen new laws implemented restricting the use of residential buildings for serviced apartment purposes due to its shorter-term tenancies compared to normal leasing. Dialogue has also touched the question of sharing economy apartments and whether restrictions should be applied to that market too.

Portugal

In Portugal, serviced apartments are designated "Alojamento Local – Local Accommodation" with most bookings being business or leisure/tourism oriented. This explains why most serviced apartments are found in tourism areas.

In 2015 Portugal experienced a spurt in foreign investment, since when Lisbon and Porto have witnessed a trend towards urban living. However, a tourism boom has expanded overall supply to the point that new legislation is planned to regulate the market. Accord to Turismo de Portugal, in Lisbon there are 10,225 registered units of Local Accommodation. Of which 90.6% are apartments.

Spain

The Spanish serviced apartment market is centred upon Barcelona and Madrid. In Barcelona there is a clear distinction between apartments for tourism and serviced apartments. Due to an explosion in apartment supply, new municipal laws require apartment operators to be registered to service stays of less than 32 nights. Since 2015 the government has not issued any new licenses.

Although 74% of the Barcelona market is regulated, many un-licensed apartments have turned to platforms like Airbnb and Homeaway, resulting in both platforms incurring fines of EUR€600.000. Licensed operators are dis-interested in long stays because they can generate more income from single night stays. Consequently, it's difficult to find availability for mid-long term corporate stays.

Barcelona is ranked #8 in the world's best cities list, despite being a predominately leisure destination, the international congress market is strong. The relocation market accounts for around 85% of serviced apartment occupancy, with average stay between one and two months. Madrid has also announced it will suspend the issuing of licences to establish tourist homes or hotels in residential buildings, responding to concerns of local associations about over-tourism. "The tourist housing is a problem, it is pulling the prices of the rent, it is throwing to people of the district and generating problems of coexistence and security in the communities" explains Vicente Perez from one of the associations pressing for regulation.

"We need a plan that is really participated to determine among all how we want to relate to this phenomenon of irruption of tourist uses. The moratorium is essential to be able to open a transparent process and participate in the thought of an organization of tourist uses in the city" says Pablo García, of the Tenants' Unions.

Sweden

The serviced apartment market in Sweden is worth 100m EUR and growing. During 2017 the market continued to develop, with new players entering like Strawberry, the owner of Nordic Choice -hotel chain, which acquired Företags-bostäder, the largest competitor in the Swedish market.

Aparthotels are increasingly popular, accounting for just 40m EUR in 2017 but expected to expand in 2018 with several new properties in the pipeline. The hostel category is also having an impact here, especially for price-sensitive companies accommodating the workforce.

Geographically, serviced apartments are spreading across the country although the cities offer the greatest growth potential. The suburbs of Stock-holm are expected to see substantial serviced apartment development due to the coverage of traditional hotels in the city centre.

Regulation remains the biggest obstacle to adoption, especially in the single apartment sector. The ongoing debate about gradually dismantling regulation reflects a growing interest in renting out single apartments for serviced apartment market, but progress is slow.

United Kingdom

The UK serviced apartment sector achieved 81.7% occupancy level in 2017, with London and Edinburgh the top performers.[75] Meanwhile, average daily rate (ADR) rose 5.4% to GBP148.48.

As well as accounting for roughly 55% of current UK serviced apartment supply, London also accounts for much of the sector's growth, reporting a 2.2% increase in occupancy to 83.8% during 2017 and a 9.8% increase in ADR to GBP£198.74. Outside London, serviced apartment occupancy dropped 1.7% to 79.7%, while rates rose by 1.0% to GBP£93.71.

Performance was mixed across UK cities. Manchester saw supply increase and occupancy decline by 6.3%. ADR fell by 3.4% to GBP£100.09. Meanwhile, Edinburgh recorded a 0.4% growth in occupancy to 84.4% and a 7.3% growth in ADR to GBP119.21. Overall, Thomas Emanuel, Director of Business Development for STR, commented that "Supply growth … confirms the high level of investment interest in further developing this sector, but strong demand growth and the ability of operators to drive rate growth in several markets are positive indicators for how the sector will continue to adapt as its inventory expands."

Regional initiatives are also gathering traction. For example, the Birmingham Extended Stay Apartment Partnership (BESAP) consists of nine of the city's providers and has been created to showcase the accommodation options Birmingham has to offer through marketing activity and familiarisation trips.[76] There is substantial demand for extended stay in Birmingham from regeneration and last minute projects and BESAP believes it is the first region in the country to set up such a partnership bringing together the likes of Staybridge Suites, Park Regis, Nitenite, Adagio, Premier Suites, Staying Cool, Staycity, The Spires and BridgeStreet.

"We are very excited about the many new developments opening right across the U.K. in 2018 which includes properties in Southampton, Manchester, Edinburgh, Glasgow, London and Brighton which reflects the undaunted confidence in our sector as operators continue to accelerate their expansion plans" said James Foice, Chief Executive of the ASAP.

Twelve months away from Brexit, a 2017 poll of travel buyers at the Business Travel Show found that 80% of companies believe it will be business as usual after the UK leaves, compared to 83% of travel buyers in Europe.[77]

Some, like Shaun Hinds, formerly managing director, EMEA & APAC at BridgeStreet Global Hospitality, even regard Brexit as an opportunity. He told Serviced Apartment News that the extended stay sector "was built on, among other things, projects as a mainstay of its customer base. Brexit is the biggest project we are likely to see in a generation and so can only be an opportunity - some reports cite up to 30,000 jobs being required to deliver Brexit. The chief Brexit officers and their teams will need somewhere to stay."

THE UK SERVICED APARTMENT SECTOR ACHIEVED 81.7% OCCUPANCY IN 2017

75 http://hub.theasap.org.uk/?s=occupancy
76 http://www.servicedapartmentnews.com/home/news/2017/8/23/extended-stay-providers-team-up-to-promote-birmingham/
77 http://www.servicedapartmentnews.com/home/news/2017/1/23/prospect-of-brexit-forcing-business-travel-costs-upwards/

Market perspective – The Nordics

By Jussi Saarinen - Director of International Operations, Forenom

The serviced apartment market in the Nordics continued to show surging growth throughout year 2017. Extended stay has shown a clear increase in demand and volume. The single-apartment category is also trending up with both B2B and B2C as “live like a local” gains favour.

We have witnessed a gradual change in corporate travel around processes, policies and quality. This is clearly visible in how corporations buy and use serviced apartments. Many have formed policies and processes to procurement of the services we provide, which appears as growing expectations of certain product quality.

Big and booming economic areas such as Skåne and Copenhagen offer huge growth potential. In the more rural areas we have gained market-share from the big projects in construction, forestry and energy sectors and accommodation demand revolving around them.

The larger corporations have adopted Finland and Nordics as a part of their travel policy. There are clear indications of this especially in our furnished apartment category, which is stronger than ever by the end of 2017. Upscale apartment category is pointing out an imbalance between demand and supply in Helsinki capitol area, which indicates a strong growth in higher end business travel.

Market perspective – United Kingdom

Australasia’s leading apartment hotel operator, Quest Apartment Hotels, is expanding into the UK market. By 2023, Quest aims to open 8 - 10 apartment hotel properties across the UK. Here Andrew Weisz, then Director of UK development Quest Apartment Hotels, explains how and why...

My brief is to mirror the Australian model to secure long terms leases and franchise those businesses. Quest is also about building brands. London is a tough market, not least be-cause of lease values, so we are still looking at London with our partner Ascott where they own the freehold and we become the tenant. However, this is an opportunistic approach.

Our focus is currently on regional UK locations which better reflect our Australian model like Birmingham, Bristol, Manchester, Glasgow and Edinburgh. Our shopping list includes finding landlords or developers willing to partner with us. The business needs to be sus-tainable for 15+ years, so there’s lots of relationship-building to do.

Although we started with products that were proven in Australia, we have had to adapt. In the UK serviced apartments tend to be smaller than those in Australia because that's what guests expect, together with kitchenettes, washing/drying facilities and even small meeting rooms.

I believe the aparthotel industry in the UK is at least 10 – 15 years behind Australia in terms of product. Too many aparthotels providers are building hotel rooms with kitchens, making apartments too small. In the UK there's no middle ground between aparthotels and resi-dential type serviced apartments. The corporate housing type of apartments (i.e. 30 units) model is not sustainable for us; rents simply outstrip increases in room rates.

Always have to work within the confines of the building; very similar to Oz but a bit smaller. Going forward, amenities basically the same (other than swimming pools). Our view is that the consumer is the same, so their requirements are the same. It's the corporate customer staying a week/fortnight/month – its non-discretionary travel.

Our objective is to achieve high brand recognition and to have five locations at different stages within 5 years, so we will have 15 at various stages of construction, leveraging Ascott's relationships and distribution networks. Effectively Ascott sells Quest as one of their brands.

In the UK, the principal barrier for us is around developers and investors recognising the value of aparthotels. They understand the numbers around hotels and residential, but don't know what the product is and what drives the returns. In Oz they can name five aparthotel brands off the top of their heads.

Supply pipeline

41% of pipeline openings to 2019 are in the UK, with Germany accounting for 32%. The UK development pipeline continues to be dominated by the UK's largest operators, with Staycity looking set to improve its lead as the largest operator in the UK with 680 units in the pipeline, increasing current stock levels by 57.9% by the end of 2019.[78]

New and planned serviced apartment developments across Europe include:

- France: Cycas Hospitality will manage the first dual-branded Hyatt property in Europe. The Hyatt Place and Hyatt House hotels, close to Paris Charles De Gaulle airport. The hotels will open in the second half of 2020.
- Germany: Staycity will open a Wilde Aparthotel in 2019 as part of Charlie Living at the former Checkpoint Charlie on the Friedrichstrasse in Central Berlin. The 48 apartment building is one of two Staycity properties opening in the German capital.
- Ireland: Staycity will open in Dublin's Chancery Lane with 50 apartments. Adding a further 142 apartment building on Mark Street in 2020. By 2021, the company expects to have 1,500 keys operating in Dublin.
- Spain: Amsterdam-based operator Yays has opened its first property outside Amsterdam with the launch of Yays La Sagrera in Barcelona
- UK: SACO will add 1,000 new units to its Locke lifestyle aparthotel concept. Launched in London's Whitechapel, the brand already has a presence in Manchester and Edinburgh and has secured additional sites in London, Berlin, Cambridge, Manchester, Dublin and Paris.

41% OF OPENINGS IN 2019 ARE IN THE UK 32% ARE IN GERMANY

78 http://hub.theasap.org.uk/asapsavills-sentiment-tracker-survey-confirms-serviced-apartment-operators-optimistic-for-2017/

Figure 62 - Principal (1,000+ units) operators in Europe

EUROPE		
Pierre & Vacances	257	22,252
UK & Ireland Serviced Apartments (source: ASAP)	556	21,375
Serviced Apartment Market Germany (minus those in the	270	20,586
Other Providers	195	11,626
Adagio / Adagio Access	97	11,200
ResidHome + Sejours et Affaires - France	65	5,233
Netherlands Apartment totals (ex Amsterdam)	375	5,000
Park & Suites	55	4,937
Citadines	39	4,703
Suite Novotel	29	3,570
Derag Living Hotels	16	2,812
Q Apartments	50	2,500
Amsterdam Apartment Totals	200	2,500
ResidHotel - France	33	2,437
Brussels Business Flats - Brussels	33	1,875
ATA Hotels - Italy	8	1,601
Bridgestreet (estimated)	50	1,578
Innside Premium Hotels	10	1,412
Vision Apartments - European cities	24	1,257
Adina Apartment Hotels	11	1,229
Thon Residences (Norway, Belgium)	13	1,067
Staybridge	7	1,000

Figure 63 - City rates analysis Europe

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay property and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	
EUROPE															
Amsterdam (EUR)															
1-6 nights (nightly rate)	EUR 145	EUR 170	USD 212		17%	EUR 210	EUR 225	USD 280		7%	EUR 250	EUR 280	USD 349		12%
7 nights + (weekly rate)	EUR 870	EUR 950	USD 1,184		9%	EUR 1,325	EUR 1,400	USD 1,745		6%	EUR 1,620	EUR 1,650	USD 2,056		2%
One month + (monthly rate)	EUR 3,510	EUR 3,700	USD 4,612		5%	EUR 5,000	EUR 5,150	USD 6,419		3%	EUR 5,500	EUR 5,750	USD 7,166		5%
3 month + (monthly rate)	EUR 3,200	EUR 3,275	USD 4,082		2%	EUR 4,600	EUR 4,750	USD 5,920		3%	EUR 5,300	EUR 5,500	USD 6,854		4%
Brussels (EUR)															
1-6 nights (nightly rate)	EUR 140	EUR 150	USD 187		7%	EUR 210	EUR 225	USD 280		7%	EUR 260	EUR 285	USD 355		10%
7 nights + (weekly rate)	EUR 810	EUR 825	USD 1,028		2%	EUR 1,290	EUR 1,310	USD 1,633		2%	EUR 1,475	EUR 1,510	USD 1,882		2%
One month + (monthly rate)	EUR 3,300	EUR 3,500	USD 4,362		6%	EUR 4,300	EUR 4,500	USD 5,608		5%	EUR 6,100	EUR 6,250	USD 7,789		2%
3 month + (monthly rate)	EUR 3,100	EUR 3,300	USD 4,113		6%	EUR 4,100	EUR 4,250	USD 5,297		4%	EUR 5,700	EUR 6,000	USD 7,477		5%
Frankfurt (EUR)															
1-6 nights (nightly rate)	EUR 130	EUR 125	USD 140		-4%	EUR 200	EUR 185	USD 231		-8%	EUR 250	EUR 240	USD 299		-4%
7 nights + (weekly rate)	EUR 835	EUR 835	USD 1,041		0%	EUR 1,100	EUR 1,125	USD 1,402		2%	EUR 1,475	EUR 1,500	USD 1,869		2%
One month + (monthly rate)	EUR 3,500	EUR 3,500	USD 4,362		0%	EUR 4,000	EUR 4,250	USD 5,297		6%	EUR 5,500	EUR 5,300	USD 6,605		-4%
3 month + (monthly rate)	EUR 3,000	EUR 3,150	USD 3,926		5%	EUR 3,800	EUR 4,000	USD 4,985		5%	EUR 5,000	EUR 5,100	USD 6,356		2%
Lisbon (EUR)															
1-6 nights (nightly rate)	EUR 125	EUR 125	USD 157		0%	EUR 170	EUR 180	USD 224		6%	EUR 235	EUR 240	USD 299		2%
7 nights + (weekly rate)	EUR 750	EUR 750	USD 935		0%	EUR 1,000	EUR 1,100	USD 1,371		10%	EUR 1,250	EUR 1,300	USD 1,620		4%
One month + (monthly rate)	EUR 2,725	EUR 2,800	USD 3,490		3%	EUR 3,750	EUR 3,850	USD 4,798		3%	EUR 4,700	EUR 4,775	USD 5,951		2%
3 month + (monthly rate)	EUR 2,430	EUR 2,500	USD 3,116		3%	EUR 3,520	EUR 3,650	USD 4,550		4%	EUR 4,500	EUR 4,600	USD 5,733		2%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2017.

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay property and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	
EUROPE															
London (GBP)															
1-6 nights (nightly rate)	GBP 190	GBP 180	USD 255	EUR 206	-5%	GBP 265	GBP 250	USD 355	EUR 285	-6%	GBP 320	GBP 300	USD 425	EUR 341	-6%
7 nights + (weekly rate)	GBP 1,200	GBP 1,225	USD 1,738	EUR 1,394	2%	GBP 1,800	GBP 1,700	USD 2,412	EUR 1,935	-6%	GBP 2,150	GBP 2,000	USD 2,836	EUR 2,275	-7%
One month + (monthly rate)	GBP 4,180	GBP 4,250	USD 6,030	EUR 4,837	2%	GBP 5,900	GBP 5,700	USD 8,087	EUR 6,487	-3%	GBP 7,500	GBP 7,250	USD 10,281	EUR 8,247	-3%
3 month + (monthly rate)	GBP 3,900	GBP 4,000	USD 5,675	EUR 4,553	3%	GBP 5,350	GBP 5,350	USD 7,587	EUR 6,086	0%	GBP 7,000	GBP 6,850	USD 9,714	EUR 7,792	-2%
Madrid (EUR)															
1-6 nights (nightly rate)	EUR 115	EUR 120	USD 150		4%	EUR 180	EUR 195	USD 243		8%	EUR 200	EUR 210	USD 262		5%
7 nights + (weekly rate)	EUR 670	EUR 700	USD 872		4%	EUR 1,000	EUR 1,100	USD 1,371		10%	EUR 1,250	EUR 1,375	USD 1,714		10%
One month + (monthly rate)	EUR 2,200	EUR 2,350	USD 2,929		7%	EUR 3,200	EUR 3,450	USD 4,300		8%	EUR 4,000	EUR 4,100	USD 5,110		3%
3 month + (monthly rate)	EUR 1,950	EUR 2,100	USD 2,617		8%	EUR 3,000	EUR 3,150	USD 3,926		5%	EUR 3,850	EUR 4,000	USD 4,985		4%
Moscow (RUB)															
1-6 nights (nightly rate)	RUB 6,200	RUB 6,500	USD 115	EUR 93	5%	RUB 6,500	RUB 6,850	USD 122	EUR 98	5%	RUB 9,000	RUB 9,200	USD 164	EUR 131	2%
7 nights + (weekly rate)	RUB 33,000	RUB 34,500	USD 613	EUR 492	5%	RUB 33,900	RUB 34,800	USD 619	EUR 496	3%	RUB 50,000	RUB 51,000	USD 907	EUR 727	2%
One month + (monthly rate)	RUB 118,000	RUB 120,000	USD 2,133	EUR 1,711	2%	RUB 120,000	RUB 122,000	USD 2,168	EUR 1,739	2%	RUB 171,500	RUB 172,000	USD 3,059	EUR 2,453	0%
3 month + (monthly rate)	RUB 116,200	RUB 118,000	USD 2,097	EUR 1,682	2%	RUB 116,000	RUB 119,500	USD 2,124	EUR 1,704	3%	RUB 166,500	RUB 168,000	USD 2,987	EUR 2,396	1%
Paris (EUR)															
1-6 nights (nightly rate)	EUR 190	EUR 200	USD 249		5%	EUR 275	EUR 280	USD 349		2%	EUR 435	EUR 450	USD 561		3%
7 nights + (weekly rate)	EUR 1,100	EUR 1,200	USD 1,496		9%	EUR 1,750	EUR 1,875	USD 2,337		7%	EUR 2,720	EUR 2,875	USD 3,583		6%
One month + (monthly rate)	EUR 3,640	EUR 3,800	USD 4,736		4%	EUR 6,000	EUR 6,150	USD 7,666		3%	EUR 9,850	EUR 10,000	USD 12,464		2%

Regional report Central & Latin America (LATAM)

Recent global economic trends spell good news Latin America. Global growth and trade are on an upswing, and the momentum is expected to continue into 2019 and beyond, fuelling the region's recovery as recessions in Brazil, Argentina and Ecuador come to an end.

As Fig 63 shows, the IMF projects regional growth to accelerate from 1.3% in 2017 to 1.9% in 2018 and 2.6% in 2019.[79]

Figure 64 - GDP growth projections for LATAM

		Est.	Projections	
	2016	2017	2018	2019
Latin American and the Caribbean	-0.7	1.3	1.9	2.6
Excluding Venezuela	0.1	1.9	2.5	2.8
South America	-2.5	0.8	1.5	2.2
Excluding Venezuela	-1.5	1.7	2.4	2.6
Central America	3.7	3.9	3.9	4.1
Caribbean	3.4	2.1	3.9	4.2
Latin America				
Argentina	-2.2	2.8	2.5	2.8
Brazil	-3.5	1.1	1.9	2.1
Chile	1.6	1.7	3.0	3.2
Colombia	2.0	1.7	3.0	3.6
Ecuador	-1.6	2.7	2.2	1.7
Mexico	2.9	2.0	2.3	3.0
Peru	4.0	2.7	4.0	4.0
Venezuela	-16.5	-14.0	-15.0	-6.0

Source: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Regional aggregates are purchasing-power-parity GDP-weighed averages.

1.3% GROWTH IN 2017
1.9% GROWTH IN 2018

The 2017 World Travel Market Latin America trends report highlights three long-term trends driving the region's travel sector in the coming years. Increasing penetration of smartphones is driving Latin Americans' engagement with the mobile channel will combine with more outbound travel and greater demand for lodging alternatives including serviced apartments.

Since 2015 Latin Americans have grown accustomed to using lodging alternatives for business and leisure, despite being commonly used by inbound tourists from Western Europe and elsewhere. Latin Americans are expected to become increasingly engaged with sharing economy lodging alternatives, with Airbnb predicted to double its regional footprint by 2020.[80]

79 https://blogs.imf.org/2018/01/25/latin-america-and-the-caribbean-in-2018-an-economic-recovery-in-the-making/
80 WTM Latin America Trends Report 2017

Travel and mobility in LATAM

Central and South America grew visitor numbers by 7% during 2017 and the total is predicted to reach more than 120 million in 2018. Travel and tourism in Latin America is forecast to grow faster than highly-developed regions like Europe. Travel and Tourism was worth $371b to the region in 2015 and is forecast to grow to $535b by 2026, and from 9.0% to 9.7% of GDP.[81] International arrivals are forecast to grow at 5.3% a year to 72.8m by 2026, contributing an additional $30b to the economy.

This remains a complex market however. There are more cross-borders barriers to people movement, whist instability has traditionally been fuelled by fragile economic growth and personal security issues. Despite these problems, travel within Central and South America is growing. Mexico received more than 35 million trips in 2017 and is now the eight most visited country in the world. In 2017 Brazil received more than 28 million trips, Argentina more than 15 million, Colombia, Perú, Costa Rica each receiving over 20 million trips.

Evidence of growing investor optimism in the LATAM travel market came in March 2018 when Zurich Insurance Group acquired 19 businesses in the region under the Travel Ace and Universal Assistance brands.[82] Falls in local currency values have made good quality assets available at an affordable price.

Travel and tourism in Latin America is forecast to grow faster (at 3.7% per year) than highly developed regions such as Europe at 2.9%. According to the World Travel & Tourism Council, Total Contribution from Travel and Tourism was $371b in 2015 and forecast to grow to $535b by 2026 and from 9.0% to 9.7% of GDP. IATA predicts that air passenger traffic growth in Latin America will average 6% per year over the next 20 years, which is above the average of 4.9% globally and Boeing predicts that Latin America will require over 3,000 new planes between now and 2034, almost tripling the numbers in service now.

The key cities in Latin America - Mexico City, Sao Paulo, Lima, Rio de Janeiro, Buenos Aires and Santiago – all enjoy excellent airline connections with the US, whilst Spain is Europe´s Gateway to the region, although Frankfurt, Paris and London also offer daily, direct flights to the region.

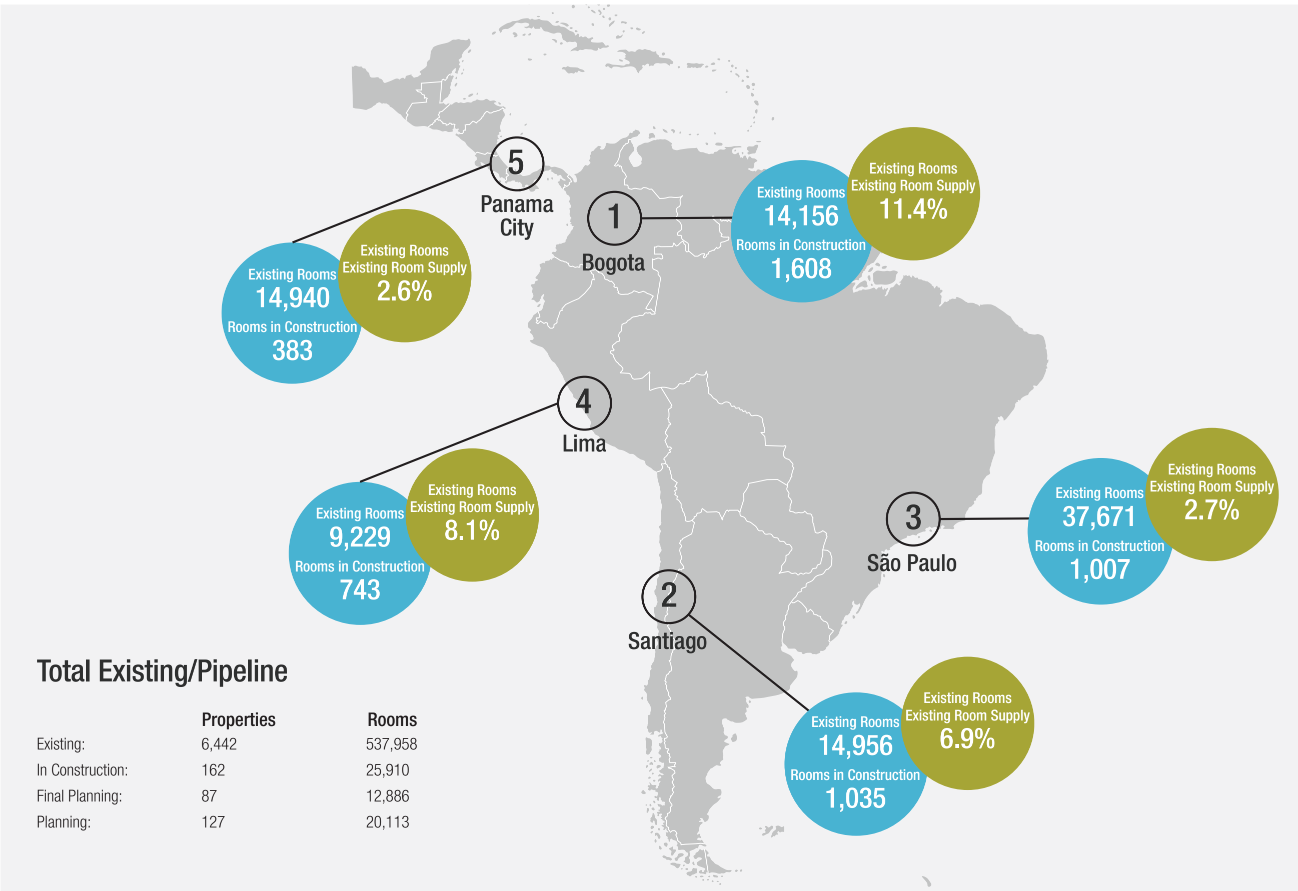
81 World Travel & Tourism Council
82 https://www.marketwatch.com/story/zurich-insurance-buys-19-latam-travel-businesses-2018-03-12

Accommodation in LATAM

Historically, international investors have been more interested in office or industrial than in hospitality assets. However, the maturing of South America's hospitality sector is creating growth opportunities for professional hotel management companies and international investors with BHG, Atlântica, Royal and Decameron Hotels & Resorts and Fën Hotels all having been acquired by international investors.

Similarly, activities in key gateway cities in South America illustrate the growing maturity of the lodging industry. Domestic REITs and private investment funds are acquiring strategic, institutional-quality hotel assets.

Figure 65 - Top 5 markets by total rooms in construction



	Properties	Rooms
Existing:	6,442	537,958
In Construction:	162	25,910
Final Planning:	87	12,886
Planning:	127	20,113

25,910 HOTEL ROOMS CURRENTLY UNDER CONSTRUCTION IN LATAM

The LATAM hospitality industry has performed well over the past five years and that trend looks set to continue in 2018. Most of its progress stems from the continuous commitment of governments to promote tourism, with 2017's Travel and Tourism Competitiveness Index, published by the World Economic Forum, listing six Latin American countries among the top 50 most competitive globally.

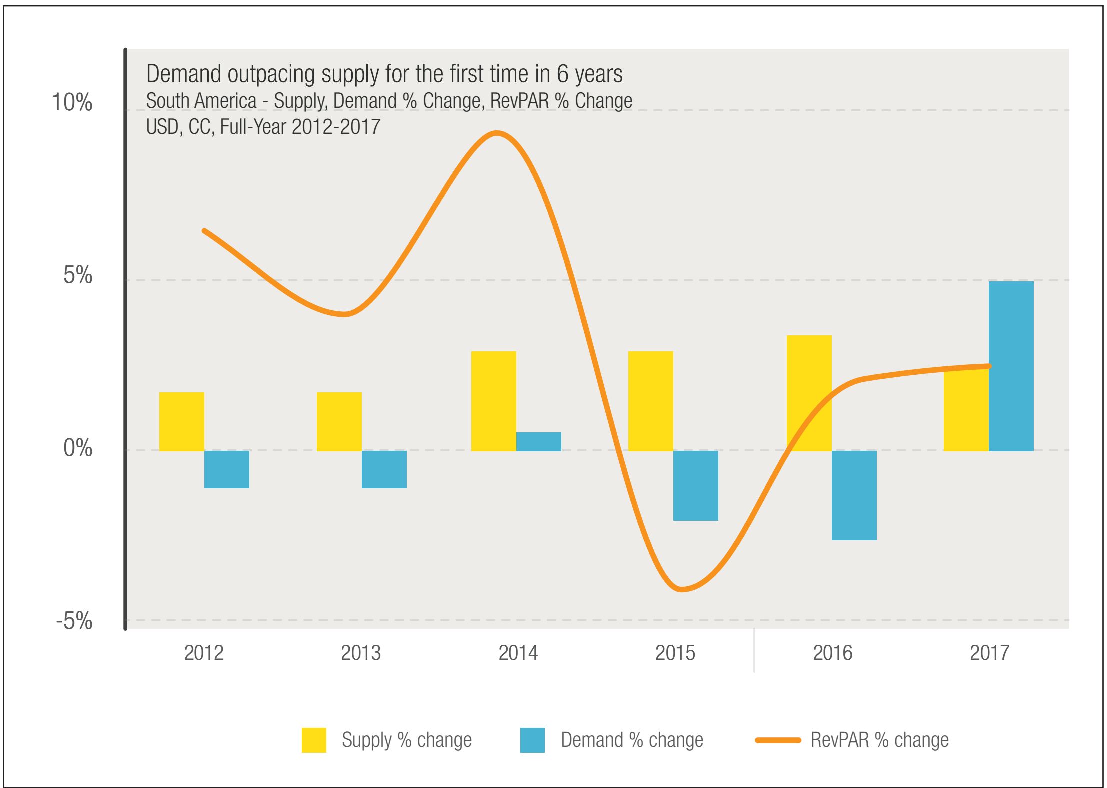
Approximately 449,500 new rooms across more than 300 emerging markets are projected between now and 2025 in Argentina, Brazil, Chile, Colombia, Mexico and Peru – a 57% increase in the amount of hotel rooms currently available.[83]

Tourism has also gained from regulatory improvements. For example, Colombia secured major investment in the hotel industry after creating tax incentives. International hotel chains, such as Hilton, Marriott, and Hyatt, have increased their presence in the region and invested heavily in their Latin American hotel pipelines.[84]

Government investment also allows local markets to perform better. According to STR, Sao Paolo's hotel market increased RevPAR by 10% during the peak season, whereas Rio de Janeiro's hotel occupancy rates and RevPAR declined.

Across South America hotel demand is growing quicker than supply for the first time since 2011.[85] In 2017 demand (room nights sold) increased 4.9%, while supply (room nights available) rose 2.6% year-on-year. This growth rate was higher than the growth reported in North America, Central America and the Caribbean. Overall, South America's occupancy increased 2.2% to 55.9%, and average daily rate (ADR) was up 0.5% to US$104.07.

Figure 66 - Hotel demand vs supply in LATAM



BUENOS AIRES IS THE LEADING MICE DESTINATION IN LATIN AMERICA

83 http://www.us.jll.com/united-states/en-us/latin-america-high-growth-emerging-lodging-markets
84 https://www.hospitalitynet.org/opinion/4087124.html
85 https://www.htrends.com/trends-detail-sid-99389.html

Buenos Aires is the market leader, with RevPAR growing by 29.1%, occupancy up 11.3% to 68.7% and ADR up by 16.1% to ARS2,147.01. The market is a top MICE destination, staging major events like WTTC and G20 summit.

Mexico is the most developed hospitality market in Latin America and is also poised for continued growth in 2018 with an increase in new-build hotels, overall healthy demand and strong RevPAR, plus $38 billion in foreign direct investment. The emergence of domestic investment vehicles (e.g., FIBRAs and CKDs) targeting the hotel sector is driving investment in the hotel sector. Coupled with the devaluation of the peso and moderate inflation, hotel operators are benefitting from attractive operating margins in markets like Cancun, Los Cabos, and Mexico City.[86]

Cuba's current hotel development pipeline will put 134,300 rooms into operation by 2030, with maximum estimated capacity evaluated at 273,500 rooms. In Ecuador, whilst occu-pancy grew throughout 2017, hotel rates continued to fall due to the country's economic recession. In Peru, Cusco was the only major market to post significant RevPAR growth in 2017.

As of November 2017, three key markets reported more than 1,000 rooms as under construction. Bogotá, Colombia with 1,608 rooms over six projects; Santiago, Chile with 1,035 rooms over five projects and São Paulo, Brazil with 1,007 rooms over four projects.[87]

Figure 67 - RevPAR % change across LATAM countries 2017

86 http://www.sb-architects.com/mexico-is-the-most-developed-hospitality-market-in-latin-america-and-is-poised-for-continued-growth/
87 https://www.htrends.com/trends-detail-sid-97379.html

According to Euromonitor International, the region's luxury segment has consistently out-performed other hotel segments in recent years. Brazilian luxury hotels enjoyed 80% revenue growth in 2017 over 2012 levels with luxury hotel chains such as Six Senses and Banyan Tree increasingly willing to invest in the region.

By contrast, Latin America has been slow to embrace the digital disruptors with half or more of the indigenous populations of Argentina, Chile, Colombia and Mexico having internet access. As other LATAM countries address this digital divide, it is inconceivable that the sharing economy providers like Airbnb will not gain more traction in the region.

Serviced apartments in LATAM

There are over 7,750 serviced apartments in more than 100 locations across LATAM. Hotel chains as Marriott, Adagio and Mercure have all incorporated apartments into their hotels. Other key players in the region include Oasis Collections, Avenida Suites, Skyline and Loi Suites.

Demand for mid-tier properties is expected to continue to rise and outpace other property types by at least 2% in 2018. While the demand for lower-tier properties is small compared with that for mid-tier, luxury and resort properties, lower-tier property usage is expected to increase 1% over 2017. Central and South America expect an increase in usage of lower-tier properties of 12% from 2017 to 11%, respectively.

In Mexico the most requested locations are Cancun, a largely vacational destination, Hermosillo in the north and Mexico City. Almost every serviced apartment company operates in Polanco, with units located in buildings where expats used to live. Dominion Corporate Suites, Suites Ejecutivas or IMAT are all well known local operators whilst multinational operators include Oasis Corporate Collections, Avenida Suites or Dwellworks.

Traditionally, Latin American hotel companies have been reluctant to build extended-stay properties because they require more space than standard hotels. However, demand for extended stay, both domestically and from inbound markets, is forcing a re-think.[88]

The established serviced apartment brands are also targeting the region. Hilton's Homewood Brand is planning several new properties whilst Embassy Suites is also expanding in Latin America and the Caribbean.[89]

New and planned serviced apartment developments in LATAM include:

- Brazil: Aparthotels Adagio has opened two properties in São Paulo, the first in an AccorHotels complex in São Bernardo do Campo and the second, Adagio Aparthotel São Paulo Barra Funda, is the brand's ninth in Brazil.

- Brazil: The Ascott Limited will open two serviced residences in São Paulo under the the Citadines Brand. Ascott plans a portfolio of 5,000+ Citadines in São Paulo.[90]

- Mexico: Hilton's Homewood Suites has launched its new prototype for Latin American hotels, the new-build Homewood Suites Silao Airport in the Mexican state of Guanajuato. Hilton hopes to open 65 Homewood Suites properties in Latin America and the Caribbean.

Rates

As in other regions, serviced apartment rates vary dramatically from country to country. For example, as Fig 67 Shows, a studio apartment in Buenos Aires, Argentina costs US$21 per night for 1 – 6 nights, compared to US$87 per night in Rio de Janeiro and US$95 in Sao Paolo, Brazil.

88 http://wlrn.org/post/tropicalized-space-us-extended-stay-hotels-make-push-latin-america
89 https://www.hotelmanagement.net/development/behind-hilton-s-plan-to-take-extended-stay-global
90 https://www.the-ascott.com/en/about-us/news/ascott-advances-into-south-america-with-its-first-two-franchise-properties-in-brazil-the-regions-largest-economy.html

Figure 68 - City rates analysis LATAM

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are based on an aerage 4 star extened stay property and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%
LATIN AMERICA															
Buenos Aires (ARS)															
1-6 nights (nightly rate)	ARS 400	ARS 420	USD 21	EUR 17	5%	ARS 500	ARS 510	USD 26	EUR 21	2%	ARS 650	ARS 625	USD 32	EUR 26	-4%
7 nights + (weekly rate)	ARS 2,200	ARS 2,300	USD 117	EUR 94	5%	ARS 3,100	ARS 3,125	USD 159	EUR 128	1%	ARS 3,750	ARS 3,675	USD 187	EUR 150	-2%
One month + (monthly rate)	ARS 8,000	ARS 8,150	USD 415	EUR 333	2%	ARS 8,100	ARS 8,150	USD 415	EUR 333	1%	ARS 8,750	ARS 8,600	USD 438	EUR 352	-2%
3 month + (monthly rate)	ARS 7,500	ARS 7,650	USD 389	EUR 313	2%	ARS 7,900	ARS 8,000	USD 407	EUR 327	1%	ARS 8,000	ARS 7,850	USD 400	EUR 321	-2%
Rio de Janeiro (BRL)															
1-6 nights (nightly rate)	BRL 250	BRL 275	USD 87	EUR 70	10%	BRL 325	BRL 350	USD 110	EUR 89	8%	BRL 400	BRL 435	USD 137	EUR 110	9%
7 nights + (weekly rate)	BRL 1,300	BRL 1,400	USD 442	EUR 355	8%	BRL 1,875	BRL 2,000	USD 631	EUR 506	7%	BRL 2,200	BRL 2,400	USD 757	EUR 608	9%
One month + (monthly rate)	BRL 4,500	BRL 4,675	USD 1,475	EUR 1,184	4%	BRL 6,000	BRL 6,150	USD 1,941	EUR 1,557	3%	BRL 7,400	BRL 7,600	USD 2,398	EUR 1,923	3%
3 month + (monthly rate)	BRL 4,000	BRL 4,150	USD 1,309	EUR 1,051	4%	BRL 5,400	BRL 5,500	USD 1,736	EUR 1,392	2%	BRL 6,800	BRL 7,100	USD 2,241	EUR 1,797	4%
Sao Paulo (BRL)															
1-6 nights (nightly rate)	BRL 288	BRL 300	USD 95	EUR 76	4%	BRL 370	BRL 400	USD 126	EUR 101	8%	BRL 475	BRL 510	USD 161	EUR 129	7%
7 nights + (weekly rate)	BRL 1,600	BRL 1,620	USD 511	EUR 410	1%	BRL 2,225	BRL 2,500	USD 789	EUR 634	12%	BRL 3,000	BRL 3,250	USD 1,026	EUR 824	8%
One month + (monthly rate)	BRL 5,350	BRL 5,500	USD 1,735	EUR 1,393	3%	BRL 7,000	BRL 7,300	USD 2,305	EUR 1,851	4%	BRL 9,300	BRL 9,500	USD 2,999	EUR 2,408	2%
3 month + (monthly rate)	BRL 5,000	BRL 5,150	USD 1,625	EUR 1,305	3%	BRL 6,650	BRL 6,850	USD 2,163	EUR 1,734	3%	BRL 9,000	BRL 9,200	USD 2,904	EUR 2,332	2%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2017.

Regional report Middle East

By Filippo Sona, Director, Head of Hotels (MENA Region) & Thuku Kimani, Consultant, Hotels (MENA Region) - Colliers International

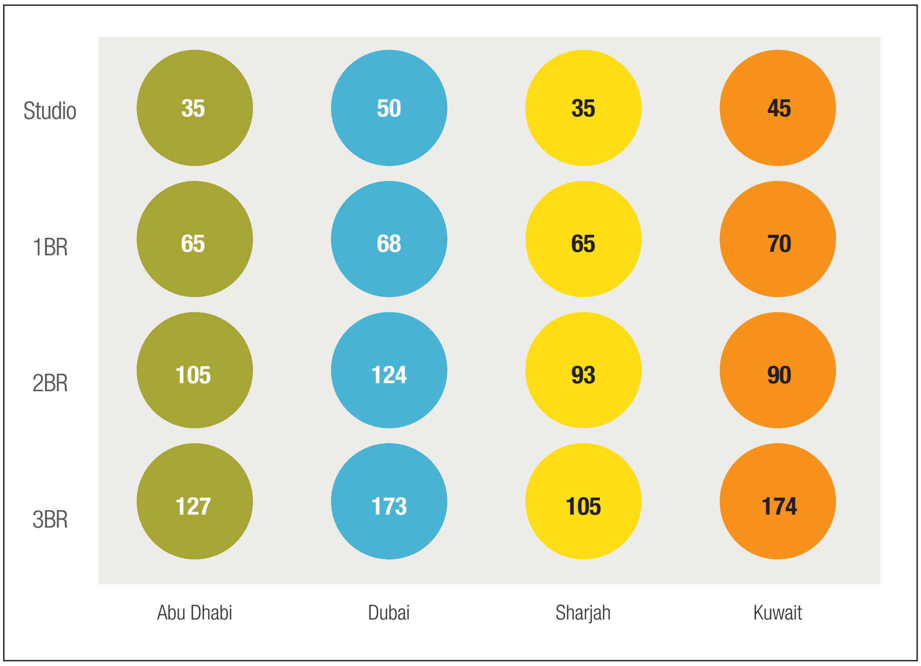
The serviced apartment market in the Gulf Cooperation Council (GCC) continues to emerge in stature and complexity as international branded supply increases, and rising investment in complex business models begins to take hold (e.g. rental pools, dual-branded developments), especially in more mature markets such as Dubai. The following is an overview of the GCC serviced apartment sector, aiming to identify and compare unit sizes, booking patterns, key supply characteristics, performance, consumer trends and the adoption of complex business models for investment.

Unit sizes

Serviced apartment establishments across the GCC tend to offer a wider variety of units compared to establishments in Europe, providing an additional unit type featuring three bedrooms to accommodate the needs of large GCC families. Unit sizes across the analysed markets are generally relatively similar, while Dubai stands out for having larger studios and three-bedroom units. This may be attributed to the high volume of properties that were planned initially as residential buildings and were subsequently converted into serviced apartments.

29,901 UNITS IN DUBAI

Figure 69 - Serviced apartment unit average size unit sizes (in m2)



	Riyadh	Khobar & Dammam	Jeddah	Makkah	Madinah
Studio	35	35	41	N/A	N/A
1BR	56	60	60	35	35
2BR	100	90	103	50	50
3BR	126	134	139	75	75

	Manama	Muscat	GCC Avg.	Singapore Avg.	London Avg.
Studio	40	50	43	43	28
1BR	70	80	62	68	36
2BR	147	130	101	95	50
3BR	162	140	132	126	N/A

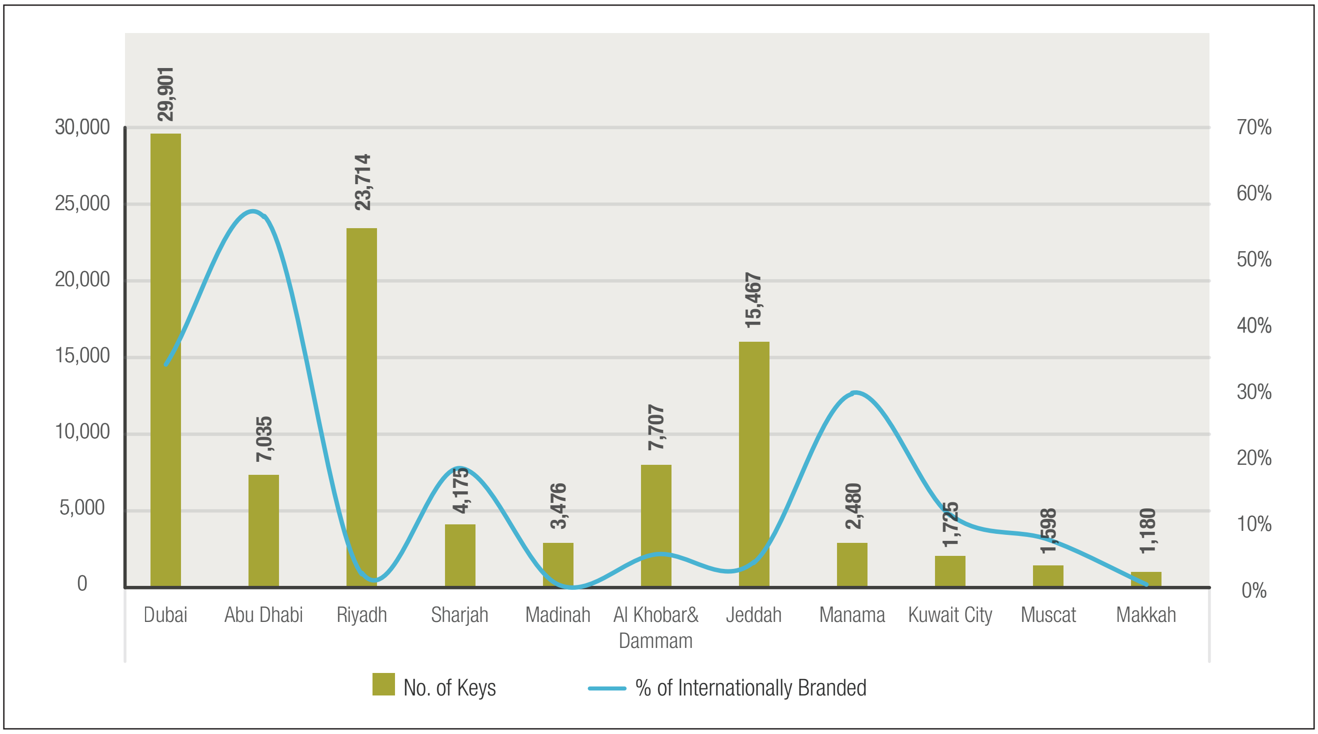
Source: Colliers International, 2017

Supply characteristics

Amongst the GCC markets, Dubai and Riyadh continue to hold the highest number of keys and properties, respectively. In the case of Dubai, existing supply totals 29,901 keys whereas in the case of Riyadh, the existing number of properties totals 590 properties. It is important to highlight that property sizes in Dubai are on average 215% larger than properties in Riyadh in addition to a higher international branding penetration, both of which factors contribute to the higher total number of keys.

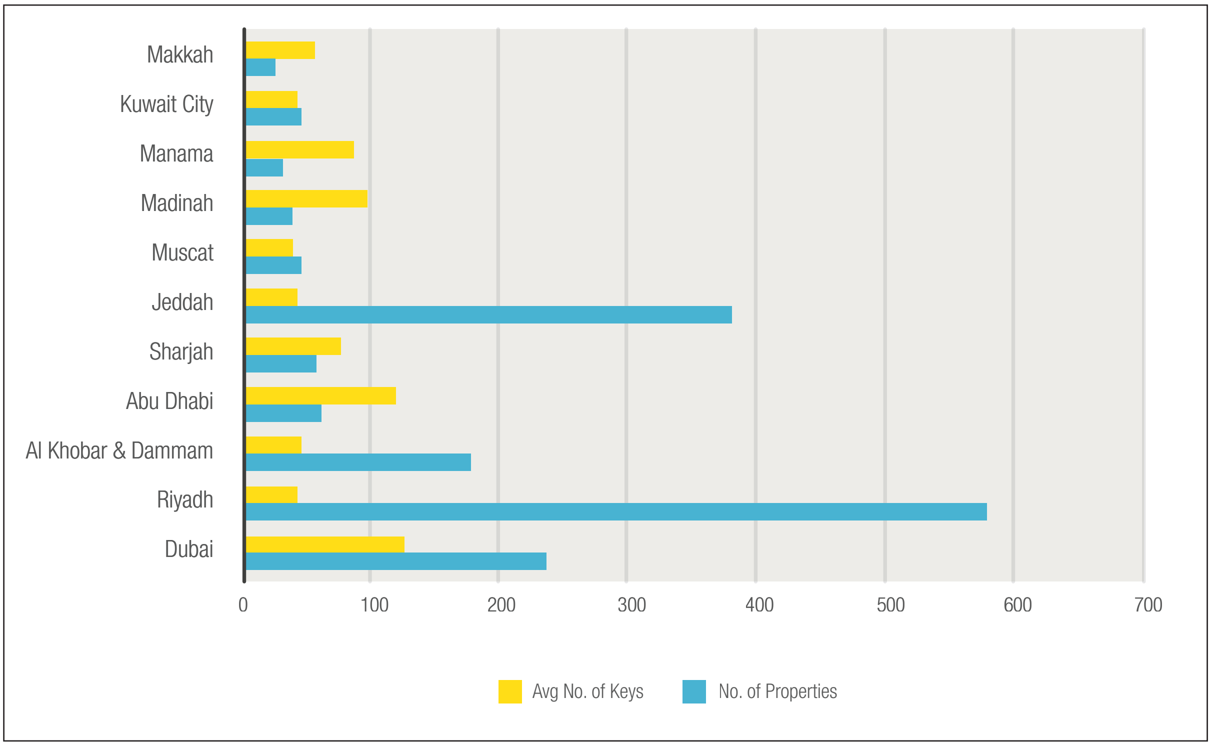
Most markets' existing properties (except in Dubai and Abu Dhabi) remain largely unbranded and with low average property sizes by number of keys attributed to development of these properties by small individual investors. Despite this, investors and international operators' interest is increasing as forthcoming supply pipelines continue to grow the future base of internationally branded properties, especially in key KSA markets such as Riyadh, Jeddah and the tri-metropolitan cities of Eastern Province (Al Khobar, Dammam and Dhahran).

Figure 70 - Number of Keys and Share of Internationally Branded Supply, October 2017



Source: Colliers International, 2017

Figure 71 - Average Property Size and Number of Properties by Market, October 2017



Source: Colliers International, 2017

Distribution

Online Travel Agents (OTA) are the most popular distribution channel for branded serviced apartments in the GCC. Such OTAs provide serviced apartments, especially the independently managed ones, with a greater reach. While some serviced apartments rely almost exclusively on OTAs, the average number of bookings from OTAs is approximately 36% across a sample of properties. Brand strength is also a strong driver of demand with GDS, direct bookings, and hotel website bookings accounting for approximately 26% of total bookings. A strong brand with a regional presence and strong online capabilities is essential to help and drive sales.

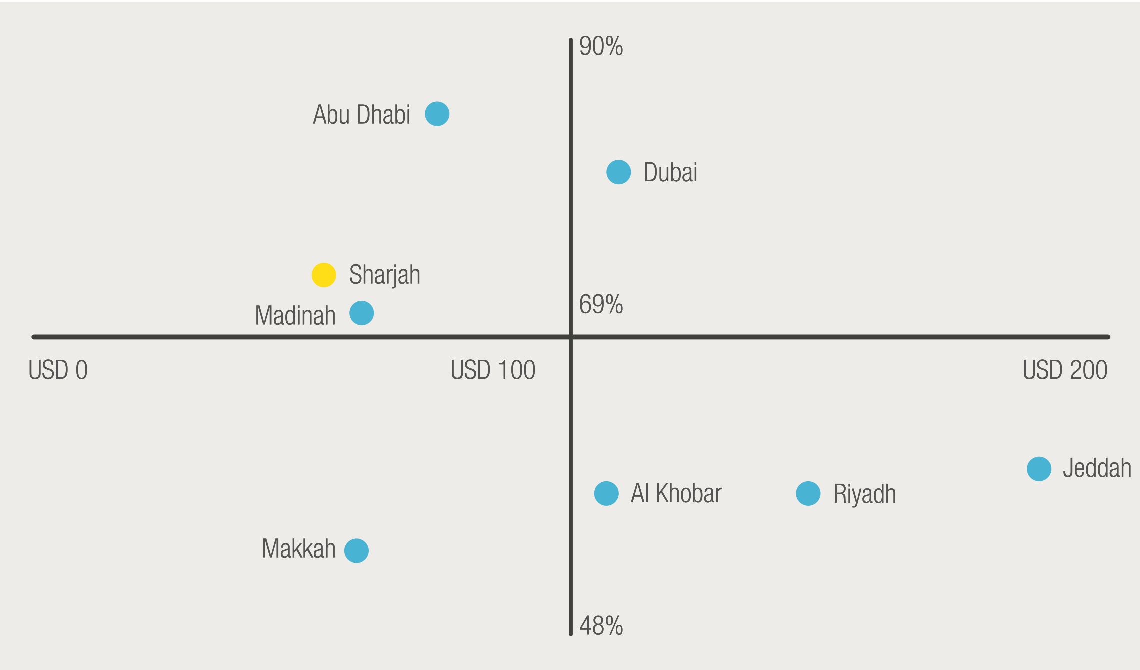
A combined total of less than 2% of overall serviced apartment demand is generated through property agents and relocation companies; which are relatively minor players in the GCC when compared to more mature markets.

Performance

In the region, Dubai and Abu Dhabi continue to demonstrate the highest occupancy levels having achieved over 80% in 2016 largely due to the strong attraction of these cities in terms of inbound travel which invites both leisure and corporate demand bases.

In contrast, when considering average rate, Jeddah and Riyadh are observed as the highest performers which is largely due to the limited supply of branded properties compared to the other markets.

Figure 72 - Serviced Apartment KPIs, Full Year 2016



Source: Colliers International, 2017

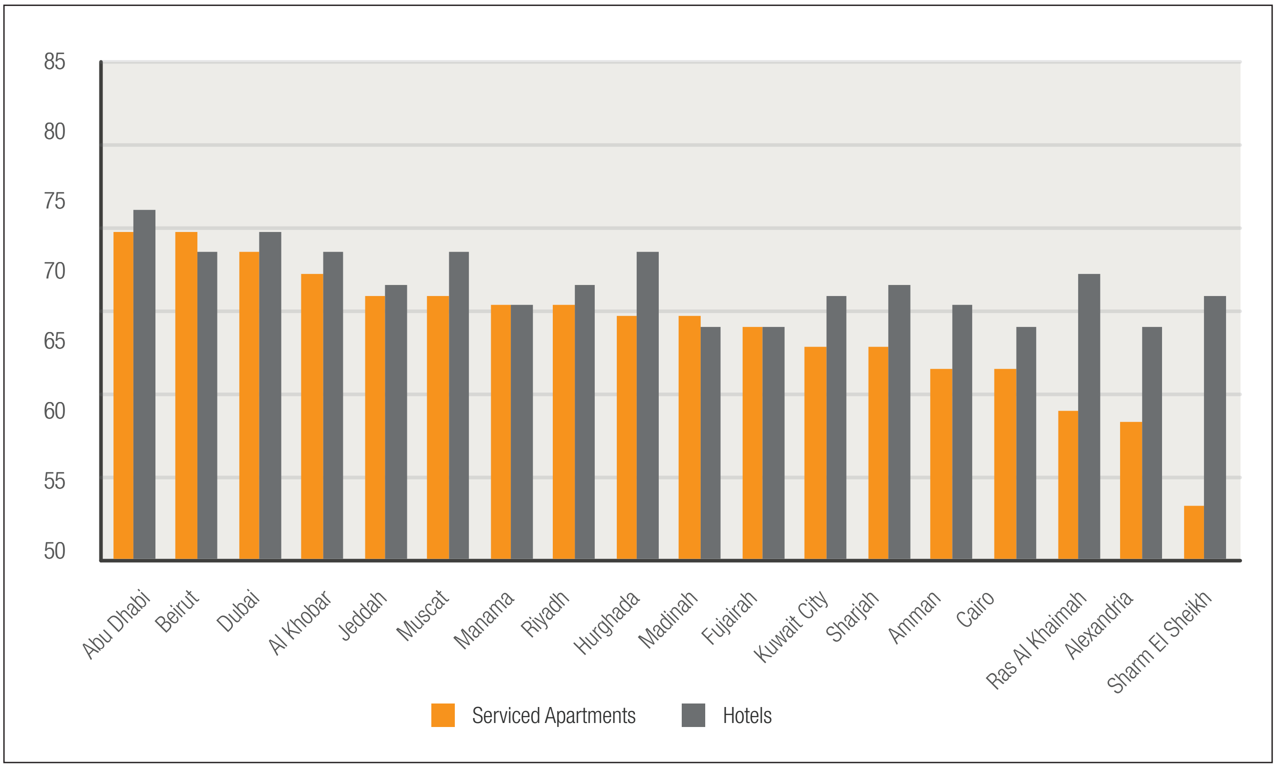
A further comparative analysis at serviced apartment performance as an asset class over the hotel asset class finds that in 2016 most markets recorded higher occupancies than hotels but a lower average rate than hotels.

This trend underlies the strength of the asset class in capturing demand, however, it also points to the strong supply base of upper-tier hotels in most markets which results in the higher average rate achieved by hotels over serviced apartments. However, serviced apartments generally compensate a lower average rate with lower operating costs and higher profitability.

Figure 73 - Serviced Apartment vs. Hotels KPIs, Full Year 2016

Source: Colliers International, 2017

Figure 74 - Online Rating – Guest Experience Index (GEI) for Serviced Apartments vs Hotels by City (September 2017)



Source: Colliers International, 2017

Demand trends

The Guest Experience Index (GEI) – developed by Olery in conjunction with the VU University Amsterdam – indicates guests' general perceptions of a property's quality, on a scale from 1 to 100 (with 100 being the perfect top score).

Based on a data sample from September 2017, online guest reviews showed that Middle East hotels achieved a higher overall guest experience than serviced apartments.

Despite this result it is important to highlight that the higher international branding penetration in hotels and the high composition of upper-tier hotels as a share of overall hotel supply in most markets results in higher service standards and consistency for the overall hotel market.

Rental pool structures – Dubai case study

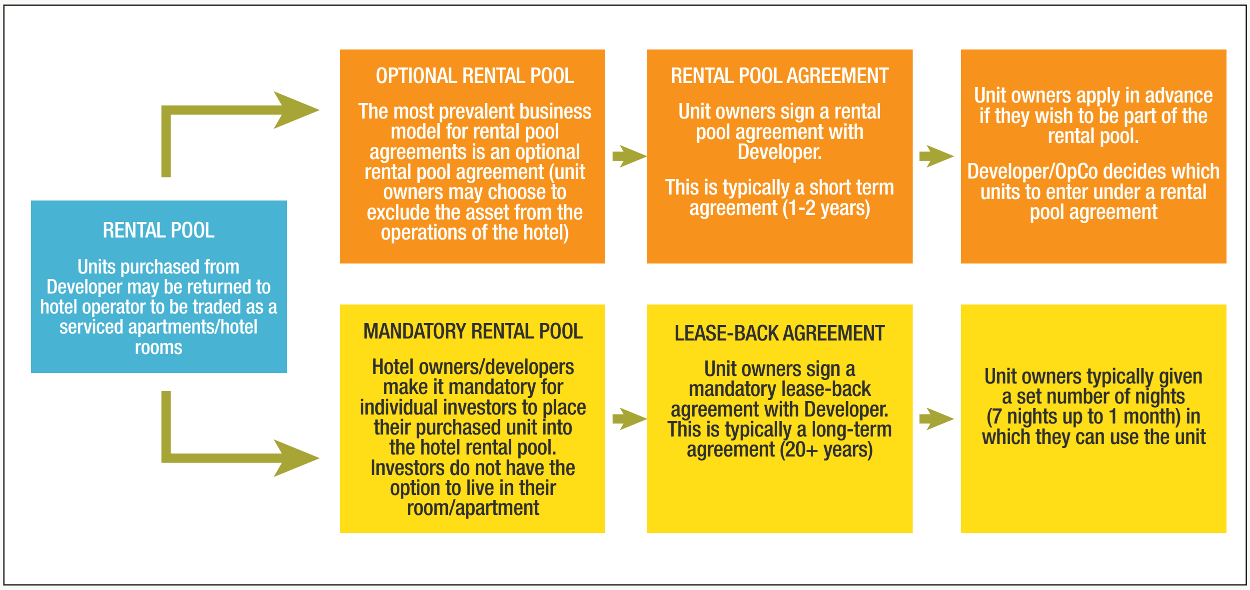
As one of the largest and mature serviced apartment markets in the GCC, Dubai is a prime example of the rising interest of developers initiating an alternative business model for development of the serviced apartment market especially when factoring how to execute a large-scale development. In Dubai, the rental pool structure is characterised by the following main business models as shown in fig 75.

The percentage of units retained by the developer versus those that are sold to individuals varies across developments according to the developer's preferred choice of business model. While in some developments the developer may want to sell all units, in others they may retain 30-70% of the units, or hotel rooms in a connected hotel building.

When considering revenue sharing mechanisms (between the developer and the individual owner of the unit), these differ for each project depending on what has been decided by the developer, and in line with the selected hotel operator's business model. The revenue sharing mechanisms found in the Dubai can be summarised to generally fall within three standard types as shown in fig 76.

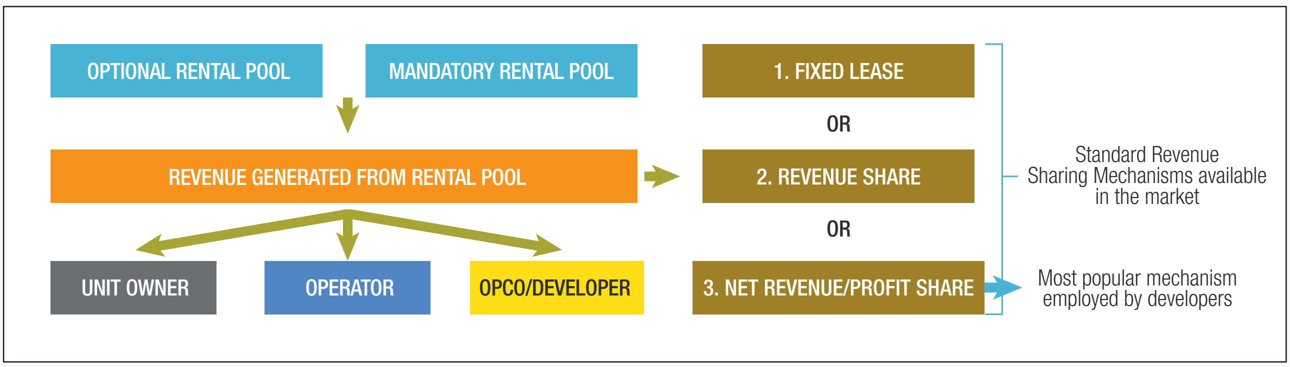
As with any investment, the three key stake-holders in the rental pool structure (unit owner, operator and developer) face varied levels of risk given the prevalent revenue sharing mechanisms. It is important for the developer to consider these carefully, as may have implications on the project viability on one hand, but the risk for each party on the other hand.

Figure 75 - Optional Rental Pool vs. Mandatory Rental Pool



Source: Colliers International, 2017

Figure 76 - Standard Revenue Sharing Mechanisms



Source: Colliers International, 2017

Focus on...Dubai

By Martin Kubler, SPS Affinity

Dubai's and the UAE's serviced apartments market in 2018: VAT, Expo 2020, and continued expansion amidst regional uncertainty.

2017, compared to 2016, turned out to be an only marginally less challenging year for hospitality and service apartments operators in Dubai and the UAE. The first two quarters and the summer season fell short of expectations amidst fewer than expected travellers and a continued increase in properties in Dubai's and Abu Dhabi's key business areas.

Towards the end of 2017, confidence started to return to the market, despite the introduction of value added tax looming on the horizon. In Abu Dhabi, the completion and opening of the Louvre Abu Dhabi marked an important step toward making the city a more appealing "bleisure" destination, while in Dubai, the continued progress of new business and tourism hubs like Dubai South (at the city's new Dubai World Central airport and logistics hub) and Dubai Water Canal and Bluewaters Island attracted new operators and projects.

The outlook for 2018 appears to be largely positive despite a number of regional uncertainties. Business from Qatar remains interrupted and the number of travellers from Saudi Arabia is only slowly returning to previous levels. In Dubai, the effects of the upcoming Expo 2020 on the business landscape are finally more noticeable with new companies moving to areas around the exhibition grounds and nearby business hubs, like the DMCC freezone, seeing a surge in new business registrations.

We're also seeing a return of travellers from the CIS, which were somewhat lacking in previous years. New destinations in the UAE, such as the Emirate of Ras al Khaimah, are emerging as alternatives to Dubai and Abu Dhabi.

Pressure on rates remains, of course, but on the other hand, the newly introduced VAT could pose challenges for private landlords who previously used services like Airbnb to let or sublet apartments to extended stay guests, but now face having to register as a business and charge VAT to avoid falling foul of the new tax rules.
Regardless of whether the current regional challenges prevail throughout 2018, the serviced apartments market in the UAE seems destined to grow as increasing oil prices, the completion of new infrastructure projects, and the relaxation of visa rules for travellers from key feeder markets provide sufficient reasons for business confidence to rebound fully.

As in other regions, the sharing economy is booming here too. Airbnb has seen listings triple to 3,249 by providing an alternative travel experience, with average occupancy levels topping 57% during Dubai's peak season. During the low season June - August 2017, Airbnb occupancy averaged nearly 40% - on a par with hotels.[91]

DUBAI AND ABU DHABI CONTINUE TO DEMONSTRATE THE HIGHEST OCCUPANCY LEVELS HAVING ACHIEVED OVER 80% IN 2016

Focus on...Qatar

The demand for serviced apartments in Qatar has been gaining momentum in the last few years, thanks to high rental rates in the residential market, and many expatriate workers seeing these apartments as a legitimate alternative to residential accommodation, according to some property dealers.

The market has seen an increasing demand in the recent years with average occupancies in the serviced apartment market increasing year-on-year since 2010.[92] This trend is expected to continue in the coming years as more expatriates coming to the country strengthen the demand for furnished/serviced apartments.

Pipeline

The Middle East region has a fast-growing hospitality development pipeline with a wide range of projects from local and international developers and operators. The area is rapidly becoming a global hot spot for the serviced apartment, branded residence and extended stay sectors, with activity levels ramping up considerably.

A recent Colliers International report estimated that over 10,000 additional serviced apartment units are needed to meet projected demand in Saudi Arabia, the UAE and Qatar.[93] 2020 will bring a huge inflow of tourists for the World Expo to be hosted in Dubai. Saudi Arabia – the largest hospitality market and religious tourism centre in the GCC – will also be boosted by major expansion at its two holy mosques in Makkah and Madinah.[94] The report has also confirmed that more than 136,000 hotel and serviced apartment rooms are likely to enter the GCC hospitality market, taking the total inventory to nearly 770,000. Of these, the UAE and Saudi Arabia are anticipated to witness addition of more than 60,000 and 47,000 rooms, respectively, by 2020. The UAE hospitality sector revenue is anticipated to reach US$ 9.8 billion by 2020, translating into a robust 10.8 per cent annualised growth from 2015. Saudi Arabia's hospitality sector revenue is projected at US$ 23.1 billion in 2020, indicating an annual average growth of 6.2 per cent from 2015.

New and planned developments in the Middle East include:[95]

- New openings by Frasers Hospitality in Saudi Arabia and Oman with Fraser Suites Riyadh and Fraser Suites Muscat joining three more properties planned in Dubai, one in Jeddah, one in Al Khobar and one in Kuwait.
- InterContinental Hotels Group will open InterContinental Residence Suites Dubai Business Bay, offering 30 studios, 60 one bedroom, 60 two bedroom, and 10 three bedroom suites.
- Oaks Hotels & Resorts will make its debut in Qatar with the 100 apartment Oaks Al Najada Doha. This will be the third Oaks in the Middle East, joining properties in Abu Dhabi and Dubai.
- The Russian Pioneer Group is looking to bring its Yes aparthotel brand to the UAE. |In 2016 215,000 Russians visited the UAE – a 10% increase on 2015.
- Marriott International will open The Courtyard and Residence Inn branded properties with 150 rooms and 100 rooms respectively, in Dubai's Jumeirah Village Circle development. Marriott plans to reach more than 80 properties and 20,000 rooms in the next five years.

91 http://www.servicedapartmentnews.com/home/news/2017/10/11/airbnb-generated-revenues-soar-in-dubai/
92 http://www.qatar-tribune.com/PrintNews.aspx?id=59825
93 http://www.servicedapartmentsummitmea.com/
94 http://hotelspaceonline.com/news/uae-hospitality-sector-revenue-anticipated-reach-us-9-8-billion-2020/

Rates

Dubai's hotel serviced apartments have been commanding a premium in key locations. In Dubai Marina and the Downtown, the premium is as much as 50% whilst serviced apartments at the Palm fetching 38% more than others in the neighbourhood.[96]

The other most expensive apartments in Dubai have been the Vida Zabeel (Dh2,000 a square foot) and Vida Residence Dubai Mall (at Dh2,250). Our rates analysis at Fig 77 confirms Dubai's leading position in the Middle East serviced apartment market, with year-on-year increases of 1 – 4% compared to both Abu Dhabi and Doha, where rates have fallen year-on-year by up to 6%. A studio apartment in Dubai for 1 – 6 nights costs US$185 compared to US$170 in Abu Dhabi, but US$190 in Doha.

Figure 77 - Principal (1,000+ units) operators in the Middle East

	Locations	Units
Dubai	518	67,944.
Abu Dhabi	70	7,087.
Other providers in the region	47	5,829.
Qatar	32	5,192.
Rotana	23	3,500
The Ascott Group	21	2,966.
Bahrain	14	2,473.
Marriott Executive Apartments	6	1114
Oman	12	575.
Lebanon	1	100.
Elysee Hotel & Apartments - Hurghada (Egypt)	1	48
Colony Suites - Jerusalem (Israel)	1	9
1926 Serviced Apartments - Haifa (Israel)	1	8
Total Middle East	747.	96,845.

95 www.servicedapartmentnews.com
96 http://gulfnews.com/business/property/dubai-s-hotel-serviced-apartments-are-now-hot-picks-1.2116815

Figure 78 - City rates analysis Middle East

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%
MIDDLE EAST															
Abu Dhabi (AED)															
1-6 nights (nightly rate)	AED 625	AED 625	USD 170	EUR 136	0%	AED 900	AED 900	USD 245	EUR 196	0%	AED 1,175	AED 1,175	USD 320	EUR 257	0%
7 nights + (weekly rate)	AED 3,500	AED 3,475	USD 946	EUR 759	-1%	AED 4,250	AED 4,000	USD 1,089	EUR 873	-6%	AED 6,300	AED 6,275	USD 1,709	EUR 1,370	0%
One month + (monthly rate)	AED 11,000	AED 10,800	USD 2,941	EUR 2,358	-2%	AED 16,700	AED 16,500	USD 4,493	EUR 3,602	-1%	AED 26,100	AED 26,000	USD 7,080	EUR 5,676	0%
3 month + (monthly rate)	AED 10,000	AED 9,750	USD 2,655	EUR 2,129	-3%	AED 16,000	AED 15,800	USD 4,302	EUR 3,449	-1%	AED 23,800	AED 23,000	USD 6,263	EUR 5,021	-3%
Dubai (AED)															
1-6 nights (nightly rate)	AED 675	AED 680	USD 185	EUR 148	1%	AED 880	AED 900	USD 245	EUR 197	2%	AED 1,154	AED 1,200	USD 327	EUR 262	4%
7 nights + (weekly rate)	AED 3,759	AED 3,850	USD 1,048	EUR 841	2%	AED 4,827	AED 5,000	USD 1,361	EUR 1,092	4%	AED 7,000	AED 7,300	USD 1,988	EUR 1,594	4%
One month + (monthly rate)	AED 13,500	AED 14,000	USD 3,812	EUR 3,057	4%	AED 22,000	AED 22,500	USD 6,127	EUR 4,914	2%	AED 26,000	AED 26,500	USD 7,216	EUR 5,785	2%
3 month + (monthly rate)	AED 12,100	AED 12,500	USD 3,404	EUR 2,709	3%	AED 21,100	AED 21,600	USD 5,882	EUR 4,717	2%	AED 24,500	AED 25,000	USD 6,807	EUR 5,459	2%
Doha (QAR)															
1-6 nights (nightly rate)	QAR 710	QAR 690	USD 190	EUR 152	-3%	QAR 1,000	QAR 950	USD 261	EUR 209	-5%	QAR 1,375	QAR 1,275	USD 350	EUR 281	-7%
7 nights + (weekly rate)	QAR 4,100	QAR 3,900	USD 1,071	EUR 859	-5%	QAR 6,000	QAR 5,800	USD 1,593	EUR 1,278	-3%	QAR 8,200	QAR 7,900	USD 2,170	EUR 1,740	-4%
One month + (monthly rate)	QAR 17,000	QAR 16,200	USD 4,451	EUR 3,569	-5%	QAR 25,000	QAR 24,200	USD 6,648	EUR 5,331	-3%	QAR 33,000	QAR 31,000	USD 8,516	EUR 6,831	-6%
3 month + (monthly rate)	QAR 15,500	QAR 14,900	USD 4,093	EUR 3,282	-4%	QAR 24,200	QAR 23,500	USD 6,456	EUR 5,177	-3%	QAR 30,000	QAR 27,500	USD 7,555	EUR 6,060	-8%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2017.

Regional report USA & Canada

By Mark Skinner, The Highland Group & John Melinde, Sky View Suites

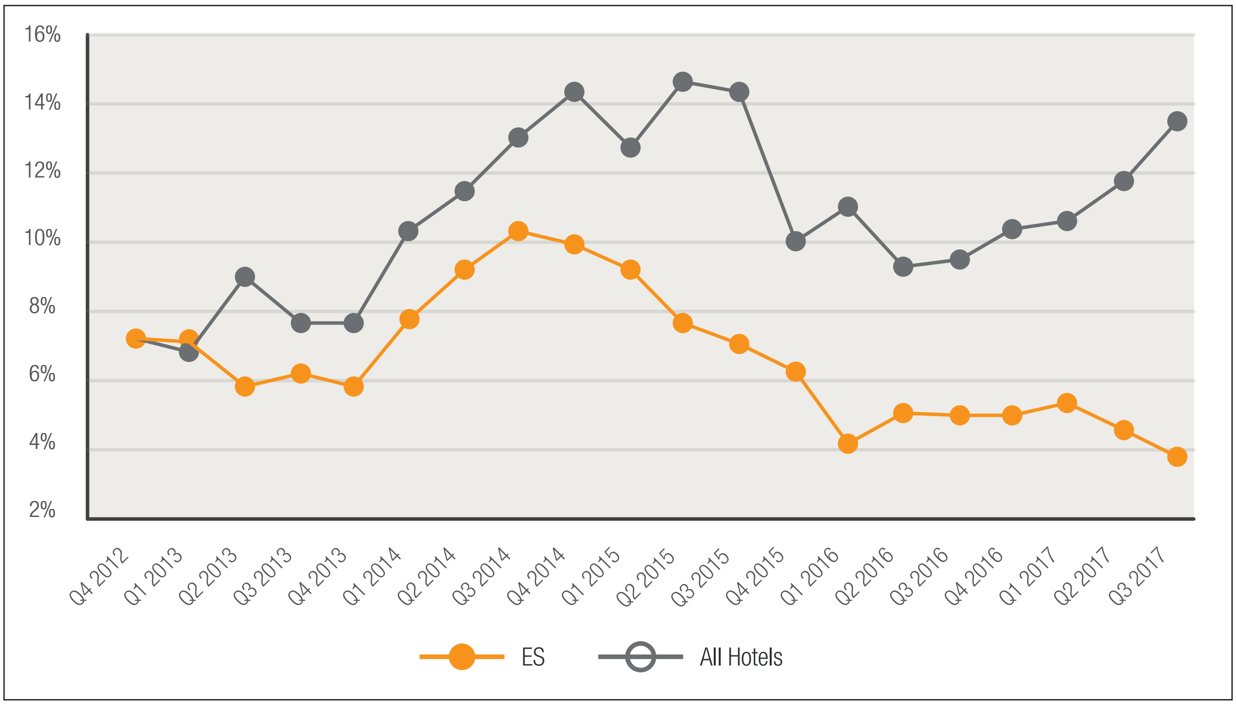
NORTH AMERICA IS THE WORLD'S LARGEST REGION FOR EXTENDED-STAY LODGING PRODUCT

With the number of corporate housing units and extended-stay hotel rooms exceeding 500,000, North America is the world's largest region for extended-stay lodging product. Annual room revenues are likely to approach $16 billion in 2017. Extended-stay hotel room revenues alone are growing by more than $1 billion annually.

In the USA, the supply of extended-stay hotel rooms grew by more than 24,000 in 2016 and about 27,000 new rooms opened in the first nine months of 2017. Despite the supply growth, annual occupancy in 2016 was just under 76%, a level that has been sustained for three consecutive years. 2017 has seen some of the strongest growth in demand in the last 20 years and Q3 2017 occupancy hit an all-time third quarter high of 80.7%. High occupancy has enabled extended-stay hotels to reverse decelerating trends in ADR and RevPAR. ADR reached $96.98 in 2016, up 4.2% from the prior year. RevPAR increased 3.5% to $73.61 in 2016 and is up 4.1% for 2017 year-to-date through Q3.

Remarkably at this stage of the cycle, extended-stay room revenues have been heading in the opposite direction to overall US hotel room revenues since mid-2016 and especially from the start of 2017.

Figure 79 - US Room Revenue % Change by Quarter



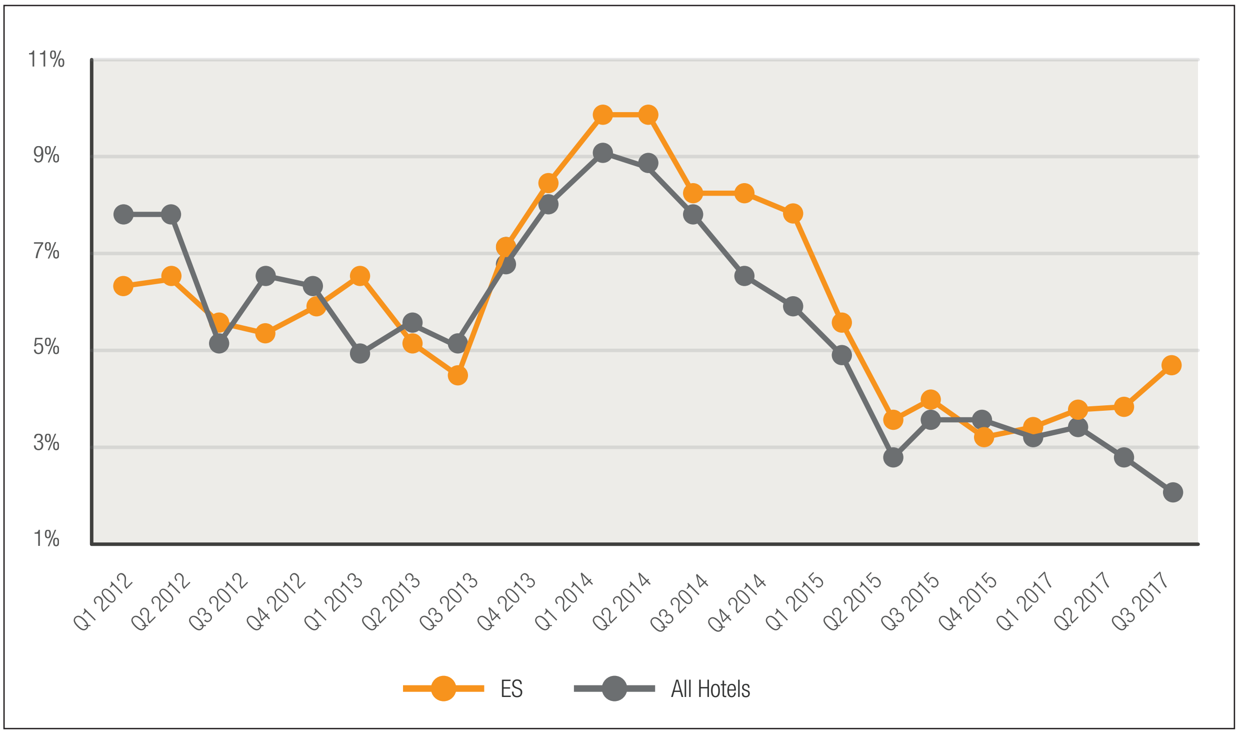
Source: STR, The Highland Group

Extended-stay hotel revenues posted double-digit gains in 12 of the last 15 quarters and are currently growing faster than in 2010 which was the beginning of the current expansionary period.

By Q3 2016, extended-stay hotel and overall US hotel RevPAR trends started diverging as the rate of increase in extended-stay RevPAR accelerated and maintained the climb over five consecutive quarters for the first time since 2013/14.

With more than 30 percent of extended-stay hotel rooms in two regions hurricanes impacted in fall 2017, extended-stay hotels could get a larger boost than the overall hotel industry in Q4 2017 and RevPAR growth trends will continue to diverge. Nevertheless, deep into an expansionary period, 2017 will be an exceptional year for extended-stay hotels.

Figure 80 - US RevPAR % Change by Quarter



Source: STR, The Highland Group

Extended stay supply

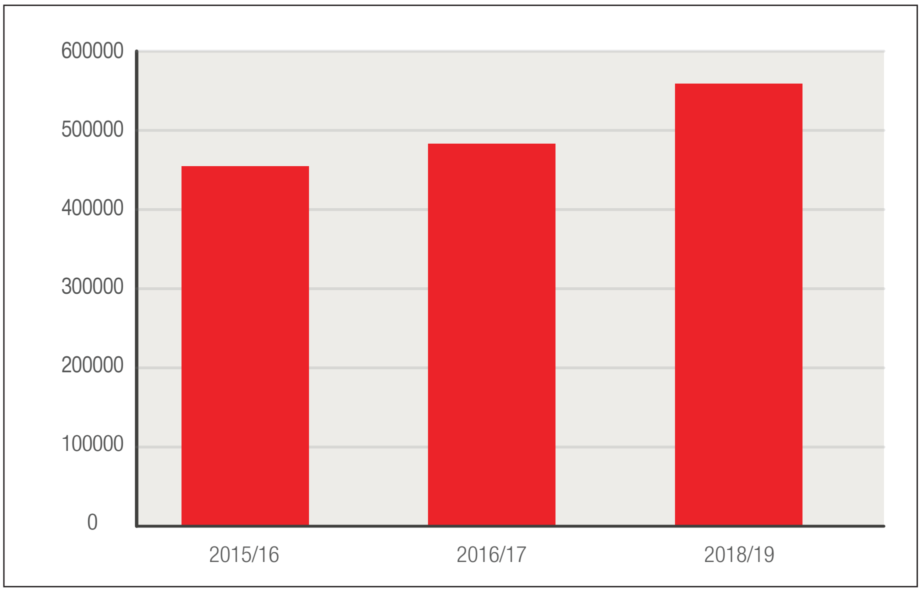
There are now 557,435 serviced apartment units in 7,173 locations across the US and Canada. This compares to 484,594 units in 6,424 locations two years ago and 446,049 apartments in 6,046 locations four years ago. This means that regional inventory has increased by 25% in four years – and by 15% in the last two.

Figure 81 - Extented stay hotel recent history and forecast

	2014 (1)	2015 (1)	2016 (1)	2017 (1)
Room Supply	3.0%	4.9%	6.2%	7-8%
Demand	5.2%	5.0%	5.5%	7-8%
Average Rate	6.7%	7.4%	4.2%	3-4%
Occupancy	2.1%	0.1%	-0.7%	0-0.5%
RevPar	8.9%	7.5%	3.4%	3-4%

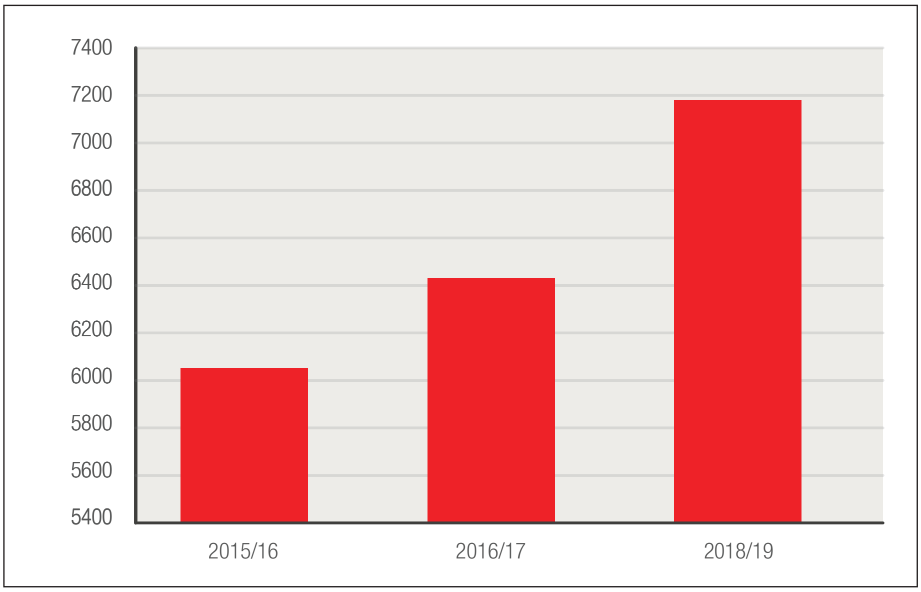
Notes: (1) Actual year end
(2) Projected year end
Source: The Highland Group

Figure 82 - Serviced apartment units - US & Canada



Source: STR, The Highland Group

Figure 83 - Serviced apartment locations - US & Canada



Source: STR, The Highland Group

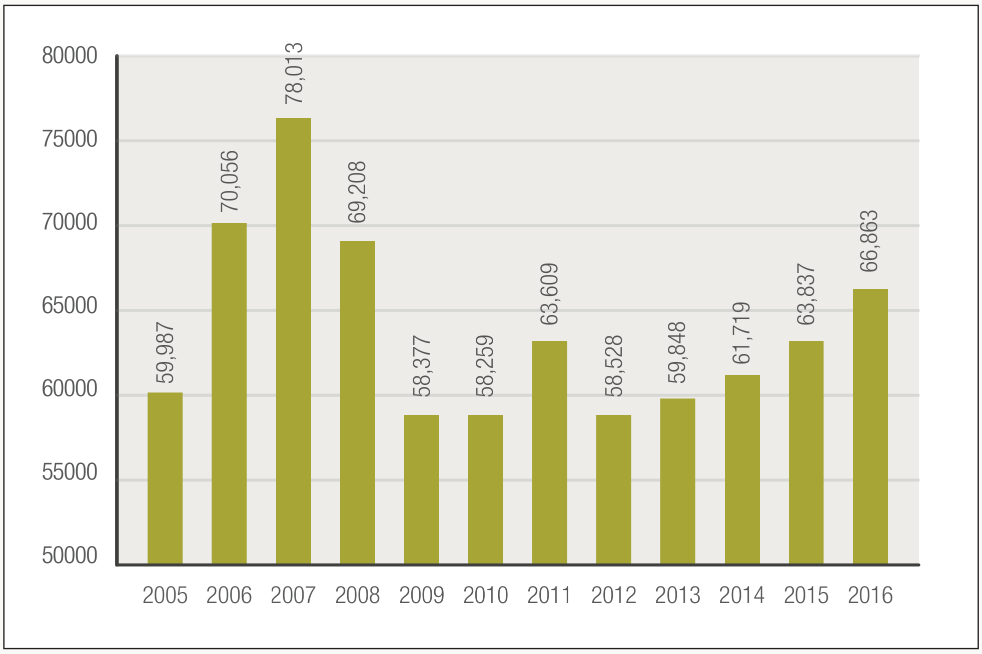
Corporate housing

The number of corporate housing units in the USA approached 67,000 in 2016, a 4.7% increase over 2015. This was the fourth successive year of increase and unit supply has gained 14.2% since 2012. Because the great majority of US corporate housing units (serviced apartments) are leased, the supply of units is strongly correlated with the availability of residential apartments on acceptable lease terms.

Rental demand rises as homes become more expensive to own. Revenues from furnished housing rose to $3.2 billion last year, up 10.2% from two years ago.[97] Millennials have become a larger part of the market and, with mobile platforms delivering connectivity to every corner of the globe, have proven reluctant to be tied down by home ownership.

Supply has reached an all-time high, helped by an increase in residential construction of luxury homes and apartments. Average occupancy declined to 87.2% which is the first time it has fallen below 88%. Most markets reported relatively little variation in occupancy in 2016 compared to 2015, but larger market declines ranging from 4% to 6%, including Atlanta, Boston and New York, had a negative impact on overall US corporate housing occupancy.

Figure 84 - Estimated US Corporate Housing Unit Supply



Source: The Highland Group

97 https://www.corporatehousingbyowner.com/blog/2017/09/13295/

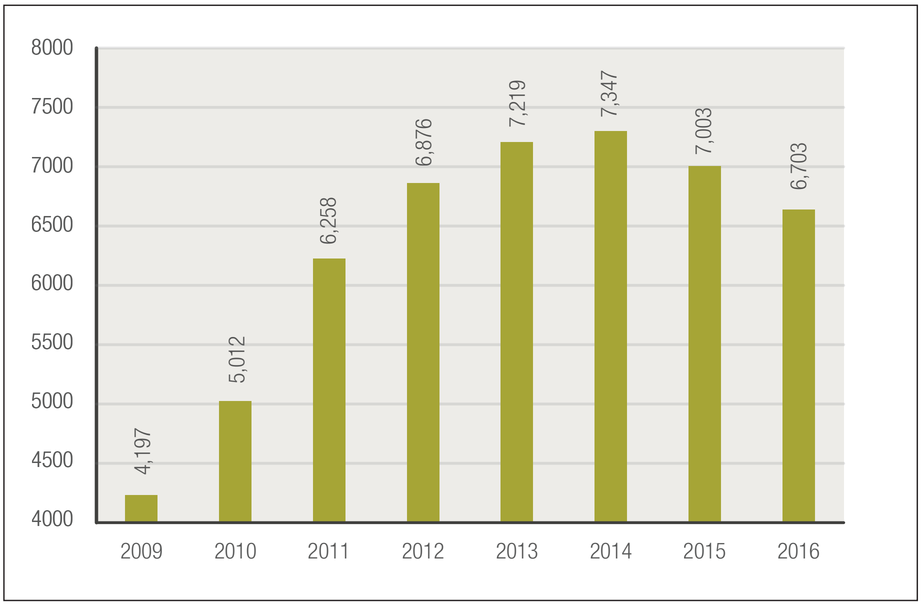
Despite the occupancy decrease, corporate housing demand rose 3.7% and was the highest since 2008. ADR was up 6.3% to $150.44, pushing room revenues up more than 10% compared to 2015 and reaching a new peak of $3.2 billion.

For the sixth successive year, at 35% relocation was the largest reason for using corporate housing in the US. Project/Training at 25% was the second most cited use of corporate housing in 2016.

Technology and healthcare are the largest generators of corporate housing demand by industry.

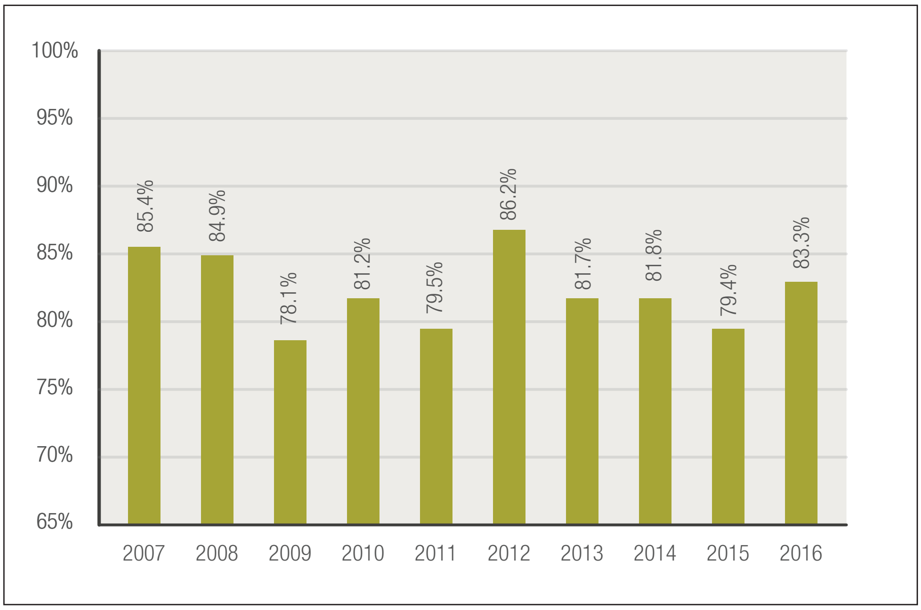
Canadian corporate housing units were estimated at 6,703 in 2016. The second successive year of decline in supply was largely due to further contraction in the oil & gas sector with the largest fall in units occurring in Calgary.

Figure 85 - Estimated Canadian corporate housing unit supply



Source: The Highland Group

Figure 86 - Canadian corporate housing occupancy



Source: The Highland Group

All Canadian markets that provided data reported occupancy growth in 2016, with Calgary reporting the largest as its unit inventory declined. Canadian occupancy increased to 83.3% in 2016, the highest level since 2012.

ADR for Canadian corporate housing increased to $137 in 2016, a 6.5% gain over 2015 and the largest annual increase since 2011. ADR growth and the slight increase in room night demand pushed annual room revenues over $278 million (Canadian dollars).

Relocation and project/training accounted for 60% of corporate housing room nights in Canada in 2016. Insurance and entertainment were the largest generators of demand by industry.

The North American extended-stay lodging sector has reported some of its largest annual growth in room revenue over the last two years. With more than 50,000 extended-stay hotel rooms under construction at mid-year 2017, forecasted increases in corporate apartment units and ADR growth expected to continue, the near-term outlook for the sector is very good.

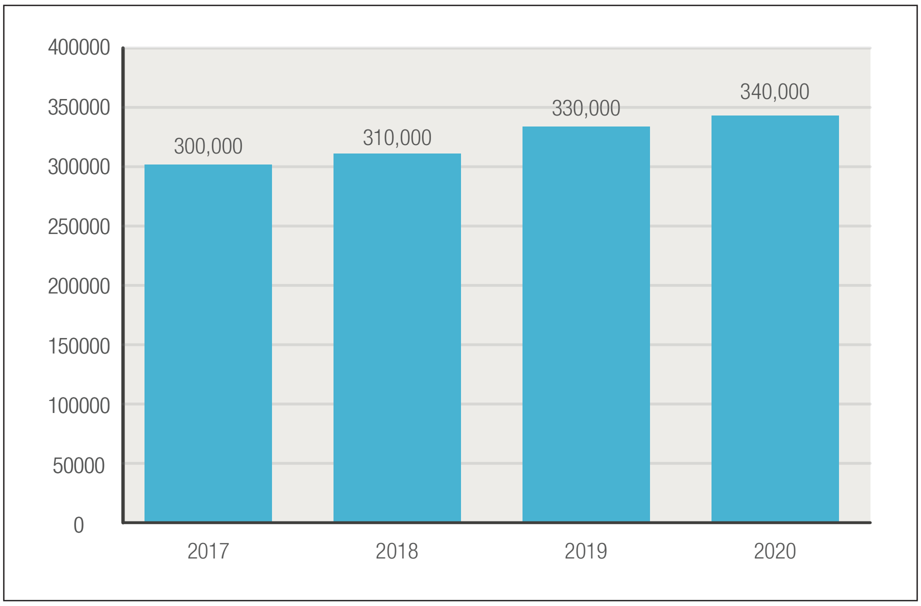
Focus on...Toronto

As with most large cities, demand for furnished apartments in Toronto originates from various sources, including tourism, global workforce mobility, and local demand (insurance claims, renovations, etc).

However, one source that has been leading the charge in recent years is immigration. Canada enjoys a stable political environment and is perceived as a safe country with reasonable immigration policies. Also, being one of the only G7 countries that still allows birth right citizenship, many see Canada as an ideal place to raise and educate their children (which explains why "birth tourism" has also been on the rise).

According to a CBC article, the chart below projects the number of immigrants arriving in Canada over the next few years (note that almost 1/3 of all Canadian immigrants end up settling in Toronto).[98]

Figure 87 - Total Canadian immigration



Source: Government of Canada

ALMOST ONE THIRD OF CANADIAN IMMIGRANTS SETTLE IN TORONTO

98 https://www.thestar.com/news/gta/2017/10/25/toronto-still-top-choice-for-recent-immigrants-as-more-people-flock-to-the-prairies.html

In short, demand in the Toronto market continues to increase and we see no reason for a change in the near future. On the supply side, Toronto will face two key challenges, first being a slow-down in new condo construction. This means providers may be forced to look harder at relatively untapped areas outside the downtown core

Second, a changing regulatory landscape will see real estate prices rocket along with the popularity of websites like Airbnb have generated much controversy in the media recently, prompting new regulations aimed at controlling prices and increasing the availability of affordable rentals. The corporate housing industry will need to continue our education initiatives and united lobbying efforts in order not to end up as collateral damage during this process.

Over the next few years, we will likely see some additional trends in the industry, including a shift away from referral-based sales and towards online sales, and more leveraging of technology (in terms of operational automation, mobile-friendly client interaction and focused marketing via data mining).

Pipeline

As of September 2017, there were 1,288 extended stay building projects in progress encompassing 136,649 additional rooms, according to Lodging Econometrics (LE), accounting for 26% of all projects under construction in the US hotel pipeline.[99]

The same source estimates that 643 projects will start construction in the next 12 months with a further 245 in early planning. Home2 Suites by Hilton accounts for 343 projects (35,845 rooms) in the pipeline. The second largest brand pipeline for extended-stay is Marriott's Residence Inn with 187 projects (23,617 rooms), followed by TownePlace Suites with 184 projects (18,757 rooms).

New and planned serviced apartment developments in the US and Canada[100] include:

- A new, 91-key Studio 6 extended stay hotel in the Tahoe-Reno Industrial Center, currently a 107,000-acre park.
- The 130-suite Hyatt House Raleigh Brier Creek in North Carolina, located three miles from Raleigh-Durham International Airport.
- A new Home2 Suites by Hilton Azusa (California) with 110 suites and a range of value, tech-focused and eco-conscious amenities
- Airbnb will launch branded accommodation. The building, with hundreds of apartment units, is being built in Kissimmee, near Orlando, Florida.[101]
- The Ascott will increase its US portfolio from 1,000 to 3,000 units after buying a majority stake in US accommodation provider Synergy Global Housing.

99 https://ehotelier.com/global/2017/09/11/extended-stay-us-hotel-construction-pipeline/
100 www.servicedapartmentnews.com
101 https://www.hospitalitynet.org/news/4084812.html

Rates

With occupancy rates high, room rates at extended stay hotels are rising faster than inflation. Rates in New York have increased by 2 – 3% year-on -year, with studio apartments costing US$170 per night for stays of 1 – 6 nights, compared to US$165 12 months earlier.

In Boston rates have increased similarly whilst in Toronto rate hikes range from zero to 6%, equating to US$138 per night for a stay of 1 – 6 nights.

Figure 88 - Principal (1,000+ units) operators in US/Canada

	Parent brand	Locations	Units
Residence Inn	Marriott	774	94,428
Extended Stay America	Extended Stay Hotels	629	69,400
Non-branded providers		648	50,362
Homewood Suites	Hilton	445	49,949
Towne Place Suites	Marriott	353	35,300
Candlewood Suites	Intercontinental Hotel Group (IHG)	374	35,251
Woodspring Suites	Choice Hotels	235	28,237
Staybridge	IHG	234	25,110
Oakwood	Oakwood Corp Housing (est)	1,840	20,963
Home 2 Suites	Hilton	186	19,922
In Town Suites	Starwood Capital	209	15,700
Hyatt House	Hyatt	88	12,567
Studio 6	G6 Hospitality	120	11,496
Hawthorn Suites	Wyndham Worldwide	108	10,613
Churchill Living		80	8,000
Crossland		61	7,869
Suburban	Choice Hotels	69	7,314
Sonesta ES Suites		54	6,613
Element Hotels	Starwood	65	5,200
Shilo Inns		31	4,650
MainStay Suites	Choice Hotels	58	4,309
Siegel Suites		34	3,250
Oasis Collections - Latin America		23	2,500
BridgeStreet (estimated)		150	2,475
Othon Suites - Brazil		13	2,434
Budget Suites of America		18	1,620
Premiere Suites		38	1,500
Larkspur Landing		11	1,320
Ascott Group Branded properties	The Ascott Ltd.	5	1,265
AVE Apartments & Suites	Korman	11	1,100
Furnished Quarters		4	1,054
Mercure Apartments (Latin America)	Accor	4	1,052
AKA Serviced Residences	Korman	10	1,051

Figure 89 - City rates analysis US/Canada

These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2013.	STUDIO					ONE BEDROOM					TWO BEDROOM				
	2016/17	2018/19			YoY	2016/17	2018/19			YoY	2016/17	2018/19			YoY
	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%	Local	Local	US$	Euro	%
USA/CANADA															
Boston (USD)															
1-6 nights (nightly rate)	USD 165	USD 170		EUR 137	3%	USD 180	USD 190		EUR 153	6%	USD 205	USD 212		EUR 170	3%
7 nights + (weekly rate)	USD 945	USD 970		EUR 779	3%	USD 1,100	USD 1,220		EUR 980	11%	USD 1,300	USD 1,400		EUR 1,124	8%
One month + (monthly rate)	USD 3,500	USD 3,650		EUR 2,931	4%	USD 3,820	USD 4,000		EUR 3,212	5%	USD 4,700	USD 5,000		EUR 4,015	6%
3 month + (monthly rate)	USD 3,200	USD 3,300		EUR 2,650	3%	USD 3,500	USD 3,750		EUR 3,012	7%	USD 4,300	USD 4,600		EUR 3,694	7%
New York (USD)															
1-6 nights (nightly rate)	USD 245	USD 250		EUR 201	2%	USD 320	USD 325		EUR 261	2%	USD 400	USD 410		EUR 329	3%
7 nights + (weekly rate)	USD 1,500	USD 1,530		EUR 1,229	2%	USD 2,115	USD 2,140		EUR 1,720	1%	USD 3,000	USD 3,010		EUR 2,418	0%
One month + (monthly rate)	USD 4,000	USD 4,100		EUR 3,295	3%	USD 5,025	USD 5,025		EUR 4,037	0%	USD 5,300	USD 5,300		EUR 4,258	0%
3 month + (monthly rate)	USD 3,800	USD 3,875		EUR 3,114	2%	USD 4,600	USD 4,600		EUR 3,696	0%	USD 5,100	USD 5,000		EUR 4,017	-2%
Toronto (CAD)															
1-6 nights (nightly rate)	CAD 160	CAD 169	USD 138	EUR 110	6%	CAD 200	CAD 190	USD 155	EUR 124	-5%	CAD 225	CAD 251	USD 204	EUR 164	12%
7 nights + (weekly rate)	CAD 820	CAD 825	USD 672	EUR 539	1%	CAD 1,000	CAD 975	USD 794	EUR 637	-3%	CAD 1,300	CAD 1,350	USD 1,099	EUR 883	4%
One month + (monthly rate)	CAD 3,000	CAD 3,100	USD 2,523	EUR 2,027	3%	CAD 3,750	CAD 3,600	USD 2,930	EUR 2,354	-4%	CAD 4,200	CAD 4,300	USD 3,500	EUR 2,811	2%
3 month + (monthly rate)	CAD 2,750	CAD 2,850	USD 2,320	EUR 1,863	4%	CAD 3,200	CAD 3,100	USD 2,523	EUR 2,027	-3%	CAD 4,000	CAD 4,150	USD 3,378	EUR 2,713	4%

Disclaimer: These rates are average rates and may vary per location, time of year, regional promotions and specific klengths of stay. Rates quoted are basd on an aerage 4 star extened stay preperty and exclude taxes. Exchange rates used March 2017.

Past, present & future outlook

George Sell

Serviced Apartment News editor George Sell reflects on some 2017 industry milestones, and looks ahead to what 2018 will have in store for the serviced apartment sector.

As the serviced apartment sector continues its rapid growth across the globe, 2017 was undoubtedly an eventful year. Ascott – the world's biggest operator, continued its inexorable expansion, achieving several milestones. It exceeded its target of 20,000 units in China three years earlier than originally planned, with the signing of nine properties totalling more than 2,000 units late in the year. 2017 was its strongest year of growth, adding 24,000 units within the year to reach a global portfolio of 72,000 units. The company says it is confident of achieving its global target of 80,000 units in 2018, as it presses ahead with its "aggressive expansion plans via strategic alliances, management contracts, franchises and investments".

In the US, the economy extended-stay sector performed strongly in terms of occupancy and rate, and also saw significant activity, with Starwood Capital launching the Uptown Suites brand to operate alongside its existing InTown Suites flag. Choice Hotels acquired the brand and franchise business of WoodSpring Suites, adding nearly 240 extended-stay hotels in 35 states and creating an extended-stay portfolio of more than 350 properties with existing brands, MainStay Suites and Suburban Extended Stay. Choice also opened its 10th Sleep Inn and MainStay Suites dual-branded location at St. Louis Airport, and has more than 70 dual-branded hotels in the pipeline.

The dual-branded concept gained significant traction in 2017 and is set to grow further in 2018. In Europe, owner/operator Cycas Hospitality is the leader in this field, adding dual branded properties from IHG (with Staybridge Suites providing the serviced apartment element) and Marriott (Residence Inn), as well as launching its own brand South Point Suites. An announcement for a project with Hyatt is expected in 2018, and Cycas also demonstrated the desirability of the sector to investors, when a one-third share in the company was sold to Thai family office Hua Kee.

Institutional investment in the sector has increased to the point where it can now be considered a mainstream hospitality option. Among the more notable deals in 2017 was Westbridge Capital's acquisition of an indirect controlling interest in Seattle-based provider ABODA, Inc. ABODA will be owned by Westbridge's new subsidiary RESIDE Worldwide, which will be co-helmed by former ABODA president Lee Curtis and industry veteran Jon Wohlfert. Wohlfert brings more than 30 years experience to RESIDE. He has previously worked with brands such as Residence Inn, Candlewood Suites, Summerfield Suites, Sierra Suites, BridgeStreet Global Hospitality, Extended Stay America and WaterWalk International.

US asset management giant Brookfield's purchase of SACO from Oaktree Capital Management is covered elsewhere in this report. In 2018 there will be a major increase in M&A activity globally, while several trends will drive the sector's growth. The design-led aparthotel trend, for stylish developments with hotel-like services (including F&B), smaller units and more communal space will continue apace, with brand such as SACO's Locke and Staycity's Wilde enjoying significant growth.

SACO CEO Stephen Hanton recently stated a desire to bring the Locke brand (which currently has locations in London and Edinburgh, with Dublin in the pipeline) to the Asian market and to the US tech centres of San Francisco, Boston and New York. He also hinted at further brand launches, stating that there could eventually be as many as four separate brands under the SACO umbrella. Wilde has London and Edinburgh properties in the pipeline. These brands attract a higher proportion of leisure guests than traditional serviced apartments, and offer an opportunity for operators to attract hitherto untapped audiences.

2018 will also be the year when Africa stops being classed as an emerging market and witnesses major inventory growth. Last year saw the first properties announced from several global players. Ascott has secured contracts to manage two properties in Accra, Ghana - one of Africa's top cities for investment.

The 220-unit Ascott 1 Oxford Street Accra will open in phases from 2019, while the 40-unit Kwarleyz Residence will open in Q4 2018. Marriott International and Landmark Africa Group have announced the signing of a dual branded Lagos hotel featuring Renaissance and Marriott Executive Apartments components, and Accor has signed a management agreement for a its first Adagio property in Africa, as part of a dual branded 200-room Novotel and 110-apartment Adagio complex in Abidjan, Ivory Coast. Local operators such as Trianum Hospitality (franchisee of Executive Residency by Best Western in Nairobi as well operator of independent properties in Kenya), Unlimited Directions (Kenya), and Amara Suites (Nigeria), will also see significant growth.

A 2018 development specific to the UK will be the increasing number of buy-to-let (BTL) landlords converting their properties to serviced accommodation, as they seek a solution to the so-called "anti-landlord" tax measures introduced in 2016. These are often referred to collectively as Section 24 and include the requirement for landlords to report rental income received without deduction of mortgage interest as a cost.
The National Landlords Association has estimated this will push an extra 600,000 landlords into the higher-rate tax bracket even though they will not receive any extra income.

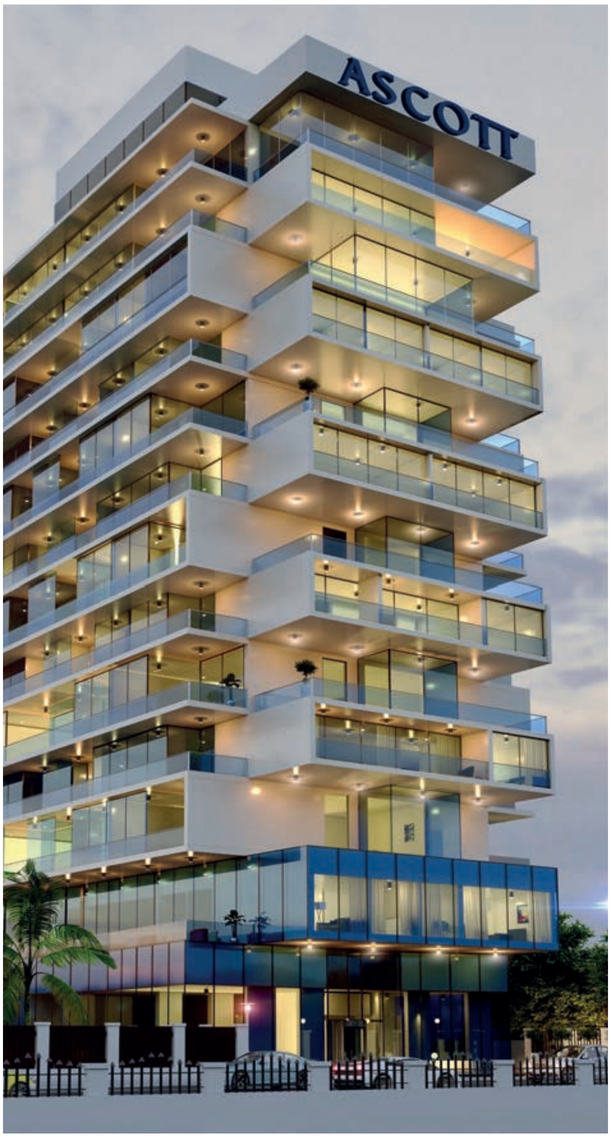
Furnished holiday lets (FHL) were specifically excluded from Section 24 provisions so if landlords take the same property and run it as serviced accommodation, there are several significant tax advantages. The outcome of this is likely to be the formation of numerous small regional operators and a rise in white label management companies taking on BTL portfolios and running them as serviced accommodation.

Despite ambiguity over the planning classification and regulation of some of these properties, several smaller UK operators are already facing difficulties in adding inventory when competing with properties in the same buildings which are run as short-term rental lettings.

And on the subject of short-term rentals, as Airbnb continues to find new ways to achieve growth, it will launch its first branded apartments in 2018, in partnership developer Niido. The project, in Kissimmee, Florida, is specifically designed for tenants who want to sublease their units to short-term guests.

Under the initiative, tenants will enter into one-year leases and would be able to rent their units out for up to 180 days a year. Under a revenue-sharing agreement with management, tenants receive 75 per cent of the Airbnb-generated revenue and landlords receive 25 per cent. A further three buildings will follow quickly after the Kissimmee debut. Other smaller short-term rental platforms will seek to find their own niche in the market, offering additional hotel-like services to guests in tightly targeted segments such as business travel and high-end luxury.

Overall, the sector will continue its rapid growth, and by 2020 I predict we will have seen significant consolidation in the sector, with smaller and regional players acquired by the big boys.
A proliferation of brand launches, particularly in the aparthotel segment, will help to boost increased use of serviced apartments by leisure travellers, with the sector becoming better known and better used by the general public.



View from the top

During the compilation of this edition of the GSAIR we spoke to some of serviced apartments' movers and shakers. We asked them for their comments on current industry issues and their predictions for the sector over the coming 18 months. Here's what they said...

On guest experience...

"We are seeing a shift from opulence to experiential. People want a story they can relate to their friends via social media or whatever. This means hospitality becoming more casual, which is reflected in grab-and-go F&B models becoming more popular."
George Westwell, CEO - Cheval Residences

"There is nothing more important than the guest experience. It's not just about TripAdvisor rankings but about how we judge and assess every department head. In Cycas, part of their bonus is linked to that. The best way to achieve profits is to get customers to leave the property with a smile. You can't have a profit without happy customers. I tell our employees to talk to them as if they were their neighbour; to take a general interest in their well-being. Evening socials are an integral part of our product because they enable us to interact with our customers."
John Wagner, partner – Cycas Hospitality

On measuring operator performance...

"We use STR to measure our performance; LQA to measure quality and a combination of ReviewPro and TripAdvisor to measure consumer satisfaction. We should get rid of RevPAR and look instead at income per sqm because the comparisons with other operators are not like-for-like. We need to understand, for every £100 we take in revenue, what the net net result is after deducting direct and indirect costs."
George Westwell, CEO - Cheval Residences

On Airbnb...

"We are happy to engage with competitors, but our views are centred on the restrictions placed upon us in terms of regulations and operation whereby others (like Airbnb) does not have to adhere. The regulations differ from locations and country to country however, there is a more level playing field in cities like Barcelona, Berlin and Paris. These are designed to stop the mass purchase of properties which are then rented out en-masse in an Airbnb type operation. This is intended to allow more rentable properties onto the market for city residents but there is also the aspect of health and safety covered by national and local law that we as serviced apartment operators, have to adhere to."
Rebecca Hollants van Loocke,
COO - Frasers Hospitality

"We don't see them as a threat because of the similarities to serviced apartments. They have introduced the concept of rooms and kitchens to a new audience. The more people who are exposed to this, the better for everyone who plays in that space. It's like the impact that the Low-cost players like easyJet had on legacy airlines. By enabling consumers to come to new cities they might otherwise not have afforded they are bringing big benefit to local economies.
John Wagner, partner – Cycas Hospitality

On the future growth of your brand...

"We are looking at developing new brands under the Cheval Collection, comprising Cheval Residences, Cheval Aparthotels with 250 keys, aimed at millennials, and Cheval Maison in key locations where people are likely to have stays of 4 – 6 months on project work."
George Westwell, CEO - Cheval Residences

"We see the potential for a highly scalable franchise business to become a key driver of growth for Ascott. As we move up the value chain to acquire strong operating platforms globally, we get closer to our customers, understand their needs better, thereby improving our service and product offerings to them.
The synergies to be realised with these majority-stake acquisitions will propel Ascott's growth at an unprecedented pace."
Kevin Goh, CEO – The Ascott Limited

“There is no point in rushing, hell bent on growth. There are so many development processes we must go through let alone the sales and marketing possibilities. Perhaps, the most exciting new announcement in the near future will be Hamburg (opening in 2018) as the company moves into the luxury aparthotel sector. The most important aspect moving forward is to present each property in its potentially business segment as not all are the same in their market appeal.”
Rebecca Hollants van Loocke,
COO - Frasers Hospitality

“We like the credibility of affiliating with international brands. That’s why there is no Cycas brand – yet. If someone creates a budget extended stay brand in Europe, they will be onto a winner. There are several price points in the US for extended stay and economy is a big one. That’s the opportunity here in the UK.”
John Wagner, partner – Cycas Hospitality

Predictions for 2019/20

“Aggressive competition will continue to drive mergers and acquisitions as companies look to enter new markets, strengthen footing in existing markets, broaden offerings and achieve greater scale and operational efficiency. Secondly, the sharing economy concept is growing driven by the increasing prevalence of mobile technology. Companies are likely to devote more resources towards this area to cater to the customers and sharpen their competitive edge.”
Kevin Goh, CEO – The Ascott Limited

“This is a good time for operators. It’s hard to increase occupancy because they are full anyway. I predict good growth in average rate, especially in provincial locations. My worry is that our average rate keeps pace with inflation. Costs are rising faster than we can increase rates. I also think there will be more consolidation as the bigger brands are complemented by smaller Mom n Pop operators who will find is tough to compete locally, nationally or internationally.”
John Wagner, partner – Cycas Hospitality

“Brookfield’s takeover of Saco shows that the sector is now attracting investors of real note because they recognise value and growth. There is a short-term opportunity for rapid growth in London and provinces but there will be consolidation. Although serviced apartments have traditionally offered more than hotels they are getting smaller and expanding the size of communal areas. This will continue as the sector grows. Operators will also use technology more creatively, with more self-check-in and check-out and locks opened by smartphones.”
George Westwell, CEO - Cheval Residences

If you could change anything, what would it be…
“I’d like to see greater transparency in data. It’s no faulty of the operators or the sector but we are at a point where we do not have robust data to show how the serviced apartment sector performs during a downturn. There’s very little data available pre-2007 and even 2008’s data isn’t robust.”
Marie Hickey, Director, Commercial Research, Savills

“I’d like to see a reduction in VAT for tourism. The British Hospitality Association has put together a model, supported by HM Treasury, which could substantially increase income to government in the long term.”
George Westwell, CEO - Cheval Residences

List of charts and tables used in this report

List of charts and tables continued

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