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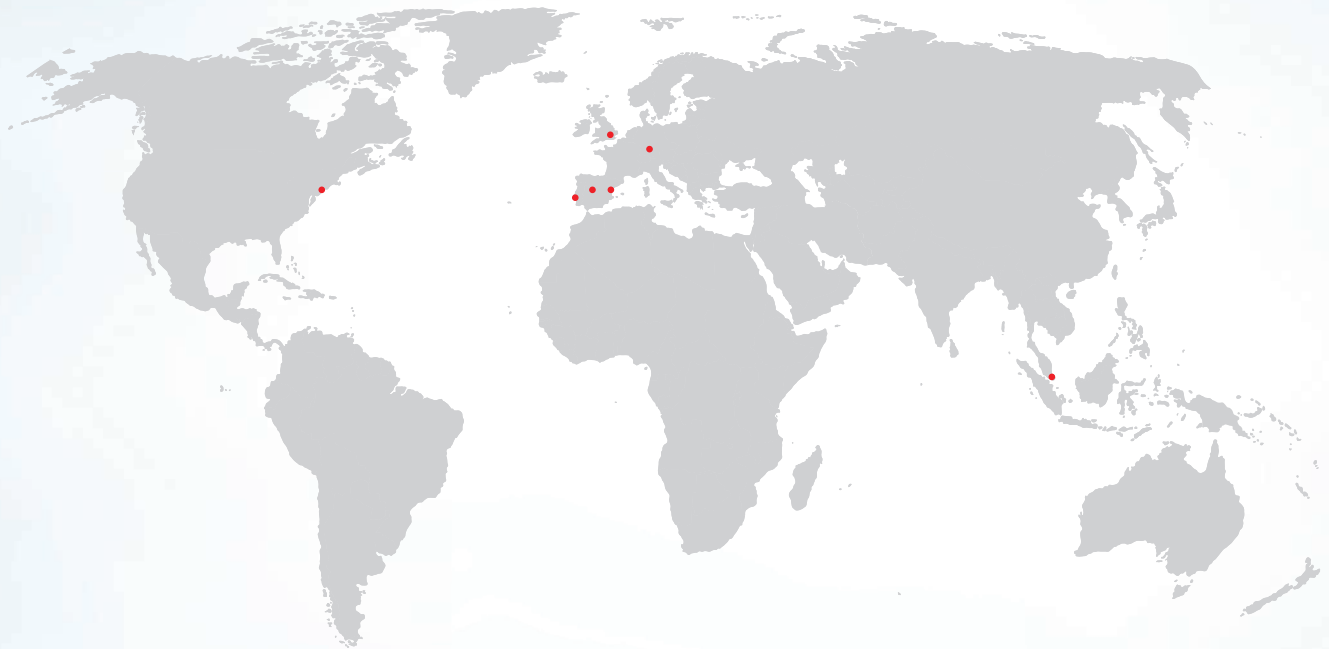
GSAIR – The Global Serviced Apartments Industry Report 2020-2021

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**GSAIR**

Global Serviced Apartments  
Industry Report

# The Global Serviced Apartments Industry Report 2020-2021

Global Serviced Apartments Industry Report 2020-2021  
In association with Adagio and Frasers Hospitality

**8th edition**

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# The Global Serviced Apartments Industry Report 2020-2021

## Contents

Report methodology & editorial team.....	3
Acknowledgements and sources.....	4
Glossary of terms.....	5
Global trends commentary .....	6
GSAIR survey results & analysis.....	12
The global lodging industry - where does extended stay fit in?.....	18
Assessing performance - extended stay vs hotels.....	21
Global trends driving the extended stay sector.....	30
Regional trends driving the extended stay sector.....	34
Serviced apartments - operator & supplier up-date.....	38
Operator analysis - too many brands?.....	48
Operator analysis - online reputation scores by brand.....	54
Technology and innovation.....	55
Data security and management.....	60
The Airbnb effect - impact of home sharing on extended stay.....	62
Serviced apartment 2025.....	66
Serviced apartments and traveller well-being.....	70
Co-living, can it work for corporates?.....	76
Tomorrow's guests, who are they?.....	78
Regional report, Africa.....	82
Regional report, Asia.....	88
Regional report, Australasia.....	94
Regional report, Europe.....	102
Regional report, LATAM.....	112
Regional report, Middle East.....	118
Regional report, USA/Canada.....	126
Report conclusions.....	135
List of charts & tables.....	136

## Report methodology

The 2020/21 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, industry insiders were interviewed. Their opinions and assessments are reflected throughout. For this year's report, we have opted for more, shorter articles. This is to enable us to cover as many of the key demand and supply trends in the sector as possible.

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 August and September 2019 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](http://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, 50+ 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 the BetVictor Northern Premier League and an FA councillor.



### Charles McCrow

Charles has been the driving force behind The Apartment Service's 39-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 eight editions of the Global Serviced Apartments Industry Report, including maintaining the Global Serviced Apartment listing and Rate Overviews in key cities.

# Acknowledgements and sources

Individual sources are shown in the footnotes at the bottom of each page of this report. Other sources were as follows.

**Australian Hotels Association**, 'Sharing' the Future of Commercial Accommodation (2019)

**BCD Travel**, Industry Forecast 2020

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**Serviced Apartment News/Travel Intelligence Network**, Digital Benchmark Report (2018)

**Serviced Apartment News/Travel Intelligence Network**, Serviced Apartment 2025 (2019)

**Skift**, State of Global Wellness Travel (2019)

**UNWTO**, New Business Models in the Accommodation Industry (2019)

# Glossary of terms

Several acronyms or abbreviations are used in this report. These are as follows.

<b>ADR:</b>	Average Daily Rate
<b>GDS:</b>	Global Distribution Systems (e.g. Amadeus, Galileo, Sabre)
<b>GSAIR:</b>	Global Serviced Apartments Industry Report
<b>HSR:</b>	Hotel Supply Ratio (i.e. number of hotel rooms per '000 population)
<b>MNC:</b>	Multi-National Company
<b>OBT:</b>	Online booking tool
<b>Occupancy:</b>	Percentage of occupied bedrooms in a hotel during a set period
<b>OTA:</b>	Online Travel Agent (e.g. Expedia, Hotels.com)
<b>RevPAR:</b>	Revenue Per Available (hotel) bedroom
<b>RMC:</b>	Relocation Management Company
<b>TMC:</b>	Travel Management Company (e.g. CWT, HRG etc)
<b>USP:</b>	Unique Selling Point
<b>WTTC:</b>	World Travel & Tourism Council

# Global trends commentary



Corporate travel buyers, relocation managers and their agents are keener than ever to use serviced apartments.

## By Charles McCrow

There is always lots to say about the evolving world of serviced apartments. The growth in supply, broadening distribution channels, different business models and brands targeting specific market segments for example. Other highly topical issues include accessing robust and actionable data, safety and security compliance.

As our GSAIR survey shows (see following article), corporate travel buyers, relocation managers and their agents are keener than ever to use serviced apartments. On average, they spend over 10% of their total accommodation budgets on extended stay products. Although business travel remains the principal market for serviced apartment operators, usage for assignment working is growing in 52% of corporates and for relocation in 30.77% of corporates.

Whilst shorter stays are increasingly booked via online booking tools or Online Travel Agents (OTAs), employers realise the importance of managing longer stays effectively. 75% of bookings made by Travel Management Companies (TMCs) and Relocation Management Companies (RMCs) are for between 14 to 90 nights.

## Supply growth

Major city centres have been the focus areas for growth in supply because they represent good investment opportunities and because they house sufficient sources of capital to meet investor interests. The serviced apartment sector has raised its profile as an investment class over the past few years and shows promising opportunities for good returns.

Larger developments (with circa 100 units) are underway in many cities. In the medium term

this will create a healthy supply of extended stay and apartment hotels. Secondary locations are attracting interest too, but only where there is enough demand for extended stay accommodation. Even in the U.S., where extended stay hotels account for around two thirds of all serviced apartment supply, the rest of the world is a long way from catching up, giving confidence to investors in the sector.

Many new developments are drifting towards the hotel space. Some brands are also tapping into the overlapping trends for co-living and student accommodation, targeting millennials and generation Z. I believe that one of serviced apartments' main selling points is the extra space and separate lounges, both of which are conspicuously absent from these new models.

## When is a serviced apartment not a serviced apartment?

Many of these products are marketed for short stays and being economic in terms of space. When they also omit kitchens or slim down to just a microwave and small fridge, shunting full cooking facilities into communal areas and calling them co-living spaces, they are no longer serviced apartments.

It is perfectly acceptable to reduce room sizes to below 20m<sup>2</sup>, and to design studios with efficient use of space, but there has to be clarity when it comes to cooking facilities. They may provide serviced accommodation, but they are not serviced apartments.

Many new serviced apartment brands such as Locke, Wilde and room2 are demonstrating



fabulous innovation. The ones that excel will be proven by their popularity amongst the buying community, and therefore remains to be seen. Their bold approaches are to be applauded but I believe is just a part of an ongoing trend for new ideas and products to meet changing consumer demands. Another sector to have experienced significant growth is the apartment rental community, sometimes referred to as 'multi-family housing' or private rental sector (PRS). Residential property ownership is now seen as a good investment asset by real estate equity investors and developments are appearing more and increasingly across Europe.

It is inevitable they will gradually alter their business models and move towards accommodating shorter stays as well as servicing their long-term target markets. Furthermore, these are larger sized units with full kitchens, separate lounges and more than one bedroom. In size, they are equivalent to long term apartments, occupying 40 - 100m<sup>2</sup> depending on the number of bedrooms. With fewer studios in the mix, these products are ideal for long stays - especially for families.

Many of these new accommodation developments also offer reception desks, function rooms, concierges, bicycle storage facilities, fitness rooms, parcel lockers and parking either as part of their standard rental services or as optional extras. The very different development worlds of residential and hotel are converging. The 'hotel' models of serviced apartment brands typically fall into a specific different planning category, but where new brands fall between these and long-term residences, new dynamics are at play.

## **Inconsistent planning controls**

Almost everywhere, planning restrictions and controls (including heavy fines) are being levied by local authorities on serviced apartment operators, homestay and new developments wishing to rent short term or flexible stays.

There are some exceptions, such as when a tenancy agreement is in place or in timeshares which are generally excluded or if short term rentals are outside a restricted zone. The arrival of homestay has seen controls and deterrents introduced in Ireland. Here, non-compliance to planning regulations could invoke a fine of up to 5,000 euros or six months imprisonment, or both.

This should be a wake-up call to accidental and professional landlords alike in Ireland and further afield as similar fines are being considered in other



cities too. New York was one of the first to impose restrictions forbidding rentals of less than 30 days in some buildings. Penalties start from \$1,000 for a first offence, \$5,000 for the second and \$7,500 per offence thereafter. It is illegal to advertise rentals not allowed under the MDL legislation. Whilst some cities' restrictions are rigid, others take a more flexible approach to the sharing economy. In Toronto, Canada, there was push back from short term renters who teamed up to get City Council rulings overturned. In the end they got the clarification they needed and there is now a balanced view, allowing some short-term renting that doesn't displace households and preserves peace and quiet in Toronto neighbourhoods.

Some have no policy at all but taxation opportunities (aside from federal income tax) are not going unnoticed by local municipal authorities. Registration may also be required and in many cities, such as in Toronto or Boston, the amount of rent collected is subjected to a range of local taxes imposed on the number of persons occupying or the rental amount.

As with all things new, we do not yet have a clear planning classification designed to fit these new accommodation models. Some planning departments take a sceptical view and see these as an elaboration of HMOs (houses of multiple occupation, typically built for student housing) and a way for developers to squeeze more profitable smaller sized living units into their developments and to get around the minimum space restrictions normally required for residential use.

Generally, planning permission parameters are to restrict where there is either high tourist activity due to excessive supply of short stay options or where there are pressures on affordable long-term accommodation. Restrictions may also fall on the type of building, its location, or whether the regular owner/occupier is in residence.

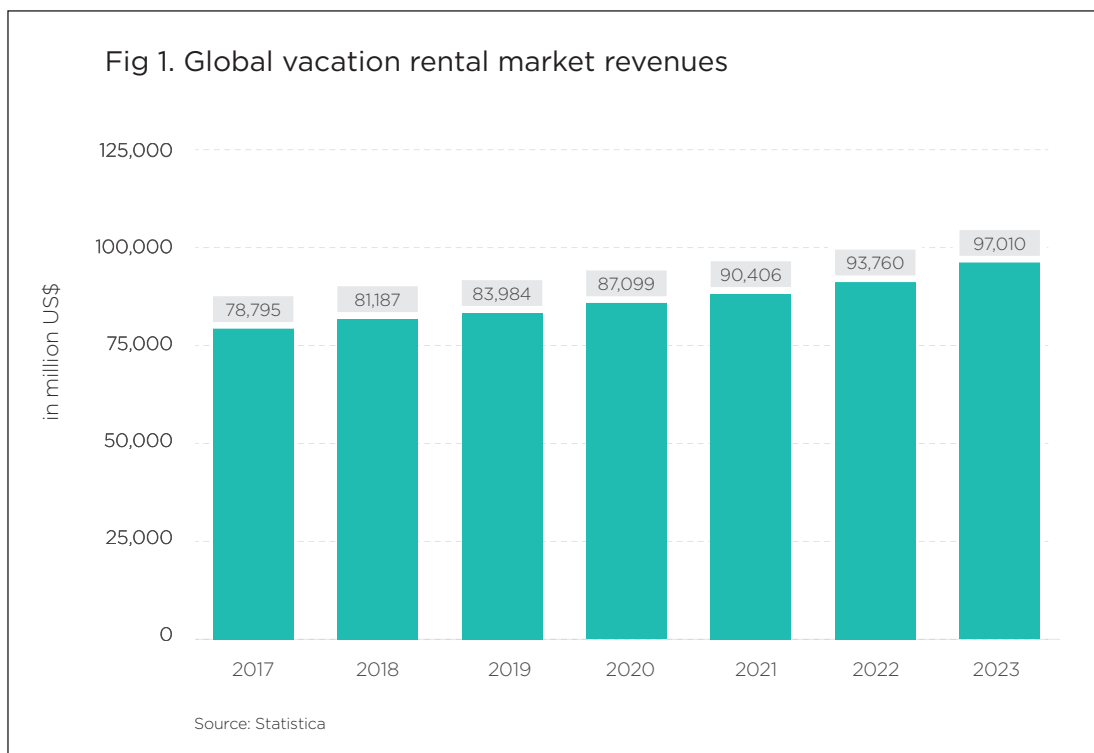
These demands are all putting pressure on the rental markets and raising rental costs out of reach for use as private residences. The resulting

pressure on long term housing supply and growing urban populations needing affordable accommodation is driving many restrictions to be implemented.

The arrival of home sharing has added an extra dimension to how local authorities, housing planners, resident groups, tax authorities and other interested parties address new accommodation options.

New, innovative online systems have radically changed the scene and the apps they have created work amazingly well. Five years ago, Airbnb and Uber were virtually unknown outside the U.S. The tables have been quietly turned.

Legacy distribution systems were built by accommodation providers but the new generation of systems put buyer convenience and choice at the forefront rather than the vendor. TMCs want this technology; how effectively they can integrate the old with the new remains to be seen.



Five years ago, Airbnb and Uber were virtually unknown outside the U.S. The tables have been quietly turned.

## Vacation rentals and home sharing

The global vacation rental market is estimated to be seeing a compound annual growth rate (CAGR) of almost 7% in 2019 and will rise to USD \$57 billion by 2022. It is very large and is here to stay even if many questions remain unanswered. Does a short stay require a rental agreement or a licence to stay? What are the different legal requirements for safety? Where and when are licences to operate required? What permissions do you need to become a host? Whilst the answers remain unknown, operators face a compliance conundrum.

There is a general acknowledgement amongst city authorities that some short-term stays should be allowed, or even encouraged. However, this leniency may not easily extend to those that want to make an alternative, hotel-style business out of their residential accommodation.

City authorities accept that homeowners who want to rent a spare room, or the entire property temporarily, have a valid claim to utilise what is probably their largest asset. Stays that don't disrupt other long-term residents are generally looked upon favourably. A minimum length of stay - anywhere from 7 to 90 day - may be imposed, but there is little consistency globally.

The picture gets more complicated in cities where the number of short stays or short stay nights within a single calendar year is limited. There is no standard definition of what constitutes a short stay. Is a short stay fewer than seven nights, less than fourteen - or more?

In some places, a short stay could be anything under ninety days. It becomes even more confusing when some cities define the type of property or zone that can be used for short term rentals, making permission specific to property or location-rather than activity.

The signs are that compliance and regulation will change the ways in which the home stay, corporate housing and serviced apartment sectors work. Online portals are collating essential, city-specific information such as the precise legal requirements for insurance and how owners should prepare.

However, whilst the onus for compliance remains on the owner/operator, that compliance is not always verified by the online sales channels. They simply ask for terms and conditions to be accepted by ticking a box, which generally includes a waiver for themselves because owners confirm their compliance somewhere in the small print.

Global brands like Airbnb have grown quickly over the past five years. Providing accurate property and owner listings is one thing but verifying cleaning standards on a regular basis and quality upkeep is virtually impossible without regular physical inspection. Online grading tools used by previous guests help, but the fact that bad reports can be retracted does not give 100% credibility.

Demand is undoubtedly increasing, even amongst corporate customers. 20% of companies in this year's GSAR survey reported an increase in usage of home sharing products compared to two years earlier. Airbnb has always been great at verifying guests but doing so requires no action from the owner. The recent announcement that Airbnb is to verify all seven million of its properties by the end of 2020 is a reaction to the questions raised by many guests.

The details need to be examined. Home visits will be expensive to implement, but are necessary to satisfy those with safety, security and comfort in mind. These checks should not be one-offs either. Heavy use of any property leads to higher levels of maintenance. Standards can fall after the initial setting up of a host property. The question is whether owners will fund these inspections; some may, but they may be in the minority, especially in this home share sector.



## Other legislation to watch

Some legislation surrounding 'right to rent' was created to increase the number of available properties by insisting that the tenant can evidence their right to rent by means of a legitimate visa or legal residence.

Legislation to screen tenants in the UK and U.S. puts the onus on the renter and fines apply if there is breach. Some of these restrictions have backfired and have even been retracted in some states as unconstitutional forcing cities to pay millions in fees. California, for example, enacted the Immigration Tenant Protection Act which prohibited owners from checking 'rights to rent' on the grounds that this would be discriminatory and even limited owners and operators' ability to evict a resident based on their credit or immigration status.

Rent-to-rent where unauthorised use of a property by a would-be tenant who then sub-lets to multiple occupants (usually students or illegal visitors to a country) is another practice that stains the professional and legal services of those operating to accommodate medium-stay tenants.

## Single global standards - one day

Hopefully, legislation will become more consistent across the world's regions as the hotel and residential living sectors converge, although I believe it will be some years before we achieve a globally accepted consensus.

After all, we still don't have a globally accepted grading systems for hotels. The World Hotel Rating (WHR) project was intended to fulfil this role, yet we still rely on the HOTREC Hotelstars system in Europe and the Automobile Associations in Australia, UK and U.S. In many countries the tourist boards simply publish their own guidelines, requirements or standards.

The UK's Association of Serviced Apartment Providers (ASAP) accreditation programme for serviced apartments is now well-established as the benchmark in nineteen countries. ASAP is also a joint founder with the Corporate Housing Providers Association (CHPA) of the Global Alliance of Serviced Accommodation (GASA).

This body was set up to enable 'not for profit' trade associations and representative bodies where the majority of their members are in the serviced apartment, serviced accommodation and corporate housing industries, to encourage their members to go through The International

Serviced Apartments Accreditation Program (ISAAP) compliance process, thereby setting up a globally recognised programme.

Hopefully, all essential criteria will one day be clearly and commonly identified so that all buyers can have complete confidence in any other grading and accreditation schemes. Clearly there is a lot of resource needed to achieve meaningful and regular checks on standards and compliance.

Although nothing is perfect, and time changes everything, the ISAAP scheme is well thought out and comprehensive. It verifies the fundamentals that all travellers/assignees need for their own safety - and more. ISAAP accreditation is available to all providers, not just exclusive to a single membership association and those accredited can use the marque to promote their compliance where they are able to. Some OTAs do not allow this and de-list those that add the ISAAP image, a short-sighted policy which I hope will be changed

## Well-being

Assignee and traveller wellbeing is high on many agendas. But what does wellbeing look like in the serviced apartment world? The reality is that wellbeing means different things to different people.

For us, it's making the guest that their accommodation environment is as good, if not better, than being at home. That positivity also comes from using properties located where the guest needs them to be and making the entire stay from arrival to check-out hassle-free.

Conversely, property developers can undermine guests' wellbeing by adopting a one-size-fits-all approach to design -or by working only in squares. Instead, developers should engage more with corporates so that they understand what is important to travellers and assignees of all types.

At its simplest level, wellbeing could just be about a gym or a swimming pool. At a macro level it is about how to shape environments that support mental wellbeing. From the simple aesthetics, to having a sustainable ethos, or tackling the adverse impact of frequent or long-stay global travel on the individual. This should be a collaborative effort.

## Distribution

Business travel professionals have provided mixed reactions to OTAs, each of which promises simple access and fast bookings.

Travel managers want to provide their colleagues with the same level of access to, inventory and content for serviced apartments as hotels within their managed programmes. Their challenge is to navigate the plethora of these new online systems offering serviced apartment options without losing control of traveller tracking, expense management and risk.

As we see it, many managers are passing their longer stay enquiries on to their TMCs to handle, but they in turn have the problem of clarifying which options are suitable and dealing with the booking process. The cost savings and advantages are understood but so too are the inherent risks and costs of processing.

At the longer stay end of the scale, stays of a few months or more need a different hands-on approach. Technology can deliver content in quantity and quality. It can enable engagement with providers. Whether an information need is satisfied by a human or technology is secondary; the primary objective is to ensure the user receives accurate and intelligent replies to match their needs. Artificial Intelligence will help filter the best options - so long as you are the only one using your device.

Predictive and exponential technologies are moving fast to give us new ideas and ways to buy, but in the process, disrupting our thought structures and riding roughshod over established ways. Eventually we will no doubt reap the benefits as consumers but meanwhile, it is difficult for us to grasp the best ways to use it. There's also the question of who is using who...

## Data

Data and the protection thereof are a big concern in the technology jungle. Who holds the data, how it is used, where stored and how does that affect the customer? Businesses are spending a lot of time deciding how best to protect these newly realised assets.

There are plenty of software solutions but staying up to date with your operating systems is a good start in denying access to your data. How others get data about you depends on the suppliers and services you use, and the terms and conditions you accept by ticking the box without reading or understanding them.

One thing is for sure. Big trouble awaits those who don't have permission to hold your data or fail to protect what they hold. This is just one of the topics we are covering in depth elsewhere in this latest edition of the GSAIR.

## The more things change...

Consolidation, mergers and acquisitions continue. What is different is the level of M&A activity in the home sharing world.

Airbnb, OYO, Expedia, Vacasa, GuestReady and others have acquired companies such as Urbandoor, @Leisure Group, Rentals United, Wyndham Vacation Rentals, BnBLord. In the same way as Bridgestreet and Execustay were formed two decades ago through mergers in U.S. IPOs, Altido has recently been formed from four European short term rental property management companies, a trend we will see more of where independent operators seek ways to remain visible in any increasingly competitive market.

The serviced apartment sector is a great and growing industry which is rapidly diversifying and contributing hugely to the needs of businesses as they integrate globally and for families whose members are more mobile and separated than ever.

The fine tuning of compliance and regulation will continue but have a long journey to still go through, but as long as trade and economic growth continue, I don't foresee any changes in this and the rewards for all stakeholders will remain plentiful.



# GSAIR survey results

Despite economic uncertainty, corporate and agency use of serviced apartments continues to grow, albeit at a slower pace across business travel, assignment & relocation since 2017. That's the main finding of the 2019 survey conducted for this report.

## About the survey

The GSAIR survey is conducted bi-annually and provides a unique insight into how serviced apartments are sourced and booked for travel, assignment work and/or relocation.

Three surveys are carried out amongst named contacts within corporates using serviced apartments, Travel Management Companies (TMCs) and Relocation Management Companies (RMCs) booking serviced apartments for corporate clients.

The third survey is undertaken amongst operators of aparthotels, extended stay properties, branded residences and corporate housing across the globe, over half of whom are based in Europe.

This year over 700 respondents took part in the GSAIR survey, drawing on consumption and performance data for 2019 with comparisons to previous years where applicable.

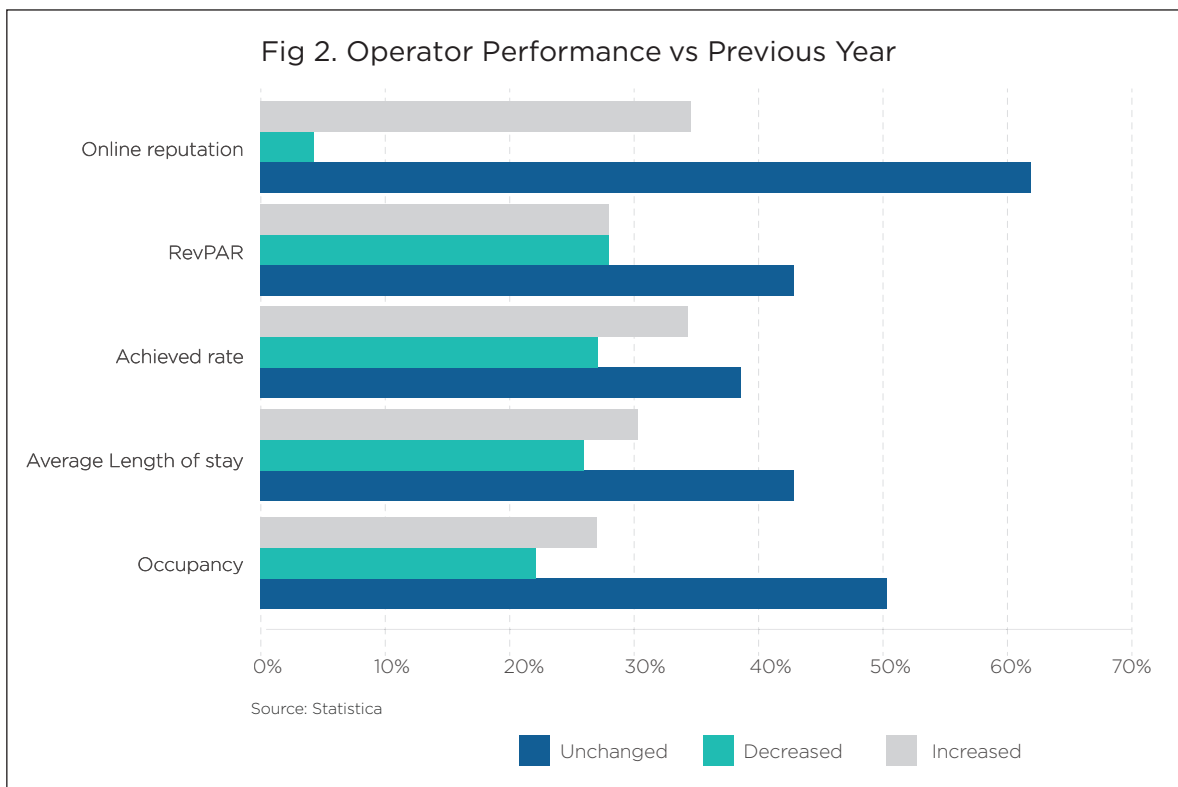
## Is serviced apartment usage growing?

Serviced apartment operators report that performance has improved, year on year, in every category. Half reported that occupancy was up; 43% reported increases in both average length of stay and RevPAR and 38.8% reported increased achieved rates.

However the biggest increase came in online reputation scores, where 61.3% of operators reported improved scores (see pp 54 - online reputation scores by brand).

Use of serviced apartments continues to grow - albeit at varying degrees of pace according to the reasons for use, with organisations spending around 10% of their total accommodation budgets on serviced apartments.

67.74% of corporates now use serviced apartments for business travel, up 11% on 2018, although the rate of growth in usage has slowed down. Usage for business travel grew in 37.04% of companies, compared to 45.45% of companies in 2018 and 47.37% in 2017.



By comparison, the growth rate for assignment or project work has bounced back, with usage growing in 52% of companies compared to 42.37% the previous year and 54.9% in 2017.

It's a similar picture for relocation, with 30.77% of companies reporting increased usage of serviced apartments for relocation compared to 20.75% and 30.43% in 2018 and 2017 respectively.

Further evidence that corporate adoption rates are slowing comes from the survey finding that 51.85% and 50% of companies reported no change in usage of apartments for business travel and relocation purposes respectively.

Amongst TMCs and RMCs, assignment work is the source market showing the strongest growth. Serviced apartment bookings for assignment work grew in 67.65% of TMC/RMC clients, compared to 47.06% for relocation and 44.44% for business travel.

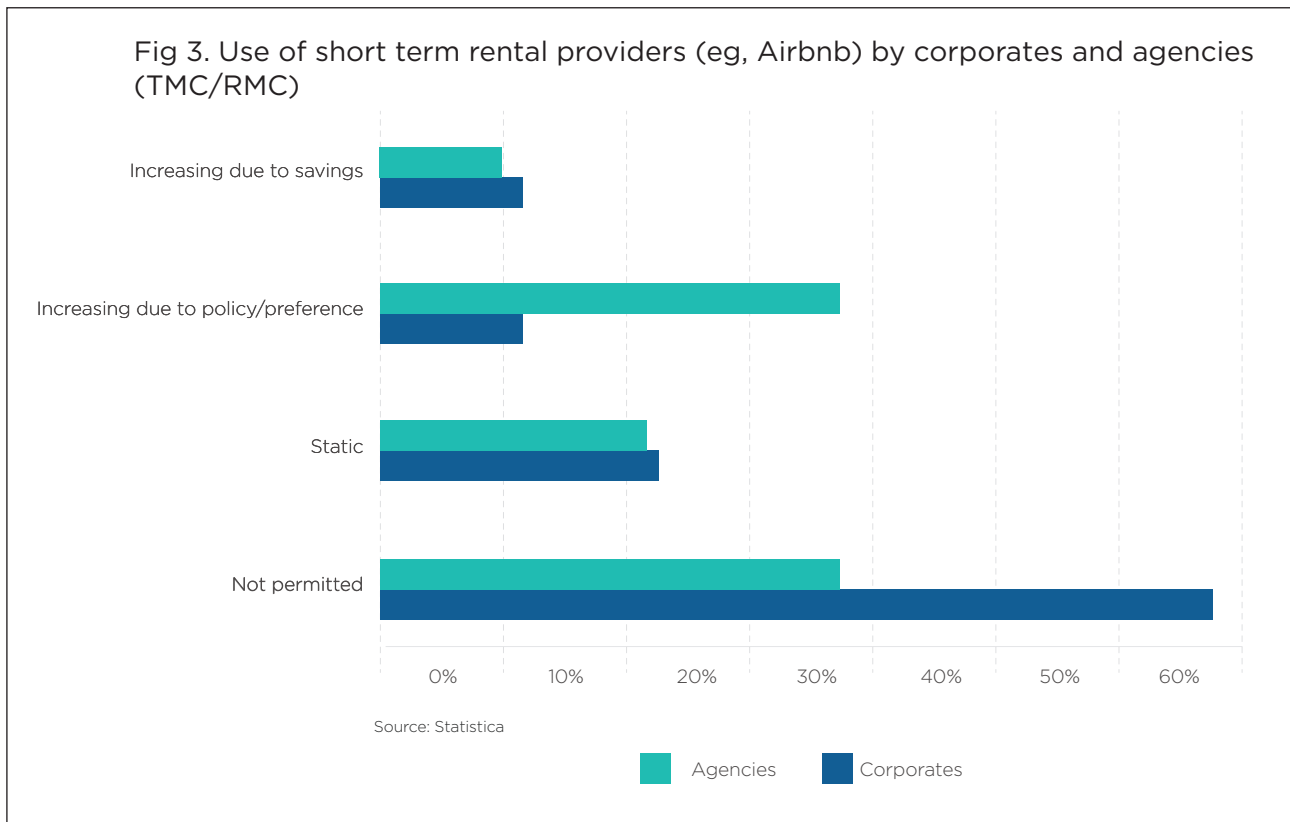
A third of corporates report that, on average, they are paying the published rate with 22.73% enjoying discounts of between 6 - 10% or 11 - 15%. TMCs and RMCs report a similar picture.

Length of stay is up in 44% of corporates, a rise of six points since 2017. 47.5% of agency serviced apartment bookings are for 1 - 3 months, 30% are for 14 - 30 nights and 15% are for 1 - 14 nights.

### What impact are short term rental providers having?

Although 58% of corporates do not allow their employees to stay in short term rental properties like Airbnb or HomeAway, 10% report that usage is increasing because they are cheaper than other accommodation forms, because company policy now permits their use or because employees prefer them. The latter is also highlighted as the biggest reason for increased use by 35.29% of agencies.

## Amongst TMCs and RMCs, assignment work is the source market showing the strongest growth



## How serviced apartments are booked

The growing maturity of the sector is evidenced by the ways in which serviced apartments are sourced. 41.67% of corporates now use an online self-booking tool (OBT), compared to 19.05% in 2017.

A third of corporates now book apartments through a TMC or RMC and 23.08% using a specialist agent like The Apartment Service. 37.5% of corporates continue to book direct with a provider.

Agency usage of the Global Distribution Systems (GDS) to access serviced apartment inventory remains static at around 16% of bookings, with 68% of TMCs and RMCs also using a specialist agent like The Apartment Service and 76% booking direct with providers.

Operators' responses to the survey highlight the growing influence of OTAs which, coupled with the relatively low-level penetration of the OTAs in the corporate market underlines the importance of the leisure market to apartment operators. As Fig 5 shows, the OTAs are now operators' biggest channel in terms of bookings, with TMC/RMC volumes accounting for just 21.52%

Fig 4. How corporates book

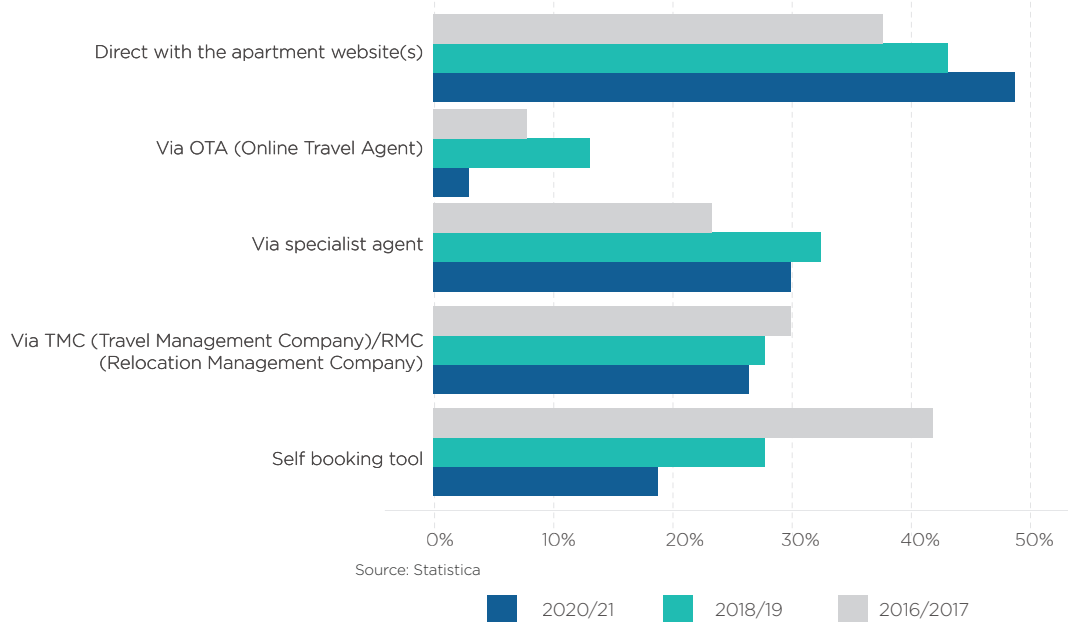
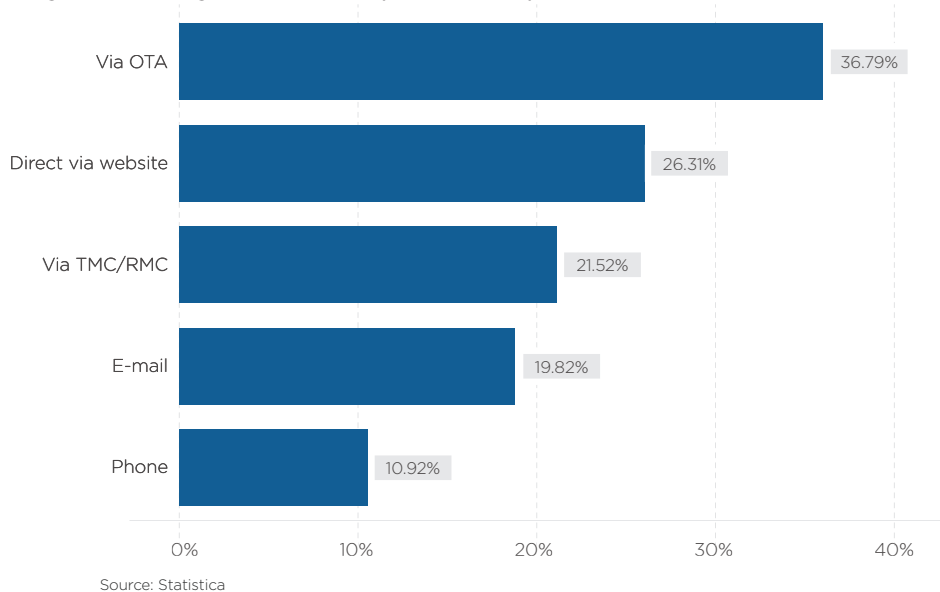


Fig 5. Booking channels - operator responses



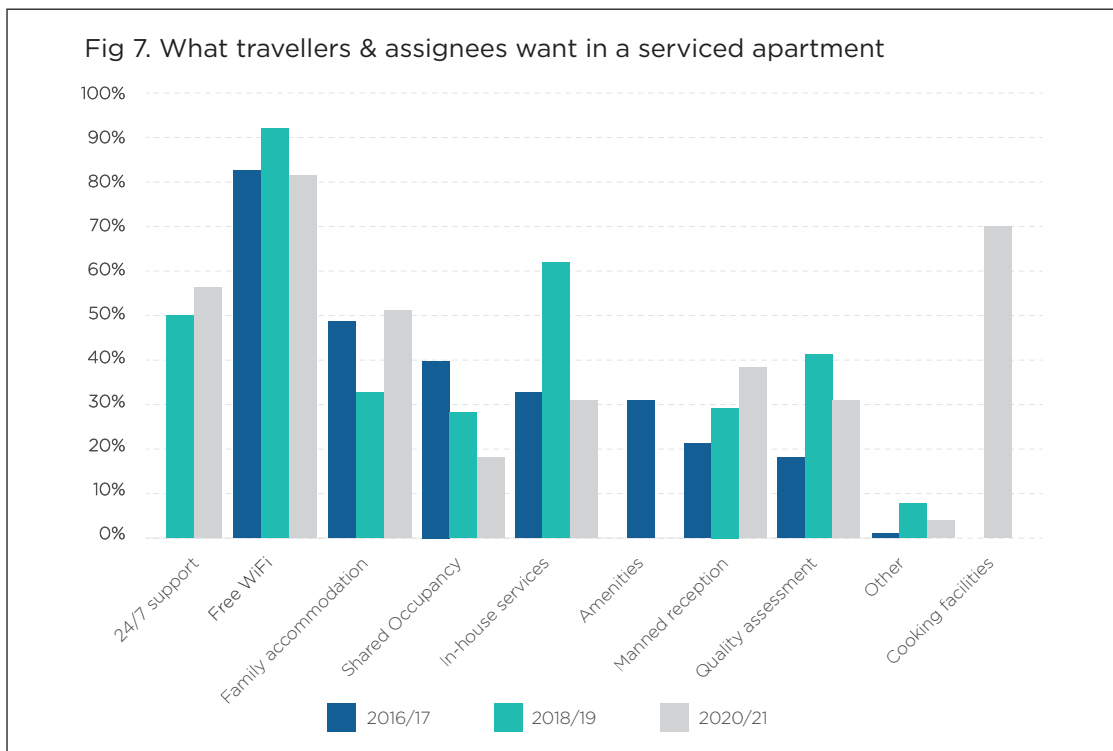
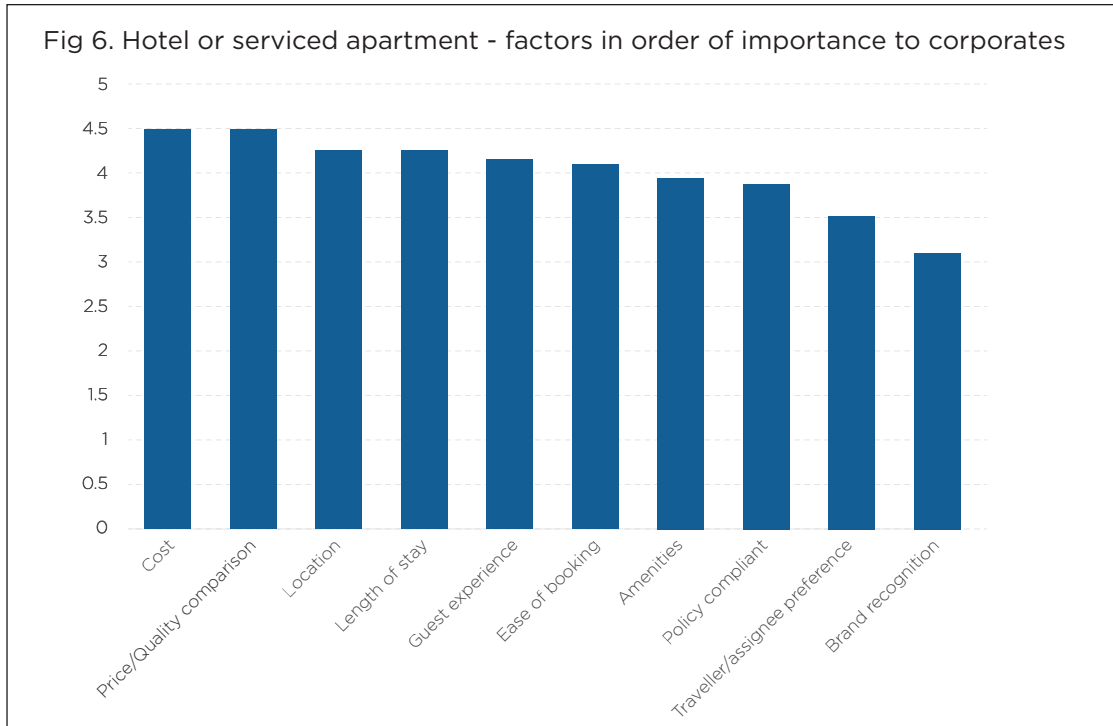


## Why serviced apartments

Cost, price/quality comparison and location remain the three most important factors for corporates and their travellers when deciding whether to stay in a hotel or a serviced apartment. For agencies, the key reasons for choosing a serviced apartment are location, traveller safety and length of stay.

Travellers/assignees' essential requirements from a serviced apartment include connectivity, cooking facilities and 24/7 support (usually in the form of a manned reception). For relocations, family accommodation is also a 'must have'.

Traveller/assignee preference, total cost of stay (also corporates' most important piece of management data) and rate are the means by which corporates quantify the benefits of using serviced apartments. By comparison, agencies quantify the benefits of using serviced apartments by total cost of stay, rate and traveller wellbeing.



## What does the future hold?

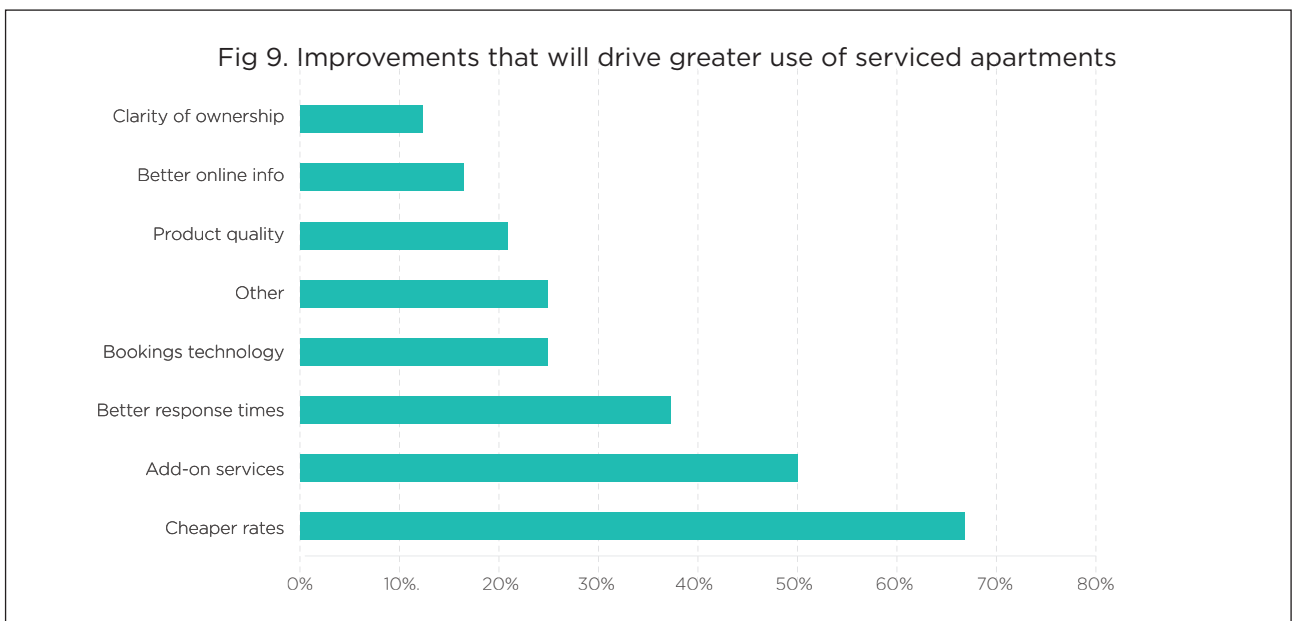
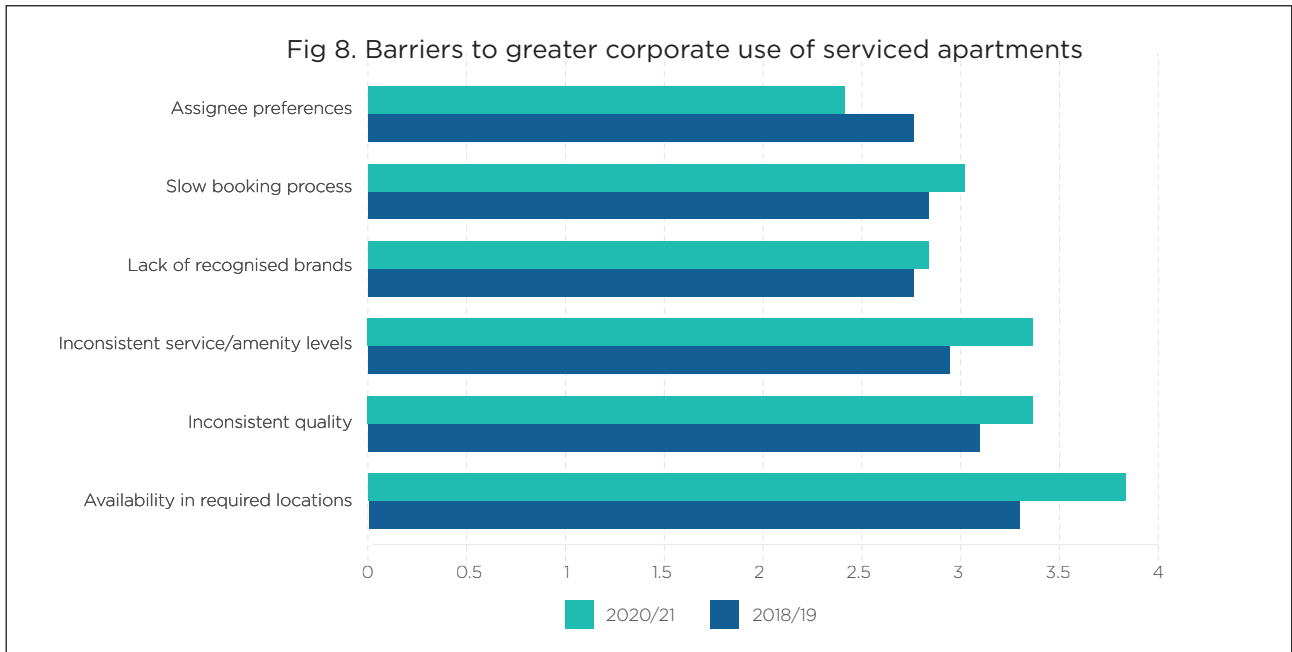
As in previous GSAIR surveys, availability in required locations remains the principal barrier to growing both corporate and agency serviced apartment bookings. Inconsistency in overall quality and service/amenity levels are reported as the #2 and #3 barriers by both groups, with corporate concerns in these areas much higher than they were in 2017, perhaps due to the strides made by the sector in accreditation programmes.

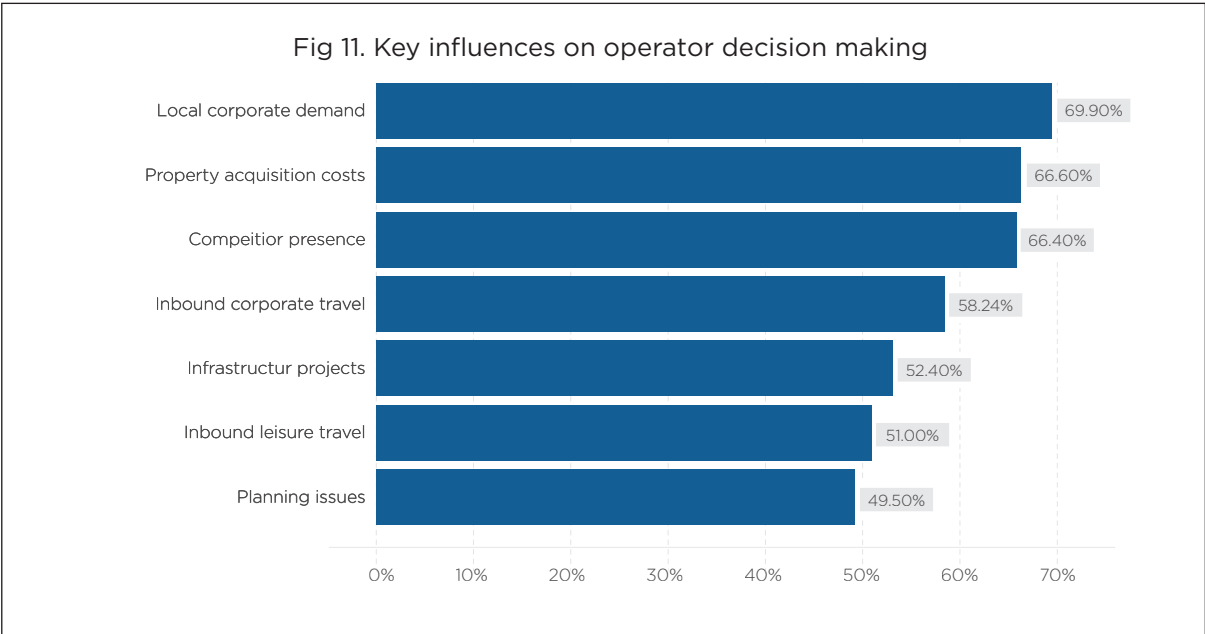
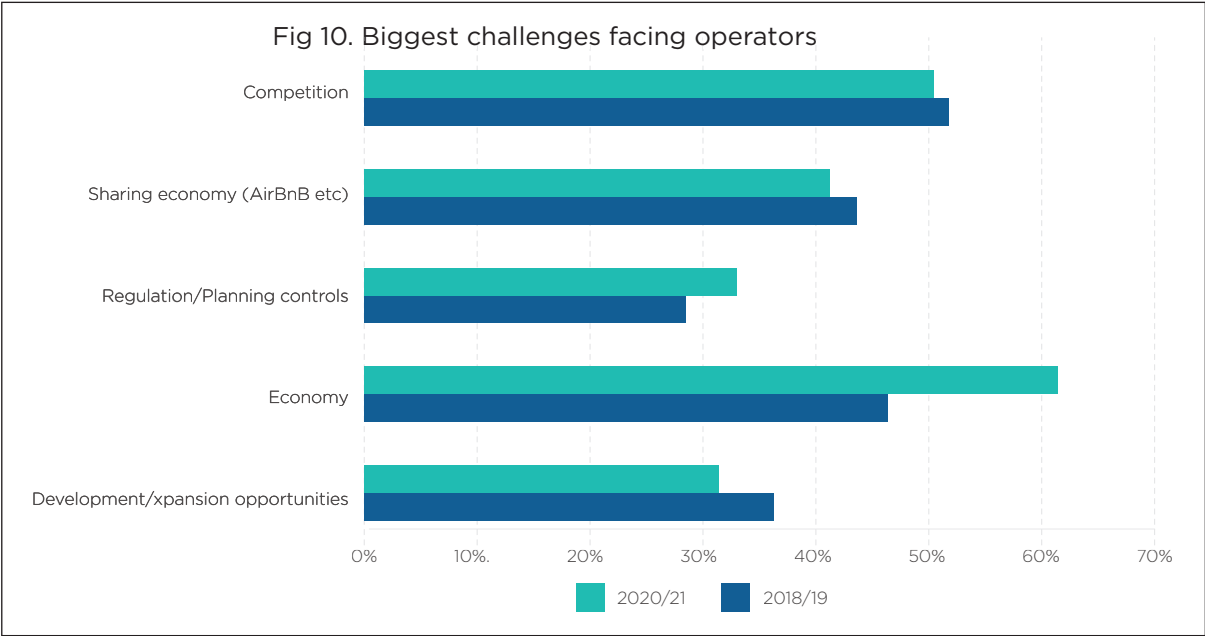
22.73% of TMCs/RMCs cited insufficient inventory on the GDS as a significant barrier to greater usage, plus a lack of recognised serviced apartment brands – although the latter probably reflects the lack of sector knowledge amongst many travel management companies.

Cheaper rates, add-on services and faster response times are cited as the three improvements that would stimulate greater serviced apartment usage.

By contrast, operators see economy and greater competition (especially from short term rental) as their biggest challenges. Local corporate demand, property acquisition costs and competitor presence are the biggest influences on operators' decision making.

To mitigate the impact of these and other factors, operators' development plans for the next 12-18 months centre around increasing inventory in existing locations (65.08%); creating inventory in new locations (56.35%) and providing additional guest amenities (63.48%). 41.57% of operators plan to launch new brands or products.





## Key takeaways

- Despite economic uncertainty, corporate use of serviced apartments and agency bookings continue to grow
- However, growth rate across business travel, assignment & relocation has slowed since 2017
- Business travel remains principal market but only one-third of corporates include serviced apartments in hotel RFPs
- Corporates quantify the benefits of using serviced apartments by traveller/assignee preference, total cost of stay and rate
- Continuing maturity of the serviced apartment sector is evidenced by more than half of all bookings now being placed via an intermediary.
- <10% of accommodation budgets spent on serviced apartments
- Cost, price/quality comparison and location are key factors in deciding between serviced apartment and hotels
- Availability in required locations, inconsistent quality and amenity standards are the biggest barriers to growing bookings/volumes
- Cheaper rates, more add-on services and faster response times are required changes

# The global lodging industry - where does extended stay fit in?

The hotel industry delivers \$525bn to the world's economy. It is made up of 18 million rooms, 54% of which are branded (i.e. affiliated with a global or regional chain) and 46% are independent.<sup>1</sup>

Five hotel groups - IHG, Marriott, Hilton, Wyndham and Accor - account for 25% of market share and 58% of the global hotel development pipeline. In a fragmented market, competition in the branded space is intensifying as the big players grow through acquisitions, diversification as well as organically.

Branded hotel groups operate in two principal business models. The first is fee-based and asset-light, either franchised (owned and operated by parties distinct from the brand, who pay fees to the hotel company for the use of their brand) or managed (operated by a party distinct from the hotel owner, who pays management fees and, if the hotel uses a third-party brand name, fees to that third-party as well.)

The second model is owner-operated and asset-heavy. Properties are either owned (operated and branded by the owner who bears all of the cost but benefits from all of the income) or leased (similar to owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner).

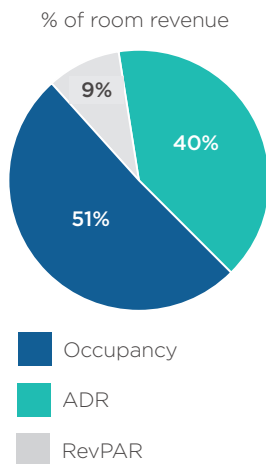
The asset-heavy models provides tighter control over hotel operations, whilst the asset-light model enables faster growth because a lower capital investment is required.

Consumer tastes in destinations and accommodation type are changing. The digital revolution has forced accommodation providers to embrace online travel agents (OTAs) and alternative lodging solutions including home rental companies and serviced apartments.

Fig 12. Global hotel industry overview

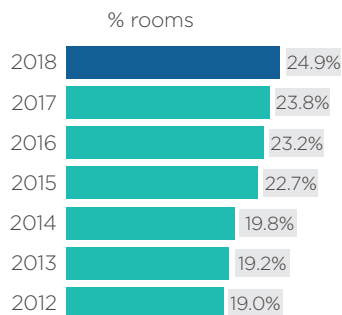
### Geography

The US is the largest hotel market, whilst China continues to grow



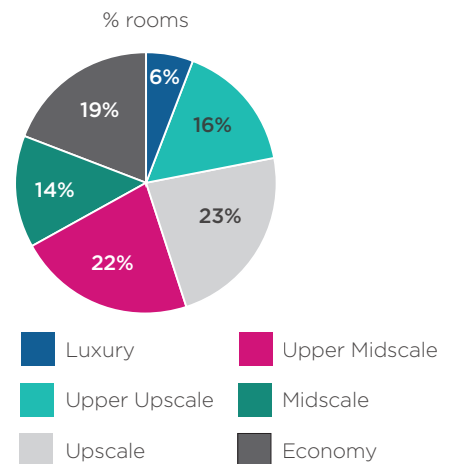
### Branded hotels

the top five hotel groups have increased their market share by 6%



### Segment

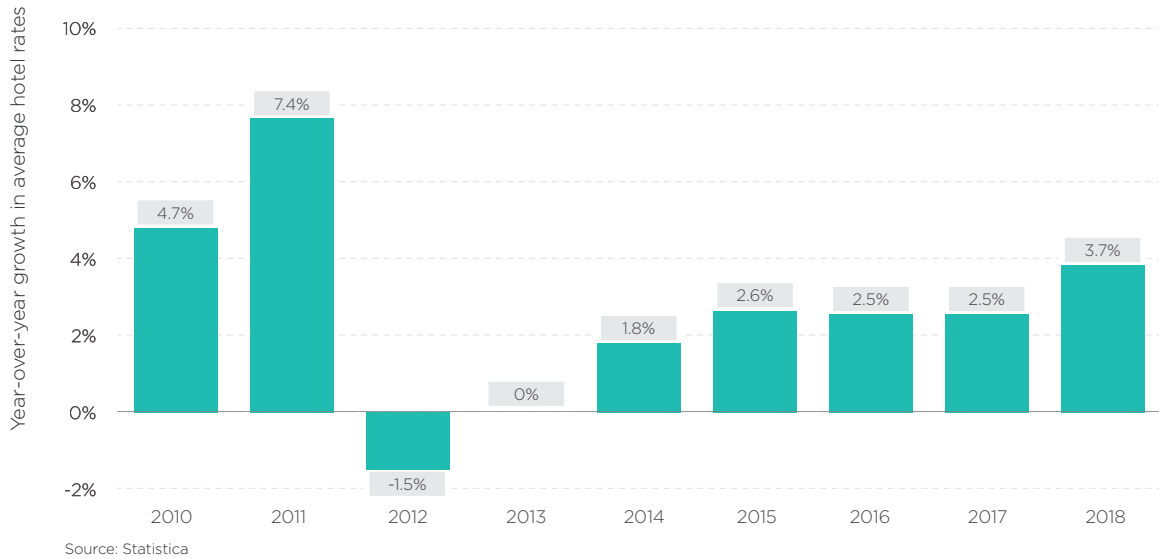
The hotel industry can be categorised by level price



Source: IHG Annual Report 2018

1. IHG

Fig 13. Annual growth in average global hotel rates from 2010 to 2018



Practically all of the major international chains' extended-stay supply is operated through asset-light franchises and management contracts; over two thirds of the serviced apartment pipeline in Europe will operate on this basis.

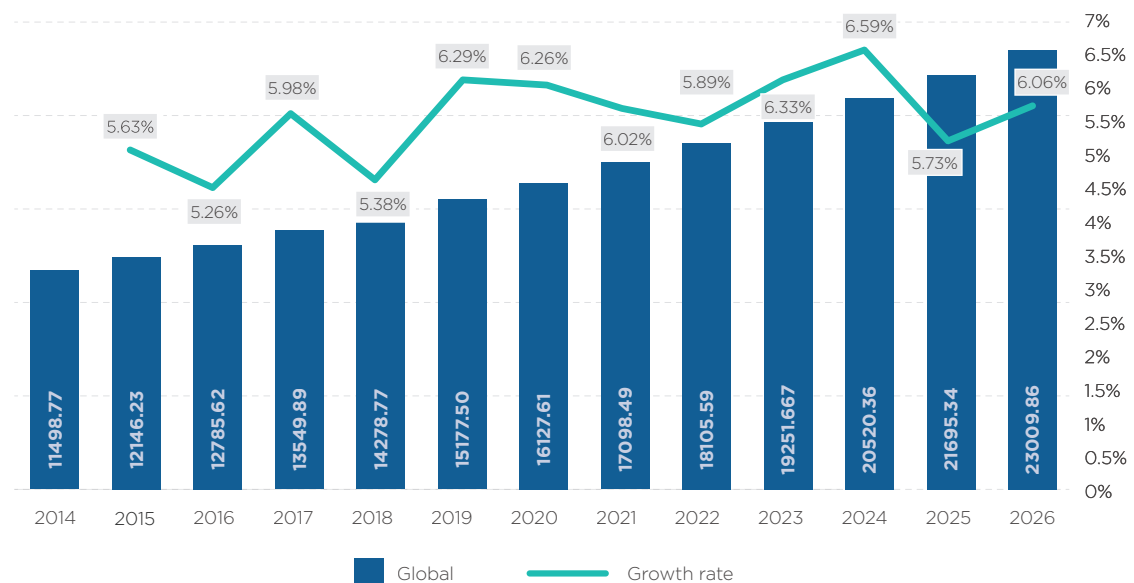
## Extended stay and the global lodging industry

Ever since the Starwood/Marriott merger, hotel companies have been expanding their brand portfolios to fill the gaps between pricing and service levels and appeal to millennials. It seems as though hotel companies are trying to offer something for everyone, and in doing so they are becoming direct competitors to the OTAs.

This brand proliferation has included extended stay products, which are appealing to a broader customer base, with aparthotels increasingly popular for short-term stays. New concepts are competing with Airbnb and others by providing flexible accommodation without losing the home-from-home experience.

These new concepts, together with an increasing focus on co-living and co-working spaces, are blurring the distinctions between serviced apartments, aparthotels and traditional hotels to create new hybrids.

Fig 14. Extended stay - global market size, status & outlook



## Growth

Growth in extended-stay and serviced-apartment accommodation is accelerating, with a 24% increase in capacity over the past two years – compared to 10.5% growth in the preceding two-year period. The number of destinations where serviced apartments are located has grown at almost the same pace, rising by 22% over the past two years, which indicates that operators are expanding capacity in both new and existing locations.

The major hotel chains are increasingly including extended stay products in dual, or even triple-branded complexes. Yet although the serviced apartment pipeline in Europe has doubled over the past three years, a lack of data and information continues to impede investors.



**Fig 15. Global Extended Stay Hotel Value (M USD) by Company**

Company	2017 Value	Market Share	2018 Value	Market Share
<b>Marriott International</b>	1848.40	13.64%	1976.32	13.84%
<b>Extended Stay America</b>	1282.72	9.47%	1275.06	8.93%
<b>Hilton</b>	544.95	4.02%	577.12	4.04%
<b>Oakwood Worldwide</b>	477.54	3.52%	511.36	3.58%
<b>Hyatt Hotels Corporation</b>	386.85	2.85%	413.61	2.90%
<b>International Hotel Group</b>	289.47	2.14%	309.12	2.16%
<b>The Ascott Limited</b>	202.67	1.50%	218.16	1.53%
<b>Accor S. A</b>	171.33	1.26%	183.31	1.28%
<b>InTown Suites</b>	82.95	0.61%	89.64	0.63%
<b>Pierre &amp; Vacances</b>	75.30	0.56%	81.12	0.57%
<b>Choice Hotels</b>	69.45	0.51%	74.58	0.52%
<b>Frasers Hospitality</b>	65.31	0.48%	70.58	0.49%
<b>Others</b>	8052.95	59.43%	8498.79	59.52%
<b>Total</b>	13549.89	100.00%	14278.77	100.00%

Source: Annual Reports, Secondary Information, Press Releases, Expert Interviews

Growth in extended-stay and serviced-apartment accommodation is accelerating, with a 24% increase in capacity over the past two years.

# Assessing performance - extended stay vs hotels



Europe as a whole is performing well, with steady demand growth despite fears over Brexit and economic slowdown in the Eurozone.

## By Robert Bauer, STR

For more than 30 years, STR has served the hotel industry through innovative benchmarking and data insights that deliver market trend transparency. STR is constantly striving to evolve its services to provide the full performance picture for the hospitality industry as a whole.

The industry self-categorizes under numerous monikers: aparthotel, extended stay, corporate housing, serviced apartment, etc. Definitions can vary considerably by region, company or association.

STR regards 'serviced apartments' as an umbrella term for the sector comprising both aparthotels and corporate housing. There are two ends of the spectrum, with aparthotels having been derived from the hotel sector and corporate housing from the residential /real estate sector.

STR collects data from 1,170 service apartments, mainly in the UK and Australia. We have also engaged with prominent operators in London to collect KPIs by apartment type (e.g. studio vs one bedroom vs two bedroom), as well as Average Length of Stay (ALOS) and Extended Stay Demand Percentage (i.e. apartment bookings in a given period part of a stay comprising 29+ nights).

Data examined in this analysis comes from both data sets. Data is labeled appropriately for the sake of transparency and is reported through September year-to-date, unless otherwise noted.

## Global accommodation overview

Most global regions, apart from Central America, have seen positive demand growth year to date across the hospitality industry as a whole. The travel industry is outpacing the global economy. International tourist arrivals totaled 1.4 billion in 2018, the most ever - and two years ahead of forecast, whilst tourism exports topped \$1.7 trillion.<sup>2</sup>

Hotel performance year to date as measured by revenue per available room is generally strong, despite some regional variation as a result of various regional factors (Figures 16 and 17):

- Europe as a whole is performing well, with steady demand growth despite fears over Brexit and economic slowdown in the Eurozone.
- Northern Africa is benefitting from renewed demand for Tunisia and Egypt following terror attacks.
- The Middle East still is feeling the effect of new supply in key markets including Dubai for Expo 2020 and Doha for the World Cup in 2022.
- Asia is facing unrest and protests in Hong Kong, as well as the China/U.S. trade war, which is slowing the Chinese economy and the region's strongest source market along with it.
- New supply is outpacing tepid demand growth in Australia & Oceania.
- Demand and supply are at equilibrium in North America, producing RevPAR growth of 0.9% September YTD.
- Currency fluctuations in South America have resulted in sharp decreases in RevPAR despite demand growth outpacing supply growth.

2. World Tourism Organisation (UNWTO)

Fig 16. Global hotel RevPAR % change

USD, Europe in EUR, Constant Currency, September 2019 YTD

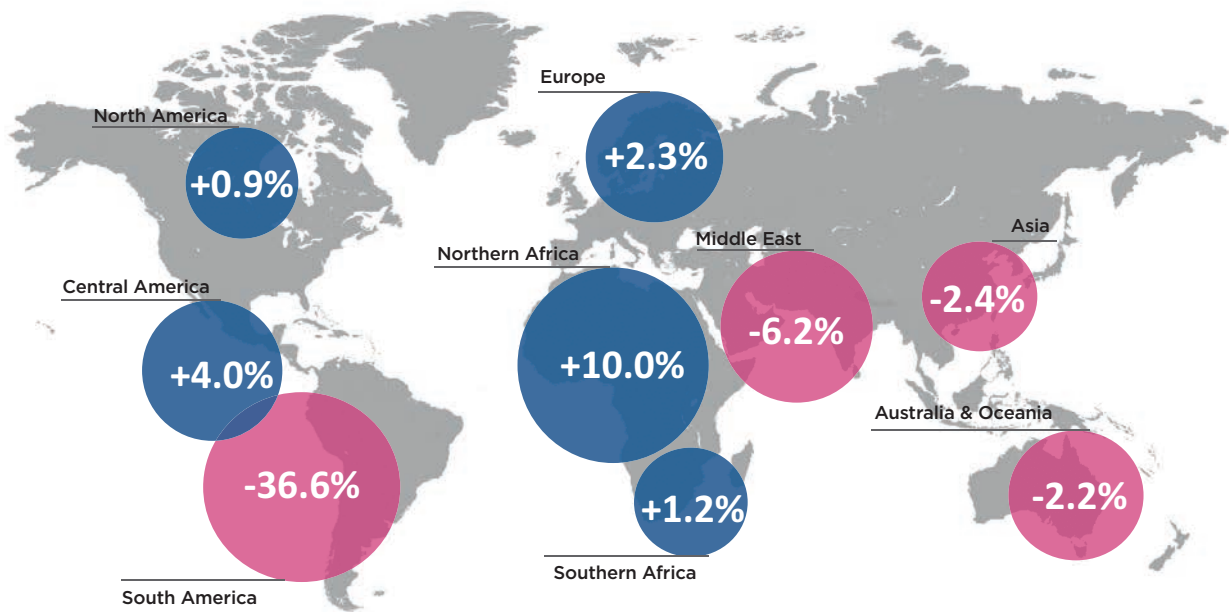
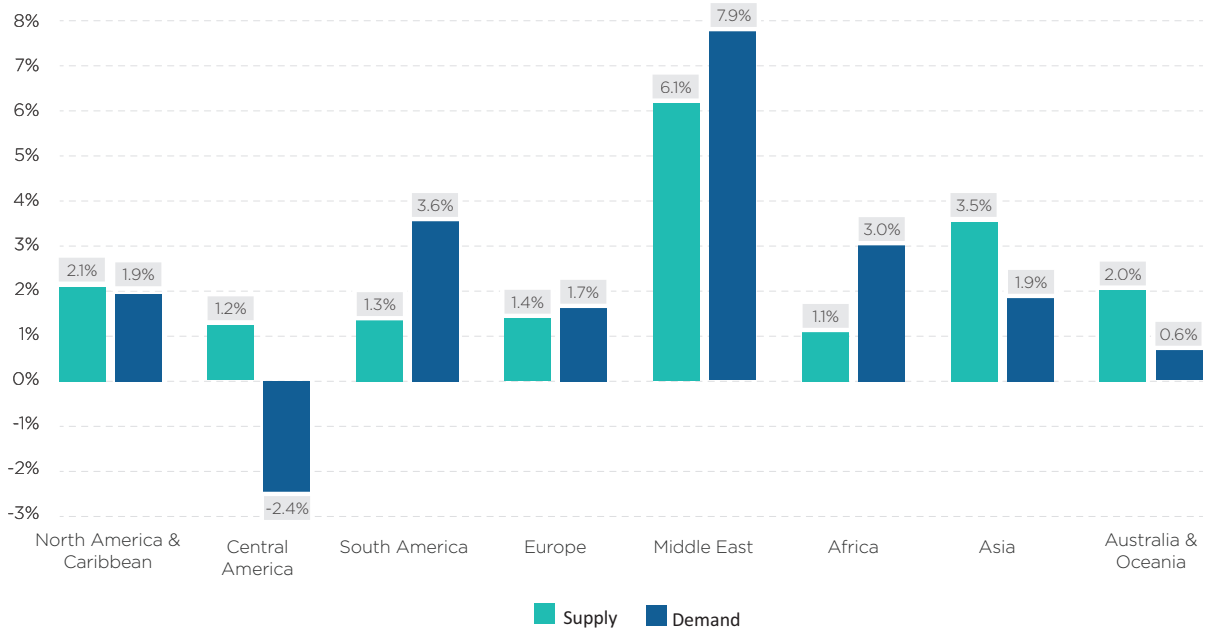


Fig 17. Latam economic outlook 2020

GDP Forecasts 2020

Annual var. in %

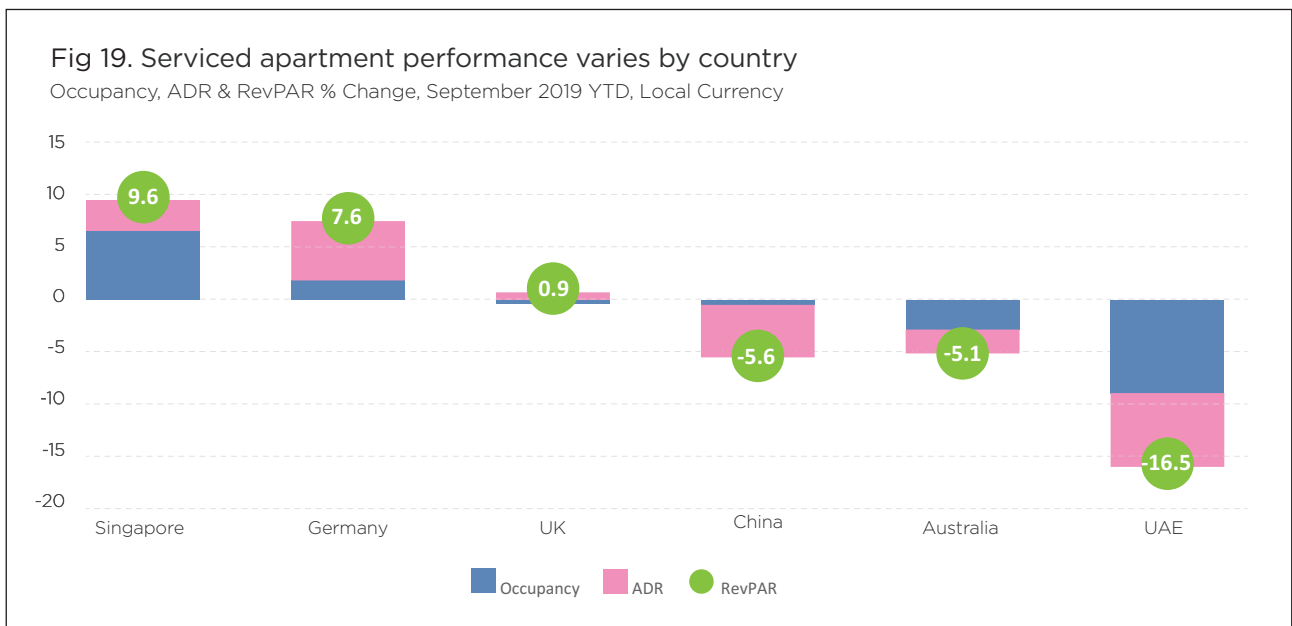
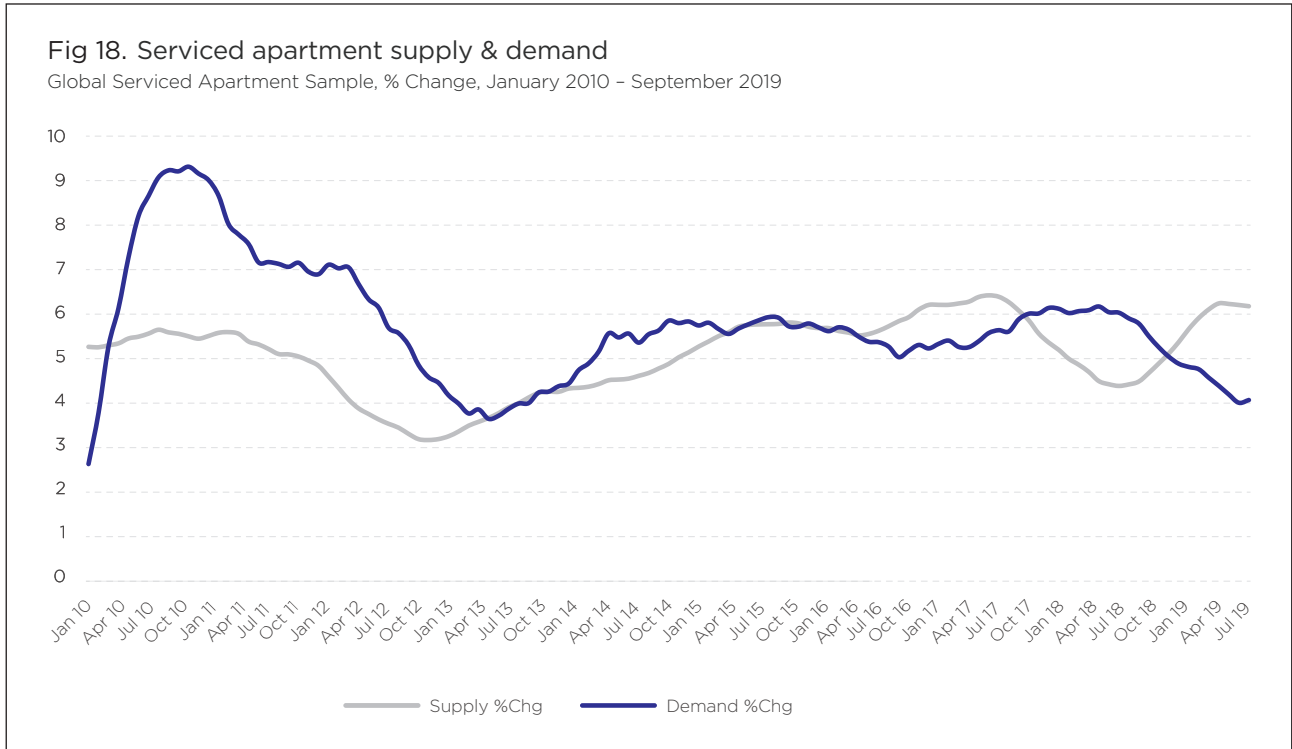




## Serviced apartments overview

Similar to the broader accommodation industry, serviced apartments have seen demand and supply grow consistently in recent years.

Global supply has ranged between 3.1% and 6.4%, whereas demand growth has ranged between 2.6% and 9.4% (Figure 18). On a 12-month moving average, supply has outpaced demand in 2019. This additional supply growth is expected to put downward pressure on occupancy and ADR.



Examining performance by country provides additional insights (Figure 4). For this analysis, STR selected countries with established serviced apartment sectors, including Singapore, Germany, United Kingdom, China, Australia and the United Arab Emirates.

Demand for the United Kingdom (+11.9%), Singapore (+11.0%) and Germany (+7.3%) showed steady growth that outweighed increases in supply.

Serviced apartments in China saw steady supply (+5.6%) and demand (+5.2%) increase year to date. Revenue, however, remained flat (-0.3%). The total hospitality industry saw negative performances (-4.2%) year to date, with serviced apartments following the same pattern (-5.6%). Some of the typical expat markets that hold a significant supply of serviced apartments (e.g. Shanghai or Hong Kong) recorded negative performances.

Australia saw flat demand (0.3%) and a supply increase (3.3%) that resulted in dips in both occupancy (-2.9%) and ADR (-2.3%).

The UAE is being flooded with new supply (+66.5%) in the build up to Expo 2020. Occupancy and ADR, unsurprisingly, were negative as a result despite a 50.5% increase in demand in the market year-to-date.

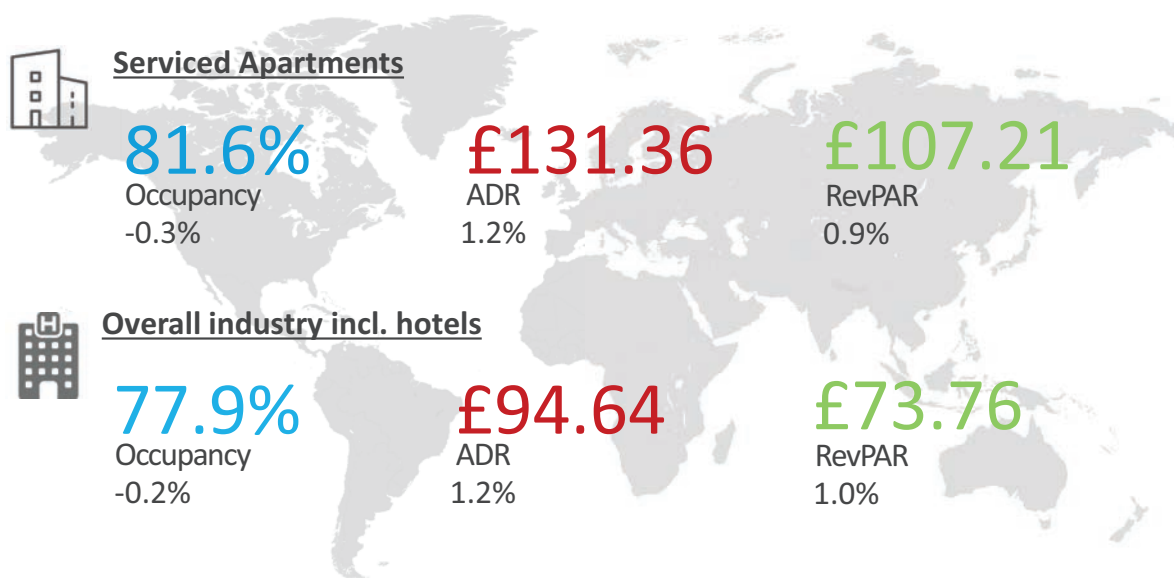
## UK outlook

The United Kingdom is one of the leading countries in the serviced apartment space, with a concentration of supply that makes it worthy of additional consideration.

The country has been an attractive location for international business travelers and long-stay guests, as well as domestic and international hotel and serviced apartment brands. STR estimates there are 24,637 serviced apartment units in the U.K. more than half of which submit performance data, with 11,565 units in the capital.

Serviced apartments outperform their hotel counterparts in the U.K. (Figure 21), most notably in ADR (+£36 premium) and RevPAR (+£33 premium). These premiums can be explained by three main factors:

Fig. 20 2019 ADR is driving performance across hotels and serviced apartments  
UK -Serviced Apartments & Hotels, KPIs Actuals and % Change, September 2019 YTD, GBP



**1. Location** – Serviced apartment supply is primarily concentrated in more expensive city center locations to satisfy long-stay business travelers on assignment in these markets. While hotel density increases in these locations as well, there is a greater volume of hotel supply spread elsewhere (e.g. in secondary, regional and suburban locations) to accommodate shorter-stay and leisure demand.

London (11,565 rooms) represents the largest serviced apartment city in STR’s U.K. census, followed by Manchester (1,500 rooms), Edinburgh (1,518 rooms), Liverpool (1,400 rooms) and Birmingham (927 rooms).

**2. Class** – Hotels in the U.K. range from a wide selection of Economy - and Midscale-branded and independent supply up to the Luxury class. The serviced apartment sector, by comparison, operates mainly in the Upscale, Upper Upscale and Luxury scales, which yield higher ADRs.

**3. Size** – Equipped with additional cooking, eating and living spaces, serviced apartments typically are larger than standard hotel rooms and thus can fetch higher rates (Figure 22).

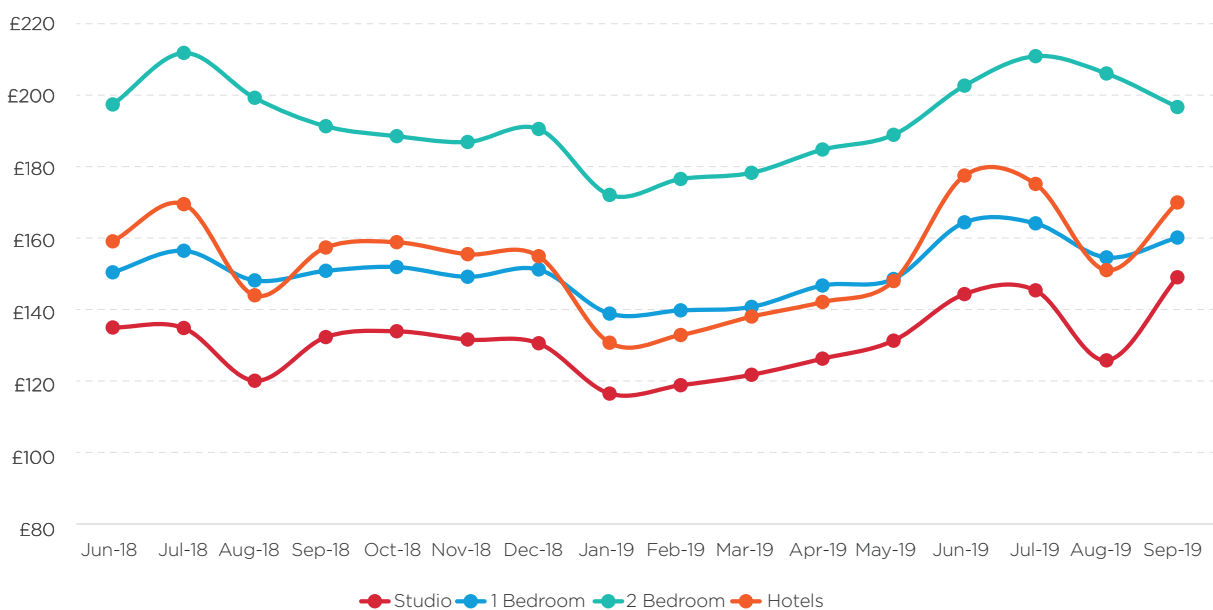
## Spotlight on London

Of the 76 properties participating in STR’s London pilot study, 47% of units are one-room ‘studios’, most comparable to a hotel room. The remaining 53% are larger, one - or two-bedroom units, with living and sleeping space in separate rooms.



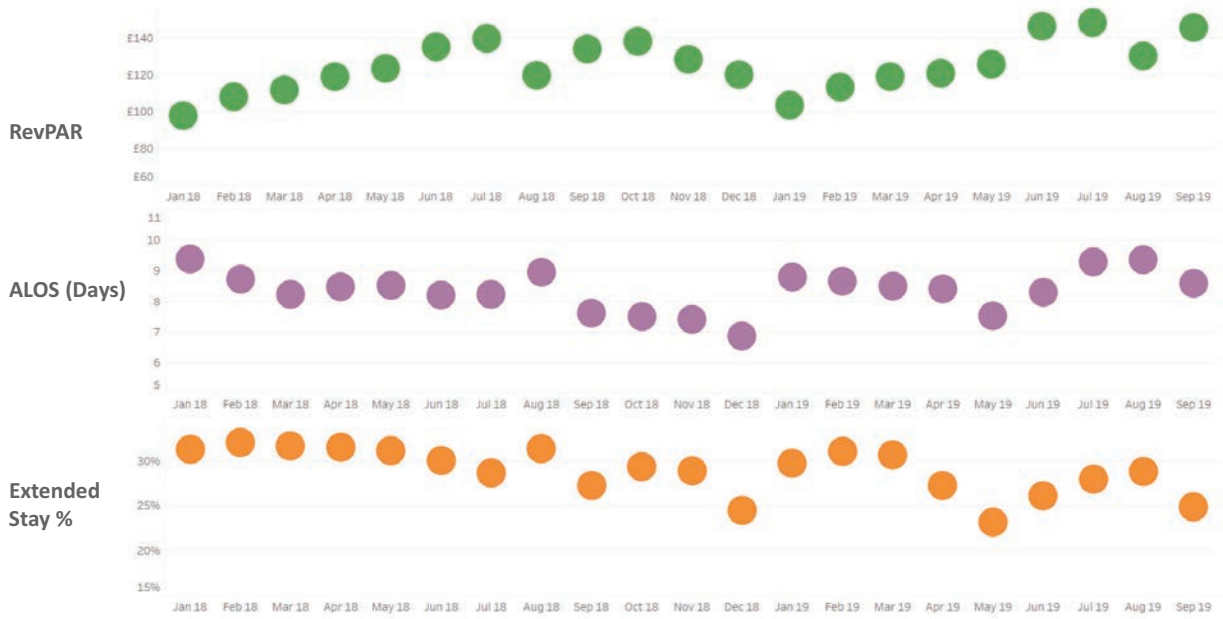
**Fig 21. ADR very similar between hotels and 1-bedroom apartments**

London, Serviced Apartments ADR, Local Currency, June 2018 to September 2019



\*The data shown in this slide is based on a sample of participants in the *pilot* program and may not reflect the entire market.

**Fig 22. Relationship evident between RevPAR, ALOS and Extended Stay**  
London, Serviced Apartments, January 2018 to September 2019



London’s summer holiday period in August and winter travel lag in January typically mark a drop in performances for occupancy, ADR and RevPAR across all accommodation types. Among serviced apartments, one-bedroom units generally show the least fluctuation from an occupancy and ADR perspective; these units benefit from the longest ALOS (9.6 nights) among all unit types, and thus are less prone to fluctuations. Studios and two-bedroom units recorded ALSO of 7.5 and 7.7 nights, respectively, for the same time period.

Market-wide, ALOS was 8.3 nights for the 18-month period. Extended Stay Demand Percentage was 28% on average during the same period, which means that 28% of all nights sold in London were part of stays of 29 or more nights. These two KPIs generally are correlated, as increases in Extended Stay correspond directly to longer ALOS (Figure 22).

The opposite holds true for RevPAR, which generally lags as ALOS and Extended Stay Demand increase (Figure 22). This relationship is not surprising: In exchange for booking longer stays, guests usually receive discounted rates, which can soften overall RevPAR performance. (The tradeoff for operators is increased margins; a longer-stay guest is a less expensive guest, as their stay is not subject to the costs of turning a room over as frequently as are shorter stay guests.)

The shift in timing of the Ramadan season in 2019 led to high RevPAR paired with increased ALOS and extended stay performances and led to a strong summer for the London market.

## UK pipeline

Serviced apartment supply growth (+6.5%) has outpaced that of hotels (+2.5%) on a percentage basis (Figure 23). On an absolute basis, more hotels have opened in the market than serviced apartments. (There are far fewer serviced apartments in the country than hotels, which means that a single additional apartment has a greater impact to that percentage increase than a single additional hotel.)

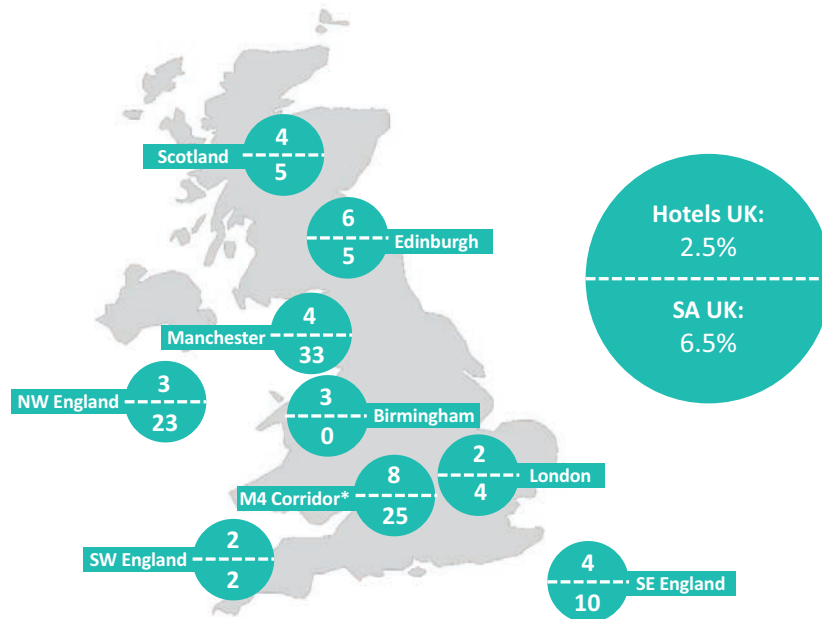
Five years ago, there were 20,629 serviced apartment units across the country (Figure 25). That number has grown consistently, with the biggest jump occurring in 2018 (+6% compared to the previous year). Based on our pipeline data, 2019 will see a 5% increase to existing supply, with an 8% increase projected for 2020.

London is the largest serviced apartments market in the U.K. (Figure 9). The five next largest markets together account for only 51% of the capital’s supply.

There are 6,700 serviced apartment units in London’s active pipeline, of which 1,570 are projected to open by the end of 2020. If all were to open, this represents 58% growth on top of existing supply.

Secondary markets will see even greater increases given they are starting from lower base levels of existing supply. Glasgow is the fastest growing market (+161%), followed by Manchester (+82%), Liverpool (+63%), London (+58%) and Aberdeen (+45%).

Fig 23. A mixed picture for key UK markets, supply growth evident in many  
 UK - Key Cities Service Apartment and Hotel Supply % Change, September 2019 YTD



\*M4 Corridor: Bracknell, Maidenhead, Newbury, Reading, Slough, Windsor & Wokingham

Fig 24. GDP Forecasts 2020

Annual var. in %

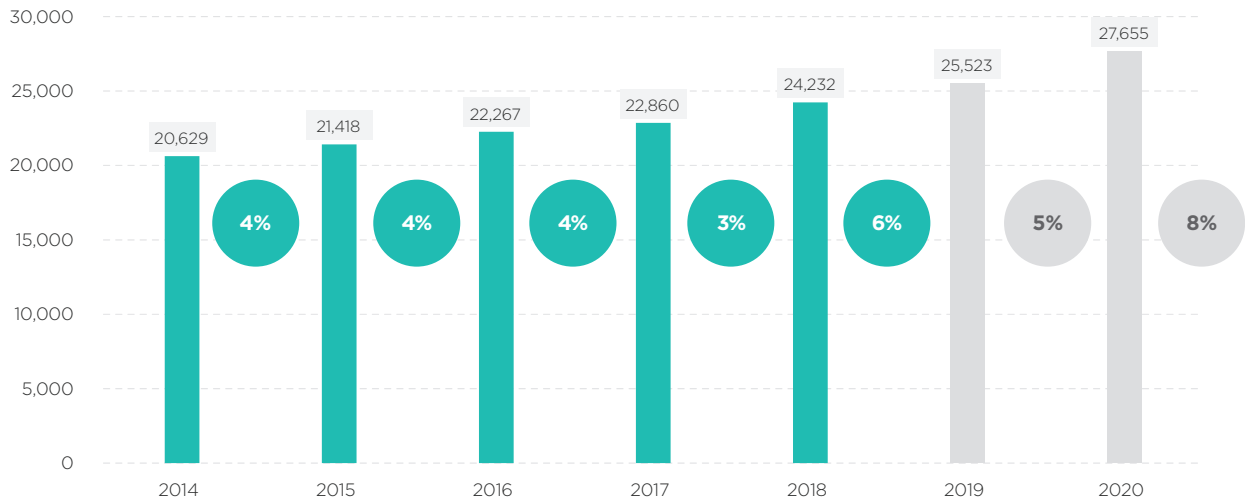
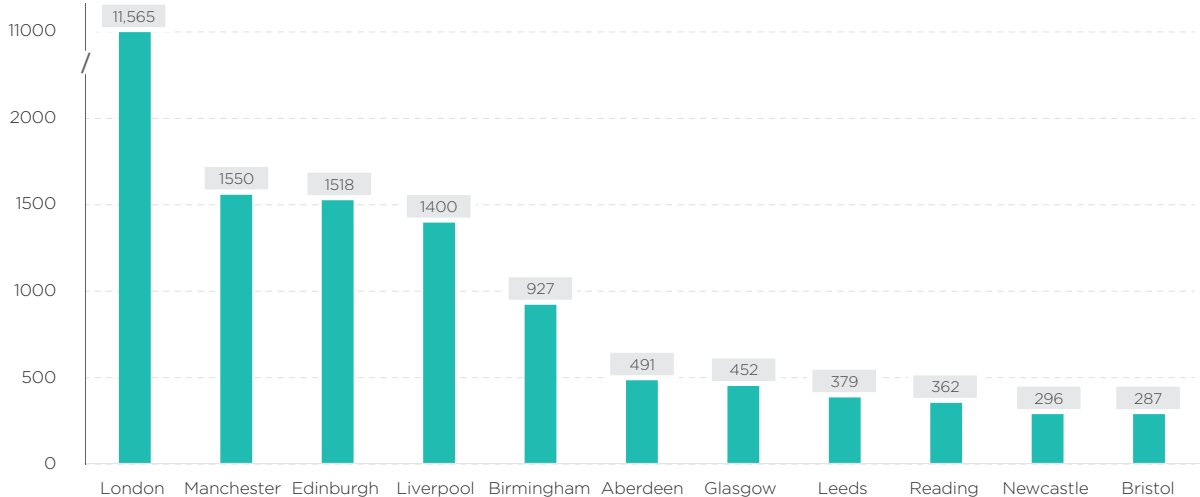


Fig 25. GDP Forecasts 2020

Annual var. in %



## Conclusions

Buoyed by generally strong performance across the global travel landscape in recent years, serviced apartments continue to solidify themselves as a viable offering within the broader accommodations landscape. This trend is fueled by longer-stay guests enticed by additional amenities provided in these upper-end units, as well as by developers and brands who have enjoyed outsized returns on their investments.

With increased interest has come increased development. Supply growth in the sector has outpaced that of hotels and shows no immediate signs of slowing down. In some regions, this growth is outpacing that of demand, which has begun to put pressure on performance. Macroeconomic softening around the globe is another headwind likely to impact occupancy, ADR and RevPAR in the near-term.

Additional data and transparency in reporting will inform smarter revenue management and operational decision making in the sector. STR is supporting this development with new and innovative data solutions that address the needs of operators and investors to gain the most accurate understanding of a market or a subset. Granular unit-type reporting and additional KPIs, such as Average Lengths of Stay and Extended Stay Demand Percentage will allow operators to benchmark their properties and portfolios more accurately against the competition.

Data captured in a London pilot study, for instance, show clear premiums by unit types. Higher rate and occupancy performances generally indicate short term bookings that achieve higher price points and can fill booking windows more flexibly. Average lengths of stay and extended stay correlate closely over an extended period of time. RevPAR compared to ALOS and extended stay generally shows that higher RevPAR performances follow a stagnation in lengths of stay and reduced volumes of extended stay bookings (29 nights or more).

With serviced apartments traditionally operating in premium city locations, in higher classes and with more personal facilities and space, the impact on revenues and costs become a significant factor to measure in order to market available supply on the best extended stay periods with the highest rate opportunities.





## Key takeaways

- Overall, the accommodations landscape has enjoyed a period of unprecedented growth, fueled by record increases in international travel.
- Serviced apartments have benefitted from this upcycle, although performance varies by region.
- The serviced apartment sector is growing, with increased demand fueling—and in many cases absorbing—growth in supply.
- The sector shows no signs of slowing down as supply growth outpaces that of hotels, reflecting the growing legitimacy of the sector in the eyes of travelers and investors alike.
- Serviced apartments yield higher average daily rates than hotels because they tend to be located in more expensive city centers; their class skews toward Upscale and above, and because they are larger in size than a traditional studio hotel room.
- Performance varies by unit type, with two-bedroom units generally outperforming other unit types due to their size. From an ADR perspective, London hotel rates are equivalent to one-bed apartments, with studio apartments priced £15 to £20 lower per night on average.

*STR conducted this analysis at the request of The Apartment Service for publication in this report. STR was not remunerated in any way for its analysis, and its participation in this analysis was not contingent upon developing or reporting predetermined results.*

# Global trends driving the extended stay sector



With the global economy expanding, the world travel and tourism industries have grown consistently over the last 15 years. In 2018 there were a record 1.4bn international tourist arrivals, a rise of 6% over 2017.<sup>3</sup>

The Middle East (+10%) and Africa (+7%) are growing faster than the rest of world, with Asia, the Pacific and Europe growing at 6% year-on-year. Spending on travel and tourism is projected to grow by over 50% in real, constant currency terms over the coming decade.

Stable fuel prices ensure that air travel remains affordable, with demand opening up routes to more destinations. Outbound travel from China, India and Russia - as well as smaller Asian and Arab markets is driving that growth. However, that growth is likely to be curtailed by the Covid-19 outbreak. Chinese outbound tourism will not recover to pre-coronavirus levels until the second quarter of 2021, according to the Economist Intelligence Unit, with travel to countries in Asia set to drop by 30 - 40%.

## Business travel & bleisure are booming

The global business travel industry will be worth nearly US\$1.7 trillion (about £1.3 trillion) by 2023, compared to \$1.3 trillion (£1.01 trillion) in 2017.<sup>4</sup> The Global Business Travel Association (GBTA) predicts the market will reach \$1.7 trillion one year earlier in 2022.

Bleisure is booming too. 66% of travellers work while on holiday, so more trips mix business travel with leisure activities. These extended holidays tacked onto business trips help keep hotels full and dinner reservations booked.

57% of business travellers have taken at least one bleisure trip in the last 12 months, and 44% of corporate travel manager have noticed that more employees are participating in bleisure activities.<sup>5</sup> To capitalise, Frasers Hospitality has enhanced its selection of resident activities. For example, guests at Capri by Fraser, China Square / Singapore, can explore popular local hangouts on a bicycle tour led by the general manager.

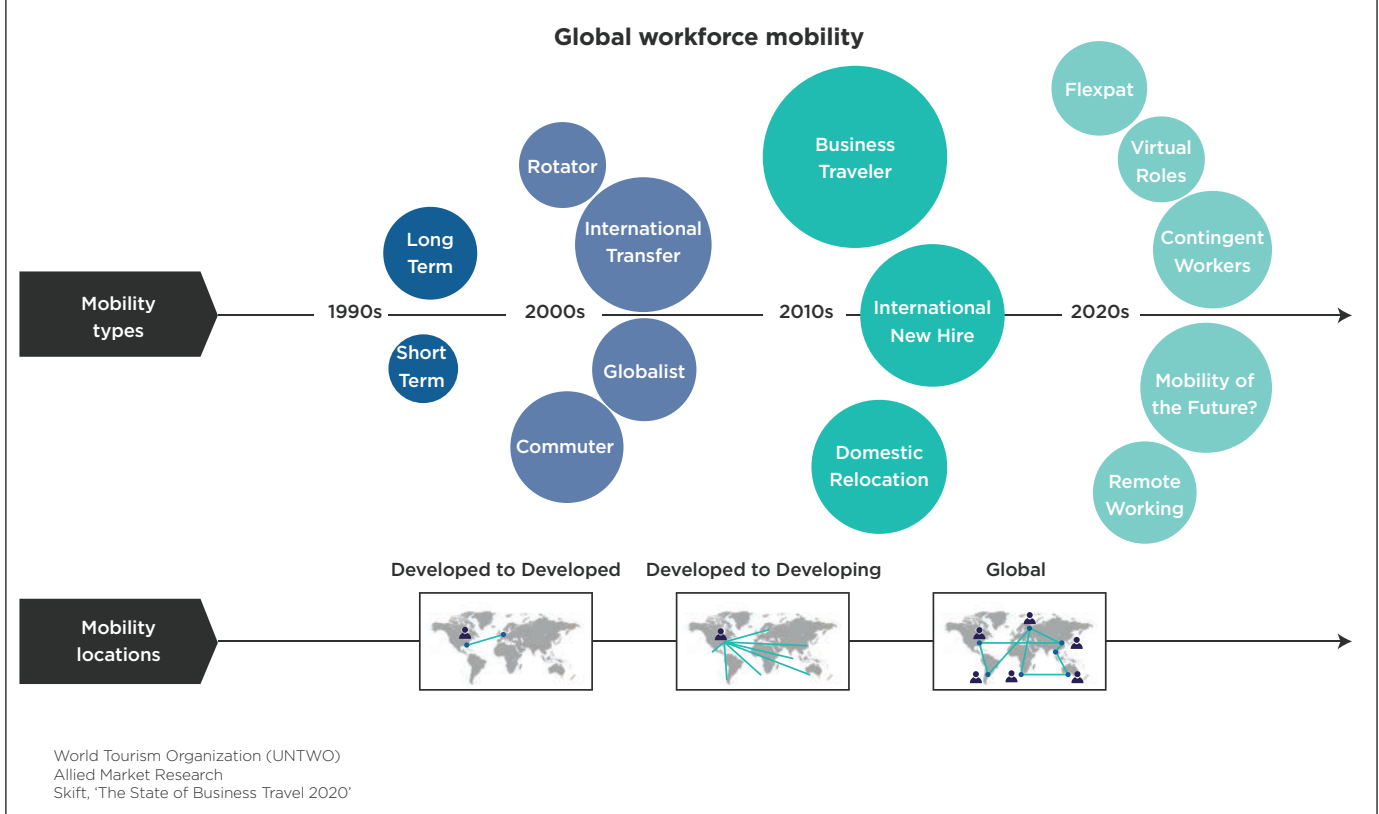
3. UNTWO

4. Allied Market Research

5. Skift, 'The State of Business Travel 2020'



Fig 26. Global mobility diversification



## Global workforce mobility

Greater connectivity, new talent models and cognitive tools are transforming the work market. As robotics, AI and the gig economy grow, jobs are being redesigned as employers adapt for the future. 68% of organisations agree that a mobile workforce was an enabler of business and talent strategies.<sup>6</sup>

As Fig 26 shows, the profile of the global workforce has changed as talent has become international mobile. 43% of large businesses are deploying more short-term assignments whilst 33% are relying on more business travel to drive business growth.<sup>7</sup>

## Guest experience

Servicing growing demand is a global hotel market worth \$525bn and comprising 18 million rooms, 54% of which are affiliated to a global or regional chain, with the remainder being unaffiliated or independent). The top five hotel groups, IHG, Marriott, Hilton, Wyndham and Accor account for 25% of the market and 58% of the global development pipeline of hotels in planning or under construction.

Like the travel and tourism industries, the accommodation sector is seeing growing consumer demand for branded experiences, leading to the creation of many new brands by the leading chains whilst many independent hoteliers look to affiliate with a brand.

6. Deloitte Global Human Capital Trends Survey 2018  
7. 2018 AIRINC Mobility Outlook Survey

“Global mobility will be more important than ever and at the forefront in adopting new ways of working as technology drives us to innovate new ways of working, communicating as well as navigating shifting business models and workforce values.”

Lisa Johnson, Global practice leader – Crown World Mobility.

Millennials seeking unique and authentic experiences have joined baby boomers with money and time to travel to demand the technology to support and inform their stays. Cloud storage has enabled accommodation providers to create more personalised products and service based on data analytics, although with this power has come the added responsibility of GDPR (Global Data Protection Regulation) compliance.

The EU's GDPR, which came into effect on 25 May 2018, has increased the demands on accommodation providers regarding their treatment of the personal data of EU residents. Failure to comply with the new regulations can entail substantial fines, which can amount to as much as 4% of annual revenue.

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## Intuitive technology

Intuitive booking apps, chatbots, and mobile check-in/check-out are already as basic a requirement as high-speed Wi-Fi. Artificial intelligence-powered virtual assistants will shortly be so too. As more consumers use voice-activated devices in their homes, the hotel sector is deploying smart technology to enable guests to control specific functions of the room from their phones.

Accommodation providers are also having to consider employee experience as well as guest experience. Staff retention is a major challenge in the hospitality industry. Understaffed hotels can ruin a hotel's online reputation.

## Wellbeing & sustainability

Alongside the rise of a younger, more diverse global workforce, employee wellbeing has become an essential element of assignee and travel management.

Stress, depression and anxiety, account for almost 70 million days off sick per year - more than any other health condition - costing British business £70 - £100 billion per year. 49% of business travellers have either been diagnosed with, or have shown symptoms of, mental illness. 80% those affected have not told their employer, mainly because 74% of companies represented do not have a travel policy that includes supporting mental health.<sup>8</sup>

Thankfully, more employers are introducing wellbeing programmes, encouraging them to maintain healthy lifestyles and a work/life balance whilst working away from family and friends.<sup>9</sup>

Sustainable travel is firmly back on the agenda. Uncontrolled air travel, single-use plastics and overall energy consumption are moving travel and accommodation providers into taking action to at least deflect some of the inevitable criticism levelled at such high-carbon industries. Conscious travel is a new trend which revolves around compassion and social consciousness as part of the travel experience.

8. Business Travel & Mental Health Survey

9. <https://www.servicedapartmentnews.com/home/blog/2018/12/24/mental-health-the-words-hospitality-cant-ignore/>

## Planning controls

Local and regional regulation and planning controls continue to impede the development of extended stay accommodation. This is often due to local perceptions of serviced apartments as both a tourism and residential product.

Since 2016, all private landlords in England have been obliged to check that new tenants have the right to be in the UK before renting a property or face a fine of up to £3,000 per tenant. This issue could take on greater significance post-Brexit.

## Short term rentals

Airbnb is not a new phenomenon in the extended stay sector, but with other providers entering the short-term rentals market including Expedia's HomeAway and China's Tujia, the branded extended-stay and serviced-apartment operators are facing added competition. Core markets like business travel and upscale leisure travel are being targeted with products like Airbnb for Work and Airbnb Plus.

Major hotel chains are launching short term rental products to complement their traditional hotel and extended stay offerings. These include AccorHotels' Onefinestay, whilst others are partnering with alternative accommodation platforms, such as Marriott's partnership with Hostmaker.

## Oversupply threat in some markets

Although many regions are still under-supplied with extended stay, in others there is already oversupply. This may become an issue in other markets, especially those with substantial pipelines such as the UK.

Millennials seeking unique and authentic experiences have joined baby boomers with money and time to travel...



# Regional trends driving the extended stay market



## Africa

Spending on travel and tourism in Africa is predicted to grow faster than the global average up to 2028 - especially on inbound travel expenditure, although Africa will only account for 2.3% of the worldwide total by 2028.<sup>10</sup>

Spending forecasts for North Africa are for above-average growth in inbound travel, although this may depend on whether the threat of terrorism continues to recede.

Sub-Saharan Africa is predicted to outperform the global spending growth rate as the region cements its position as the fastest-growing segment of the region's travel and tourism market.

## Asia

The Asia-Pacific region is expected to account for over half of worldwide spend on travel and tourism by 2028 - largely because the region provides over half of the world's business and leisure travellers.<sup>11</sup>

North East Asia, including China, Japan and South Korea, is the world's biggest sub-regional travel market, accounting for 45% of Asia-Pacific and over 25% of global travel spending in 2017.

10. WTTC Travel & Tourism Economic Impact 2018

11. Ibid

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

Local spending on domestic and business travel will double over the next decade, whilst China accounts for the bulk of the doubling in outbound travel from the region.

India and the South Asian travel market are predicted to double in size in the coming decade, although its global market share will still only be 6% by 2028.

## Australasia

Australia welcomed over 9 million international visitors for the first time in 2018, an increase of 3.6 million or 65% compared to 10 years ago. However, increasing economic and political uncertainty in key inbound tourism markets has seen growth in international arrivals fall from 7.5% to 4.9% in 2018.<sup>12</sup>

A weak Australian dollar is encouraging domestic travel. Australians took more than 100 million domestic overnight trips in the year to September 2018 - up 7% over the previous year. Domestic trips are forecast to grow by 4.2%, and visitor nights by 3.8%, each year on average over the next three years, whilst record levels of international visitors is underpinning the performance of the accommodation sector.

## Europe

Europe is predicted to see the slowest growth rate of any major region over the next ten years - largely because it is already highly developed as a travel market. Inbound travel will exceed outbound, although Europe remains one of the biggest travel markets in the world after that of Asia Pacific.

The region will account for 26% of global travel spend by 2028. Inbound tourist arrivals topped 713 million in 2018, more than half the global total and a rise of 6% on 2017.<sup>13</sup> Europe is also the world's largest source market of outbound tourists. Ongoing demand for frequent travel across Europe, together with an eagerness to explore new destinations is helping to boost a number of emerging tourism markets while opening investment opportunities for accommodation providers.<sup>14</sup>

Serviced apartments (including aparthotels) are the fastest growing segment of the UK's hospitality market, the segment currently represents just 3% of the UK accommodation market - a significantly lower level than in many international markets.<sup>15</sup>

## LATAM

The outlook for growth in spending on travel and tourism in Latin America is well below that of the worldwide average, although inbound travel is predicted to rocket by over 77% during the coming decade and outbound travel expenditure is forecast to exceed that of incoming travellers in 2028.<sup>16</sup>

The hospitality industry in Latin America has been transformed over the past five years. Robust marketing, focussed on the region's diversity and natural resources, has driven tourism growth in Central and South America. Robust marketing, focussed on the region's diversity and natural resources, has driven tourism growth in Central and South America. Most of this progress stems from the continuous commitment of governments to promote the sector.<sup>17</sup>

Colombia, for instance, was able to secure major investment in the hotel industry after creating tax incentives and stabilizing the region. International hotel chains, such as Hilton, Marriott, and Hyatt, have increased their presence in the region and invested heavily.



13. UNTWO

14. Savills European Hotel Trends Outlook 2019

15. Lambert Smith Hampton

16. <https://hospitalityinsights.ehl.edu/hospitality-in-latin-america>

17. World Economic Forum Travel and Tourism Competitiveness Index 2018

## Middle East

For this report, we define the Middle East as the six countries forming the Gulf Cooperation Council (GCC) - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

Growth in spending on travel tourism in the Middle East is projected to grow at a pace well above the worldwide average during the next ten years, driven by an estimated 80% increase in inbound travel. Even then, though, the Middle East total will only account for 3.3% of the worldwide total by 2027.<sup>18</sup>

Tourism is driving much of the region's growth in travel. Qatar will host the FIFA World Cup 2022 and World Aquatics Championships in 2023. Dubai will stage the World Expo 2020 having hosted the World Championship in Athletics during 2019.

## U.S. & Canada

Although growth in spending on travel and tourism in the Americas lags behind the worldwide averages, inbound travel spending on leisure travel will be the fastest-growing segment over the next decade. The North American travel market is very mature which explains a below-average growth outlook for the region. Incoming receipts and spending on leisure travel are slated to be the fastest growing segments. Still, the North American travel market will remain one of the largest sub-regional travel markets, accounting for almost 20% of the worldwide total by 2028, according to WTTC projections.

From 2009 to 2017, U.S. hotel gross bookings grew from \$116 billion to \$185 billion, airline revenue jumped from \$155 billion to \$222 billion and almost every other travel segment benefited as US consumers rediscovered international travel and companies invested more in business travel.<sup>19</sup>

At some point, though, this expansion cycles must end. The U.S. hospitality industry has enjoyed 10 years of consecutive growth, and the threat of broader economic slowdown will force the sector to prepare for softening demand.



18. WTTC Travel & Tourism Economic Impact 2018

19. Deloitte 2019 US Travel and Hospitality Outlook

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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.

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# Serviced apartment operator and supplier update

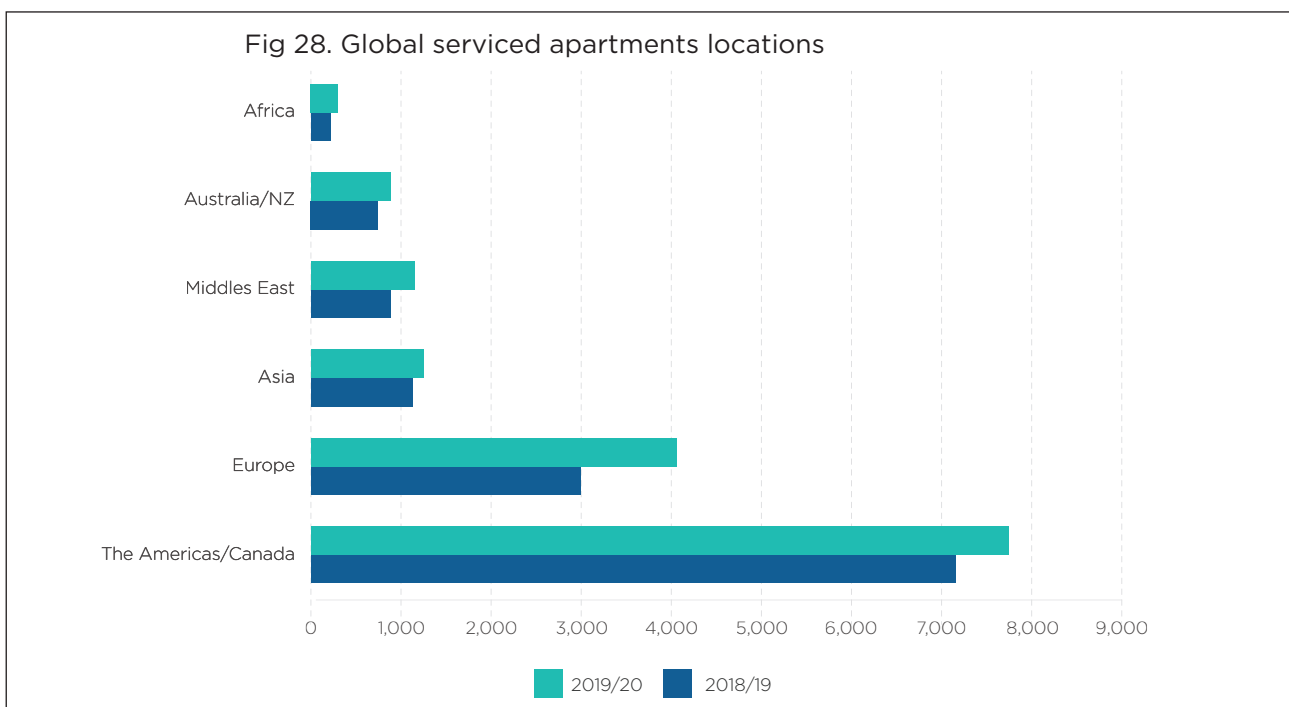
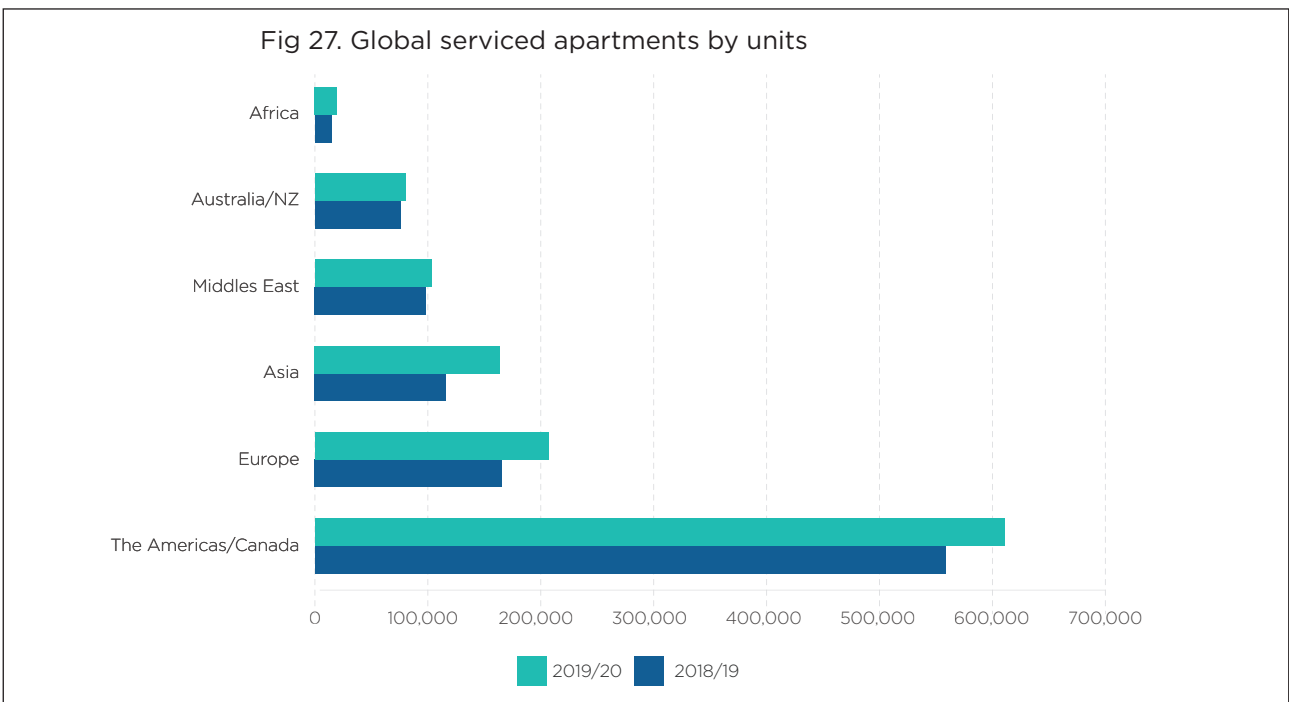
## By Bard Vos

The growth of the world's serviced apartment industry continues apace. Since our last GSAIR, the number of serviced apartment units has increased by 14.75% to 1,174,012.

Total inventory swells to 1,254,743 when corporate housing units are included. The number of

locations served by serviced apartments has also increased by 17.5% to 15,464.

Whilst impressive, these growth rates are nonetheless lower than those seen two years ago. Then, the number of serviced apartment units had increased by 23.7%; two years earlier, the growth in units was 10.5%.





The largest nominal growth has come in Africa, where the number of locations has grown by more than 45% and the number of apartments by 36%. There have also been healthy increases in supply in Europe (up 25.84% in units, 35.96% in locations) and Asia (39.23% and 33.41%).

In Asia, a growth of 33% in locations and almost 40% in serviced apartment units is largely attributable to expansion of the Ascott Ltd, especially in China. The growth in the European serviced apartment market is driven by expanding supply in Germany, France and the UK.

Even the world's biggest serviced apartment market - the USA and Canada - has seen an increase in inventory. The number of locations served by serviced apartments is up by 8.39% on 2018/19, and the number of units in the same period by 8.62%. In comparison, Australia and New Zealand recorded a 6.19% growth in locations and 6.41% in units.

For the fifth GS AIR running, there are few changes in the list of top 15 global brands by supply. Marriott maintains the largest portfolio, with 153,318 units in 1,299 locations.

Accor has seen the largest increase in supply - 74 new locations and 11,585 apartments - over the last two years. The group's acquisition of the Mantra Group in Australasia adding the Breakfree, Mantra and Peppers brands to a brand portfolio that already includes Adagio and Suite Novotel.

Collectively, the 15 largest operators account for 50% of all serviced apartment locations and 58% of all available units. With ambitious growth plans in place, the global brands' dominance of the sector is poised to continue.

## Summary

- Total number serviced apartments worldwide has grown by 17.5% and locations by 17.5% since 2018/19.
- Growth rate has slowed; in 2018/19 locations were up by 22% and units by 23.7%.
- Accor's extended stay portfolio has grown by 48%.
- Asia, Europe and Africa have seen the biggest increase in regional supply.

Fig 29. Global brands by location & units

2020/21	2018/19	Top 15 Global Suppliers		Locations 2020/21	Units 2020/21	Locations 2018/19	Units 2018/19	Locations 2016/17	Units 2016/17
1	1	Marriott (Worldwide)		1,299	153,318	1,160	134,311	1,001	116,672
2	2	Hilton (Worldwide)	Homewood Suites & Home 2 Suites	830	91,300	631	69,871	479	53,040
3	4	The Ascott Limited (Worldwide) inc. Quest Apartment Hotels		573	86,926	512	70,337	250	37,712
4	5	Intercontinental Hotel Group (Worldwide)		701	70,353	619	61,863	561	56,292
5	3	Extended Stay America (USA)		629	69,381	629	69,400	629	69,400
6	6	Choice Hotels (USA)	Mainstay Suites, Wood-spring Suites & Suburban	362	39,860	362	39,860	106	10,881
7	8	Accor Hotels (Worldwide)		295	35,631	221	24,046	204	22,997
8	7	Oakwood Corp Housing (estimated)		2,000	35,000	2,000	27,000	1,895	25,350
9	9	Pierre & Vacances (Europe)		279	24,156	257	22,252	257	22,252
10	12	Frasers Hospitality (Worldwide)		89	16,462	74	12,607	71	12,531
11	13	Hyatt House	Hyatt	104	14,560	88	12,567		
12	11	In Town Suites		192	14,423	209	15,700		
13	N/A	Appart' City		102	12,927				
14	15	Hawthorn Suites	Wyndham Hospitality	112	11,006				
15	N/A	Sonder		250	10,000	108	10,613	98	10,584
<b>Sub Total</b>				<b>7,817</b>	<b>685,303</b>	<b>6,870</b>	<b>570,427</b>	<b>5,146</b>	<b>5,018,000</b>

Fig 30. Global serviced apartment operators by brand

		Locations 2020/21	Units 2020/21
<b>Accor Hotels</b>	Adagio	111	13,127
	The Sebel	29	2,284
	Suite Novotel	35	4,572
	Breakfree	20	1,821
	Mantra	68	9,999
	Peppers	23	2,774
	Pullman	3	380
	SS Enseigne	1	62
	Sofitel	1	182
	Raffles	1	67
	Fairmont	1	108
	Swissotel	2	255
	<b>Total</b>	<b>295</b>	<b>35,631</b>
<b>The Ascott Limited</b>	Ascott The Residence	58	11,962
	Citadines	153	26,894
	Somerset	104	20,312
	Other Serviced Residences	47	10,390
	Tujia Somerset	16	2,805
	Quest Apartment Hotels	187	12,860
	Lfy	8	1,703
	<b>Total portfolio The Ascott Ltd</b>	<b>573</b>	<b>86,926</b>
<b>Extended Stay Hotels</b>	Extended Stay America/ Canada	629	69,400
<b>Frasers Hospitality</b>	Fraser Residence	18	2,381
	Fraser Suites	33	6,028
	Fraser Place	16	3,088
	Modena Residence	8	1,940
	Capri	14	3,025
	<b>Total</b>	<b>89</b>	<b>16,462</b>
<b>Intercontinental Hotel Group</b>	Candlewood Suites	405	37,953
	Staybridge Suites	296	32,400
	Atwell Suites (from 2021)		
	<b>Total</b>	<b>701</b>	<b>70,353</b>
<b>Marriott</b>	Mariott Executive Apartments	32	4,646
	Residence Inn	820	101,524
	Towne Place Suites (USA)	399	40,298
	Protea Hotels - Africa	3	147
	Element Hotels (Extended Stay)	45	6,703
	<b>Total</b>	<b>1,299</b>	<b>153,318</b>
<b>Pierre &amp; Vacances</b>	Pierre & Vacances	226	19,656
	Maeva	53	4,500
	<b>Total</b>	<b>279</b>	<b>24,156</b>
<b>Choice Hotels</b>	Mainstay Suites	66	4,387
	Suburban	56	5,807
	Woodspring Suites	262	31,515
	<b>Total</b>	<b>384</b>	<b>41,709</b>
<b>Sub Total Global Providers</b>		<b>4,249</b>	<b>497,955</b>

# Sponsor Profiles



## Adagio

Aparthotels Adagio® is a joint venture formed in 2007 between Pierre & Vacances-Center Parcs Group, the European leader in leisure residences, and Accorhotels, a major global group and the European leader in hotels.

**Locations:** 2019 Locations 112, Units 12,673

25 countries: The network has 112 aparthotels by the end of 2019 and is set to expand to 220 aparthotels worldwide by 2023:

France (Paris, Marseille, Strasbourg, Toulouse, Bordeaux, Nice, Nantes, Aix-en-Provence, Caen, Annecy, Monaco, Avignon, Le Havre, Perpignan, Tours, Poitiers, Orléans, Rennes, Besançon, Clermont-Ferrand, Nîmes, Lille), Germany (Berlin, Munich, Cologne, Frankfurt, Bremen), Austria (Vienna), UK (Liverpool, Birmingham, Edinburgh, London, Leicester (Jan 2020)), Belgium (Brussels), The Netherlands (Amsterdam) Italy (Rome), Switzerland (Geneva and Basel), Russia (Moscow), Brazil (Rio de Janeiro, São Paulo, Porto Alegre, Curitiba, Belo Horizonte), UAE (Abu Dhabi, Fujairah, Doha, Dubai), Maroc (Casablanca), Saudi Arabia (Jeddah).

The leading aparthotels network in Europe, Adagio's innovative Aparthotel concept is growing its presence across the UK with aparthotels in London, Leicester, Liverpool, Birmingham and Edinburgh. Adagio offers comfortable and spacious apartments in urban locations, with fully equipped kitchen and hotels services for extended stays based on attractive tiered pricing from fourth night onwards. The brand has three product ranges including Adagio - mid-range contemporary residences, Adagio access - the economical range, and Adagio premium - high-end aparthotels.

### Amenities:

Standards: Free highspeed Wifi, weekly cleaning, fully equipped kitchen with dishwasher, desk with private phone line, numerous storage space. Coffee machines, Chromecast, Bluetooth speakers in Superior Apartments.

Optional: laundry, facilities, dry cleaning, daily cleaning, breakfast buffet, car park and baby-kit.

### Points to note:

The brand's Circle concept offers innovatively designed public spaces where guests can enjoy a range of services and experiences including a mini-market, co-working space, shared kitchen, relaxation areas and a library of things to customise their apartment.

Adagio participates in Accor's loyalty program ALL

### New openings:

Adagio's innovative aparthotel concept has been successfully rolled-out across Europe and worldwide.

The network expects to expand its presence to 220 aparthotels and 27,000 apartments worldwide by 2023.

New openings include:

Adagio Casablanca – Maroc (Apr 2019)

Adagio Bremen – Germany (May 2019)

Adagio Jeddah – Saudi Arabia (Aug 2019)

Adagio Lille – France (Sep 2019)

Adagio Paris Nation - France (Dec 2019)

Adagio Leicester – UK (Jan 2020)

Adagio access Brussels Delta – Belgium (May 2020)

Adagio London Stratford (May 2020)

Adagio access Freiburg (May 2020)

# Sponsor Profiles



## AKA

AKA, is a division of Korman Communities. Korman Communities is a four generation family business, entering it's 2nd Century. AKA balances the space and comfort of a fully appointed luxury residence with the style and hospitality of an intimate hotel.

Designed for weekly and monthly stays, AKA offers sophisticated studio, one, and two bedroom furnished residences with exceptional business, wellness, and lifestyle amenities within iconic New York City, Los Angeles, Philadelphia, DC, and London neighborhoods. Named by the BBC as the leading international luxury long stay brand, AKA remains the world's most trusted furnished residence provider.

**Locations:** 2019 Locations 12, Units 1300

NYC: Central Park, Times Square, Sutton Place, United Nations, Wall Street, Tribeca; London: Marylebone; Los Angeles: Beverly Hills, West Hollywood; Washington, DC: White House; Philadelphia: Rittenhouse Square, University City.

### Amenities:

Residential amenities include private cinemas, elevated dining and lounges, Technogym Fitness Centers, cafes, business and media Centers, golf simulators, conference rooms, landscaped terraces and zen meditation gardens.



## Derag

Living Hotels is pioneer and market leader in apartments in hotels in the German speaking area. Providing 17 Living Hotels with more than 3,200 rooms and apartments in Germany and Austria, we are focusing on the segments serviced apartments, hotel rooms, and conference facilities. With more than 30 years of experience, we offer cost efficiency and flexible booking conditions. Our strength: The combination of spacious apartments with hotel services and, of course, our personal hospitality. Living Hotels is part of the Derag group, located in Munich.

**Locations:** 2019 Locations 8, Units 17

GERMANY - Berlin (3), Bonn (1), Dusseldorf (2), Frankfurt (2), Munich (5), Nuremberg (1), Weimar (1)  
AUSTRIA - Vienna (1)

### Amenities:

Complimentary high-speed WIFI, Separate working areas/desks in all apartments, Equipped kitchen or kitchenette in all apartments, Lots of our apartments come with a balcony or a (rooftop) terrace, Conference rooms/facilities in many properties, 24/7 reception desk, Flexible housekeeping service, Car parking slots available at all properties, Gym and spa facilities in most properties, Free phone calls to many countries, Free e-charging facilities in some of our properties, Laundry facilities in every property, Bars & restaurants, Other services like laundry service, grocery shopping etc. on demand

### Points to note:

We pay more than lip-service to environmental protection. Therefore, we have embraced a number of methods: Living Hotels is completely Green Globe certified, we are only purchasing green electricity, we compensate our carbon footprint by supporting different sustainability projects, we reduce plastic wherever possible etc.

**New openings:** Hamburg

# Sponsor Profiles



## Appart'City

Appart'City is owned by the Grand M Group holding company, specialising for the past 20 years in property and managing accommodation, aparthotels and student housing.

Appart'City, today's leading French urban aparthotel chain which counts more than a hundred 2- to 4-star aparthotels, benefits from strong complementary national presence and positioning. Its forms an indisputably consistent network in France and in Belgium.

The company is also continuing its development internationally with an opening in Switzerland, in Vernier near Geneva Airport, in February 2020. Other aparthotels will open in France in 2020 and 2021.

**Locations:** 2019 Locations 100+, Units 13,000  
France, Belgium, Switzerland (opening soon)

### Amenities:

From studios to 2-bedroom accommodation, all our apartments are fully furnished and equipped. The mini kitchens offer everything you need to be able to make great little meals or to reheat takeaways. Our apartments also offer an office space, a wardrobe and a bathroom with a bath or shower, including a hair-dryer, soft towels, and parabenfree, environmentally friendly courtesy toiletries.

The flat-screen TVs in all our aparthotels are currently being replaced by 4K televisions with Chromecast. Free 100% super-fast fibre optic broadband is available throughout our aparthotels.

And we also have a wide range of hotel services: 24/7 receptions, multi-function living areas, breakfasts, bars, Comptoir City and Bistrot City restaurants, well-being areas, fitness rooms, conference rooms, laundrettes, housekeeping, pets welcome, luggage stores, carparks, shuttle buses, and much more. (Some services require a fee and are available at certain aparthotels).

### New openings:

Switzerland, 2020 : Appart'City Genève Aéroport Vernier  
France, 2020 : Appart'City Paris Gare de Lyon  
France, 2020 : Appart'City St Germain en Laye  
France, 2020 : Appart'City Bordeaux  
France, 2020 : Appart'City Villejuif



# Sponsor Profiles

## Frasers Hospitality

Parent Company is Frasers Property Limited



**Locations:** 2019 Locations>70 cities Units>21,000(operating properties and pipeline)

2017/18 Locations>80 cities Units>24,000(operating properties and pipeline)

25 countries: Australia, Bahrain, China, France, Germany, Hungary, India, Indonesia, Japan, Malaysia, Nigeria, Oman, Qatar, Saudi Arabia, Singapore, South Korea, Spain, Switzerland, Thailand, Turkey, UAE, UK - England, UK - Scotland, UK - Ireland, Vietnam

### New openings 2019:

- Capri by Fraser, Johor Bahru / Malaysia (Feb)
- Fraser Residence Orchard, Singapore (Soft Opened: Apr, Grand Opened: Aug)
- Capri by Fraser, China Square / Singapore (May)
- Fraser Suites Hamburg (SO: May, GO: Sep)

### Upcoming 2020:

- Fraser Suites Akasaka, Tokyo (Mar)
- Fraser Residence Chengdu (Mar)
- Capri by Fraser, Leipzig / Germany (2Q)
- Fraser Residence Hanoi (2Q)

## Fraser Suites

Fraser Suites is part of Frasers Hospitality, headquartered in Singapore



**Locations:** 25 countries:

Australia (Melbourne, Sydney), Asia (China, India, Indonesia, Korea, Singapore, Thailand, Vietnam)

Europe (France, Switzerland, Scotland, UK), Middle East & Africa (Bahrain, Nigeria, Qatar, UAE, Saudi Arabia)

Fraser Suites offers serviced apartments characterized by touches of indulgence that spells of sophistication and timeless classics, with rich textures and distinctive décor that reflect the essence of the host city. Be it Dubai, UK or any of the key gateway cities we are in, every property offers corporate housing apartments with highly desirable addresses in key business and prestigious districts where city charm reigns in the metropolis.

### Points to note:

- Complimentary high-speed Internet access available in the rooms and around the property
- The Retreat - Exclusive to Fraser Suites, The Retreat is a haven that awaits you after a hard day's work, and a great place to relax with well-provided massage facilities
- Fully furnished serviced residence with separate living, dining and bedroom areas
- Modern and well-equipped kitchen
- Washer/dryer
- Comprehensive home entertainment system
- Swimming pool
- Spa facilities
- 24/7 gym
- Meeting facilities and business services
- 24/7 security and CCTV surveillance
- 24/7 reception and concierge services
- Daily housekeeping services
- Laundry services
- Children's play area
- Baby-sitting services
- Carpark

# Sponsor Profiles



## Quest Apartment Hotels

Quest Apartment Hotels is 80% owned by The Ascott Limited. The remaining 20% is owned by Quest Executive Chairman Paul Constantinou AM and Director Rohan Davis.

Quest offers a new standard of apartment hotels, with all apartments featuring modern and stylish décor, dedicated workspaces, high speed WiFi access, and a local restaurant chargeback service. With a choice of studios, plus one bedroom, two bedroom and three bedroom apartments, Quest Apartment Hotels are situated in a range of convenient locations where guests need to be for business.

Quest Apartment Hotels is the largest and fastest growing apartment hotel operator in Australasia, opening on average 6-10 new properties every year. Properties are managed by franchisees that follow a proven and successful business format franchise system, delivering a consistent, reliable experience across the Quest network.

**Locations:** 2020 Locations 186, Units 12,514  
2018/19 Locations 170. Units 11,217

Australia: city centre, suburban and regional locations across every state and territory - 138 properties

New Zealand: city centre, suburban and regional locations across the North and South Islands - 33 properties

Fiji: one location in downtown Suva, the capital of Fiji - 1 property

United Kingdom: one location in Liverpool - 1 property

### Amenities:

Standard amenities: Fully-equipped kitchen and laundry facilities, Separate living and sleeping areas (excluding studios), Wi-Fi access, Smart TVs, Separate workstations, Room-controlled air conditioning  
Additional amenities in selected properties: Onsite parking, Gymnasium, Alfresco barbecue area, Conference room facilities, Business Lounge, Swimming pool

On-request services: Local restaurant chargeback service, Pantry shopping service, Valet dry cleaning, Business administration

### Points to note:

With a strong understanding of the corporate sector, Quest continues to maintain its robust market leadership position, ensure guests' needs are met across location, product and experience.

Quest is unique to the accommodation industry in that every property is purpose-built to deliver a superior guest experience. As guests have changed, so has Quest's apartment design and aesthetic, providing flexible, open-plan and intuitive living spaces, enabling guests to create a true "home away from home".

Quest remains firmly committed to exceeding the expectations of both extended and short stay business travellers, providing a world-class standard of accommodation.

### Upcoming openings:

Quest Palmerston North, North Island, New Zealand, April 2020

Quest Robina, Gold Coast, Queensland, Australia - May 2020

Quest Hastings, Auckland, New Zealand - June 2020

Quest Preston, Melbourne, Australia - June 2020

Quest Perth Ascot, Perth, Australia - September 2020

Quest Wangaratta, Regional Victoria, Australia - September 2020

Quest Takapuna, Auckland, New Zealand - October 2020

Quest on Cambridge, Christchurch, South Island, New Zealand - December 2020

Quest Ballarat Station, Regional Victoria, Australia - February 2021

Quest Mount Maunganui, North Island, New Zealand - March 2021

Quest Carlton on Queensberry, Melbourne, Australia - April 2021

Quest Mount Eden, Auckland, New Zealand - July 2021

# Sponsor Profiles



## Staycity

**Ownership:** STAYCITY GROUP

*Staycity Aparthotels* - studio, one-bed and two-bed apartments across key city locations with fully equipped kitchen, sitting areas and bathrooms.

*Wilde Aparthotels by Staycity* - Staycity's premium offer in prime city locations, Wilde is a design-led concept is influenced by the group's Irish roots and featuring bespoke artwork, super-comfy XL-sized beds with Hypnos mattress, a rainfall shower and high quality bed linen. All apartments have well-equipped kitchens - complete with Nespresso machine. The majority of apartments, both Staycity and Wilde, offer guest laundry facilities, a lounge area for working, relaxing or meeting friends or colleagues, 24-hour reception and weekly housekeeping.

**Locations:** Berlin (48 apartments), Birmingham (249), Dublin (228), Edinburgh (274), Liverpool (268), London (541), Lyon (144), Manchester (182), Marseille (108), Paris (50), Paris Marne-la-Vallée (284, plus 22 villas), Venice Mestre (175), and York (197).

### Amenities:

The apartments offer a home-from-home feel that's popular with both leisure and corporate guests, facilities include 24-hour reception, kitchens or kitchenettes, a dining area, sitting area as well as complimentary Wi-Fi access, guest laundry facilities and weekly housekeeping. Most sites have car parking and many offer a gym, guest lounge for working, socialising or just relaxing, and Staycafé selling breakfast, all-day snacks and drinks. [www.staycity.com](http://www.staycity.com)

### Points to note:

The company operates its own loyalty scheme, Stay Sweet, with membership offering guests a discounted price as well as a range of other benefits such as early check-in when members book direct on the company's website.

Staycity has a target of operating 15,000 apartments by 2024. The focus of expansion is UK, Ireland, France, Italy and Germany.

### New openings:

Staycity's growth plans continue into 2020 with a 224-apartment property in Manchester's Northern Quarter scheduled to open in March 2020, to be followed in November by a 142-apartment building on Dublin's Mark Street. By 2021 Staycity expects to have over 1,000 apartments operating in Dublin.





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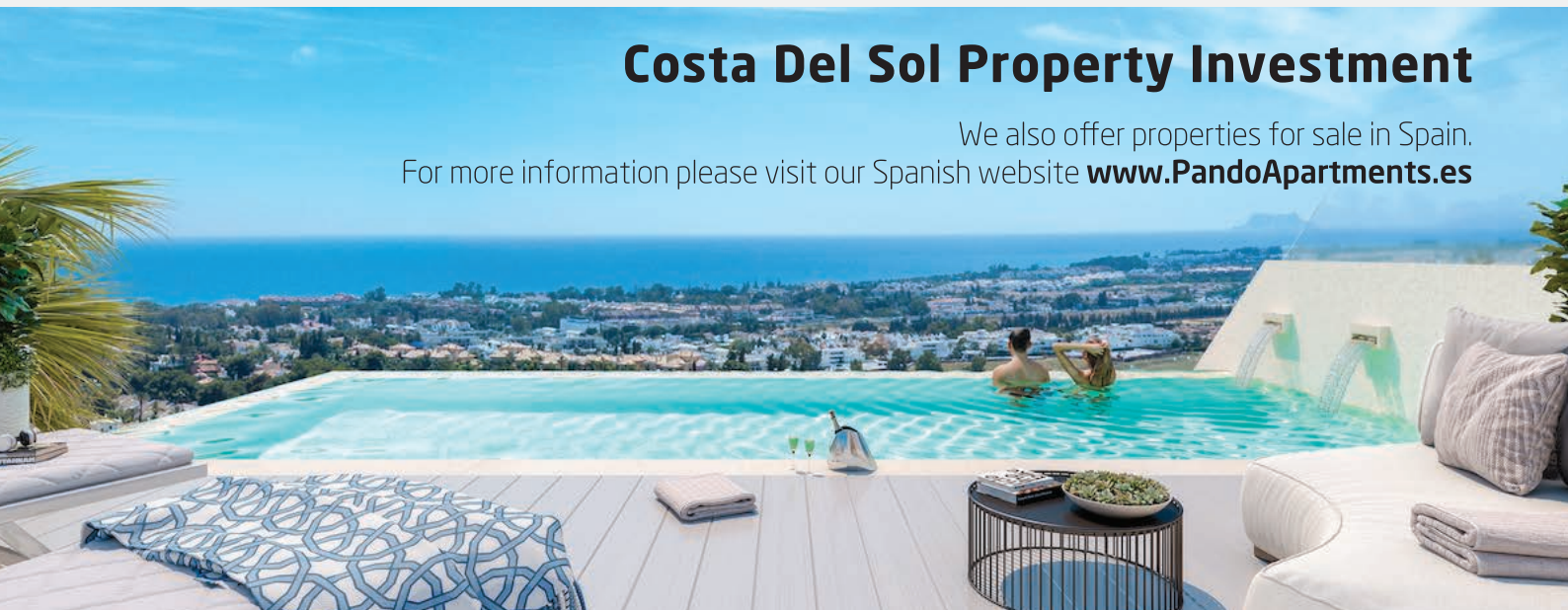
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# Operator analysis – too many brands?



“Serviced apartment operators are launching aparthotel brands, which crossover with the leisure market”...

## By George Sell, Editor, Serviced Apartment News

In the hotel sector, there is a constant debate about whether there are too many brands, and also about the reasons behind the seemingly constant stream of new brand launches.

At the Deloitte European Hotel Investment Conference, it was revealed that there had been 52 new brand launches across the hotel sector in the first 10 months of 2019, which prompted Radisson’s Elie Younes to say: *“I would struggle to find someone in this room who could convince me that we need the 52 new brands and that they were driven by consumer demand. If you have too many brands you become more of a distributor than a brand manager.”*

In the serviced apartment industry, the number of brands is miniscule in comparison. A “traditional” serviced apartment was only branded in the sense that its chiefly corporate clientele trusted its booking agent or the building’s operator sufficiently to provide the level of service required and expected.

But this is changing fast, partly due to serviced apartment operators launching aparthotel brands, which crossover with the leisure market, and also due to major hotel groups strengthening their extended stay portfolios.





## New kids on the block

A good example of the former is Staycity's Wilde aparthotel brand. Launched in 2017, Wilde is a premium design-led brand with a higher price point than Staycity's core portfolio. After initially opening in London in 2018, a further two properties have since opened in Berlin and Edinburgh, with further projects planned in York, Cambridge, and at least two more in London. Staycity is pleased with the brand's performance to date and is putting significant investment in to rolling it out, even to the extent of taking on the role of development partner for a project in London's Paddington and potential future Wilde developments.

The Paddington property will be part of a dual branded development with a Premier Inn, and the two most recent properties are the 48-key Wilde Aparthotels by Staycity, Berlin, Checkpoint Charlie and the 128 key Wilde Aparthotels by Staycity, Edinburgh, Grassmarket, so the brand can be used on a range of property types and sizes.

In a similar vein, London-based serviced apartment operator Lamington has launched its room2 brand, which it describes as the first homotel brand. It says the properties "combine the best elements from Airbnb, serviced apartments and boutique hotels in an offering designed to appeal equally to corporate and leisure guests and those seeking alternative forms of residential accommodation".

## International players

Having opened in London and Southampton and assembled a further pipeline of live projects across the UK with a GDV of more than £100 million, room2 has appointed the former head of UK & Ireland and managing director at The Carlyle Group, as strategic investment partner. His primary role will be to raise finance from institutions, family offices and high net worth individuals to enable up to £250 million of investment into room2's pipeline of across the UK, as it targets 5,000 operational or committed rooms by 2030.

We are also seeing serviced apartment companies develop ranges of brands, or sub-brands, within their portfolios. London operator Cheval residences for example changed its name to Cheval Collection, which currently includes established luxury Cheval Residences and the newly created Cheval Maison brands.

Cheval Collection was formed as the company is actively looking to manage third-party assets – it owns all its London properties – and to explore the potential for further brands to be established. The new Cheval Maison brands is aimed at business travel, short and long-term leisure breaks.

In Egypt, a much less mature serviced apartment market, Prime Hospitality Management Group (PHMG) has adopted a similar approach and



announced the launch of a two-tiered branded serviced apartment offer. Aimed at real estate owners looking to turn their dormant assets into income-generating serviced apartments, the company's first two brands are Prime Select ("a curated selection of luxurious furnished serviced apartments") and Prime Residence - serviced apartments in buildings with full amenities.

Khaled El Sayyad, founder of Prime Residential and PHMG executive chairperson, said: *"We have launched PHMG intending to maximise rent potential for owners by offering serviced apartment amenities and features while leveraging a dedicated corporate and property management team to minimize costs."*

Australian serviced apartment group Waldorf aims to more than triple its size to 5,000 keys by 2024 through its new Nesuto brand. Waldorf, now owned by Japan's largest homebuilder Daiwa House, has announced that all new properties, along with 12 of the 23 existing Waldorf apartment hotels, will be rebranded Nesuto apartments, a Japanese word meaning nest.

This follows costly trademark battles with hotel group Hilton over the rights to use the Waldorf name. Waldorf Australia Group lost two trademark disputes with Hilton (owner of the Waldorf Astoria brand) in 2013 and 2018, with Hilton awarded costs in both cases.

Waldorf Apartments operates a portfolio of 1500 serviced apartments across 23 properties in Australia and New Zealand, with a heavy weighting to NSW. Daiwa Living Waldorf chief executive Mark Ronfeldt said the Nesuto brand *"subtly referenced the group's core Japanese heritage."*

## Local brands

A proliferation of small, local new brands is springing up, many of them with an interesting take on the serviced apartment model, or a unique selling point. In Aberdeen, Scotland, local businessman Stuart Duncan has opened his first Apartrooms property. With a background in both property rental and modular construction, Duncan's property is technically innovative and addresses the sustainability issue in a more comprehensive way than the vast majority of industry players.

Each Apartroom unit is constructed as a self-contained unit and delivered to site 95 per cent complete. The running costs of the building are an important consideration to Duncan as an operator, so he applied Passivhaus principles at the design stage. This resulted in a unique building - a super-insulated structure, orientated to the south with large floor-to-ceiling windows, which capture solar gain.

Triple glazing and mechanical heat ventilation heat recovery all help to reduce energy consumption. There are solar panels on the roof, and the electricity generated powers the building, with the remaining surplus heating the water. The company's website displays its solar production in real time, perhaps ironically for a business which has a client base predominantly made up of North Sea oil industry employees.

## New extended stay hotel brands

The major hotel groups, not exactly known for restraint when it comes to launching new brands, are also getting in on the act. Accor, one of the most active in launching and acquiring brands over the last few years, now has 28 brands in its portfolio.

Its aparthotel brand Adagio is a joint venture with Pierre & Vacances, but it has also recently added the “Living” subtitle to some of its best known hotel brands to create a significant serviced apartment and branded residence portfolio, covering 13 brands including Pullman Living, Novotel Living, Fairmont serviced residences Raffles serviced residences, and Orient Express serviced residences.

In some developments these are standalone serviced apartment developments, but more frequently they are combined with regular hotel rooms, either under the same brand or in double, and in some case even triple branded properties.

At its 2019 U.S. convention, Best Western Hotels & Resorts (BWHR) announced the launch of the latest addition to its extended stay portfolio – the SureStay Studio brand. SureStay Studio was created to respond to the needs of both travellers and hotel developers and will be positioned in the premium economy extended stay segment.

BWHR president and CEO David Kong said: *“In a short span of time, SureStay Hotel Group has experienced tremendous growth around the world, and we are confident that SureStay Studio will further bolster this already successful portfolio of hotels.”* SureStay Studio launched with a prototype for new construction, and conversion opportunities will also be available.

In the Philippines, Seda Hotels has recently opened the first Seda Residences property in Makati. The property targets long staying clients coming from the corporate sector. *“We use the term residences because all the rooms here are suites. All the rooms have kitchens; some of the rooms have washer and dryer. We provide full amenities like utensils, pots, etc., which other regular hotels would not. So, we consider ourselves an all-suite hotel in that sense”* said general manager Marc Cerqueda.



# Accor now has 28 brands in its portfolio



## Re-branding

Rebranding has also been something of a theme over the last few months. SACO, one of best-established UK serviced apartment operators is bringing its portfolio of brands together under a new group identity, edyn.

The operator of the Locke aparthotel brand and a large portfolio of serviced apartments in Europe, will bring SACO, Locke, The Moorgate and The Wittenberg under the new brand. Locke has properties in London, Edinburgh and Manchester, and will expand to nine properties across the UK and Europe by 2022. SACO and its partner network offers 80,000 serviced apartment units.





Rebranding is also taking place on an individual property basis. Nest, a collection of 16 serviced apartments in Geneva, has been rebranded as The Hamlet. The Hamlet is a restored, 18th-century townhouse in Geneva's Old Town. Its apartments are available to rent for anything from one night to a year. In 2017 the property won a Serviced Apartment Award for Best Architecture/External Design.

*"We always talk about this brand as our first baby", said husband-and-wife co-founders Tara and Christoph Wondraczek. "When we first started this business ten years ago, it was just a single apartment start-up. Today, we're proud to have a collection of homes and spaces that allow for individualised experiences and genuine connections, in a down-to-earth and accessible way."*

## Co-living

While the industry response to Airbnb in terms of brand launches has been negligible, many operators are listing short-term inventory on the platform, taking advantage of the relatively low commission rates as well as emphasising the benefits to Airbnb customers of branded – and therefore regulated and consistent – product as opposed to the typical properties found on the platform.

By contrast, operators are definitely responding to the burgeoning co-living sector with some interesting new brands. Ascott's lyf concept is

leading the charge, featuring a mix of traditional units with shared rooms and amenities. The first lyf property opened in Singapore in September 2019, and there are further signed deals in Thailand, Malaysia, China, Japan and Singapore. However, developer response to the brand has, however, not been as warm as Ascott expected. When lyf was announced in 2017 the company set a target of 10,000 units opened by 2020, with Europe and Australasia also on its radar.

The Collective, a fast-growing co-living brand with two locations in London and one in New York, has a very ambitious roll-out plan. It is an upscale brand and is competing with serviced apartments by targeting corporate customers, although it is also working in partnership with some of the bigger serviced apartment operators, enabling them to offer clients something a little different.

While the serviced apartment sector is unlikely to ever match the dizzying plethora of new brands appearing in the hotel space, we are going to see more, and regular, launches over the next few years. The aparthotel model is really taking off, and I think we will see serviced apartment operators launching aparthotel brands to capture leisure customers they aren't currently reaching. I also think it will become commonplace for the major companies in the space to have a family of brands, each targeting a different guest demographic with variation in property type, design and price point.

# Operator analysis - online reputation scores

## By Bard Vos

Guest reviews are becoming increasingly important in the decision-making process of assignees, business and leisure travellers alike. Once again, The Apartment Service has reviewed how global serviced apartment brands are performing in the eyes of their guests, and the results are shown here.

To establish an average rating for each brand, we took a representative sample of at least 10 properties at 3 monthly intervals to track their guest review ratings on Booking.com & TripAdvisor. This was over an 18 months period since the last GSAIR was published.

We were able to take a wider geographical sample from some brands, such as Fraser Residence, Somerset by Ascott and Adagio, because they are represented in more regions.

Others, like Residence Inn, Suite Novotel and Quest Apartment Hotels, have a more limited geographical presence. For these we took one-country samples, however their performance is comparable with the international brands, suggesting that brand standards are implemented consistently and that regional differences only add to the appeal of the brand.

## Key findings

1. Nine of the ten brands that topped the poll in our 2018/19 report have done so again.
2. Fraser Residence once again took top spot, with four of the group's other extended stay brands also featuring in the top ten.
3. All the brands we monitored received excellent reviews from their guests, reflecting the quality of service on offer.

Fig 31. Operator online reputation scores

	Europe	Africa	Middle East	Asia	Australasia	USA & Canada	Central & South America	24 hour Reception	Limited Reception	Onsite Security	Minimum Stay	Full Kitchen	Kitchenette	F&B Facilities	Room Service	Daily Housekeeping	Housekeeping Other	Business Facilities	Leisure Facilities	Pets Allowed	AVG TripAdvisor/Booking.com Ranking 2020/21	2018/19
Fraser Residence	✓			✓				✓		✓	✓	✓		✓	✓	✓		✓	✓		8.8	8.9
Staybridge Suites	✓	✓				✓		✓	✓	✓		✓		✓	✓	✓	✓	✓	✓		8.8	8.9
Capri by Fraser	✓			✓	✓			✓		✓			✓	✓	✓	✓		✓	✓		8.8	8.7
Residence Inn	✓					✓		✓		✓		✓		✓		✓		✓	✓	✓	8.7	8.7
Fraser Suites	✓	✓		✓	✓			✓		✓	✓	✓		✓	✓	✓		✓	✓		8.7	8.7
Fraser Place	✓			✓	✓			✓		✓	✓	✓		✓	✓	✓		✓	✓		8.7	8.6
Candlewood Suites						✓	✓		✓	✓	✓	✓		✓			✓	✓	✓	✓	8.7	8.5
Modena Residence by Fraser				✓				✓		✓		✓		✓	✓	✓		✓	✓		8.7	8.5
The Sebel (Accor)				✓	✓			✓		✓		✓	✓	✓	✓	✓		✓	✓		8.6	8.6
Ascott The Residence	✓	✓		✓				✓		✓		✓		✓	✓	✓		✓	✓		8.6	8.5
Mercure Apartments					✓		✓	✓		✓		✓		✓		✓		✓	✓		8.6	8.4
Marriott Executive Apartments	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓		✓		✓		✓	✓		8.5	8.6
Town Place Suites						✓		✓		✓		✓		✓		✓		✓	✓	✓	8.5	8.5
Somerset by Ascott	✓		✓	✓	✓			✓		✓		✓	✓	✓	✓	✓		✓	✓		8.5	8.5
Citadines	✓			✓	✓	✓		✓					✓	✓		✓		✓	✓		8.5	8.4
Suite Novotel	✓			✓				✓					✓	✓	✓	✓		✓	✓		8.4	8.4
Quest Apartment Hotels	✓				✓			✓	✓	✓		✓	✓	✓		✓		✓	✓		8.4	8.3
Adagio	✓		✓				✓	✓				✓		✓		✓	✓	✓	✓	✓	8.3	8.2
Adagio Access	✓						✓	✓				✓		✓		✓	✓	✓	✓	✓	7.9	7.9
Extended Stay America						✓		✓				✓		✓		✓				✓	7.2	7.2



# Technology & innovation



## By Jim Dolan, KPMG

Distribution is already disrupted, right?! Well get ready for some more. I have had the pleasure of working with a range of hospitality clients in my time, and I would say that technology is not usually at the top of the popularity charts, but it is starting to rise to the top, and rightly so.

The CIO Survey run jointly by Harvey Nash and KPMG each year shows that the leisure sector has the highest growth across an industry in terms of increasing IT budgets, with 68% of respondents from 108 countries reporting that they will spend more on IT this year than last year. This is in an industry where aggregators have already enacted Disruption v1.0 to distribution.

So, what is the investment in? We talk in our survey analysis this year about “Digital Leadership”, with respondents considered to be Digital Leaders experiencing benefits such as increased revenue growth, profitability and operational efficiency compared to competitors. And in the Serviced Apartment Industry, IT investment chasing Distribution automation and Guest Experience is most likely to result in these results.

Most people have smart phones and use them a lot (e.g. 30% of millennials look at their phone at least every 5 minutes, without prompt). So, in today’s digitally connected society everything typically comes to our Guests in a single digital device, and they subconsciously have their expectations set by the convenience and immediacy of everything on that device.

This means that you have to be as digitally delightful as Google, Spotify and Social Media – unfair as it is, your Guests’ expectations are being set by people you don’t even compete with. Therefore, you need to be digitally represented and relevant on their device to even get started.

And with the growing use of location information, biometrics and smoother, conversational workflow technologies – all relevant technologies to Serviced Apartments from a Guest Experience point of view – expectation is starting to grow around the use of these innovations.

Emerging technologies like AI and machine learning could contribute \$15.7 trillion to the global economy by 2030,<sup>20</sup> of which 55% will be due to increased productivity. Machine learning

20. <https://www.pwc.com/gx/en/issues/data-and-analytics/publications/artificial-intelligence-study.html>

is an AI technique where the algorithms are given data and are asked to process without a predetermined set of rules and regulations whereas Predictive analysis is the analysis of historical data as well as existing external data to find patterns and behaviours.

By 2021, there will be 7.5 billion digital assistants in the world providing all kinds of content including searches for serviced apartments. Amazon's Alexa, Google Home and others have already sold more than 20 million devices, and that figure is expected to double in less than a year. 35.6 million Americans used a voice-activated assistance at least once a month in 2017.

Although lodging brands want to provide their clients with the facts to back decisions around spend and risk management, only the large hotel chains, such as IHG, Hilton and Hyatt, have started leveraging their big data to better serve the customer and predict occupancy levels and room rates.<sup>21</sup>

For serviced apartments, AI will make big data easier to manage and guests will become smarter shoppers. AI will help operators sift through data

a lot quicker and to automate a lot of tasks such as front desk, cleaning, maintenance and power management.

For the guest, AI will create the ability to search very specific requirements and receive the required information almost instantly. Examples of extended stay brands already deploying AI solutions include Wally the robot butler at Residence Inn, Los Angeles and Ami the Chatbot at Montcalm Luxury Hotels, London.

## Adoption levels

There is a rule of thumb that if between 6% and 8% of an industry adopt a technology or process, it starts to become integrated in to the expectation of Guests, and as above this is likely to be driven by organisations and offers that reside on people's phones, or most certainly the aggregators from Disruption v1.0. Therefore, the requirement to be cognitive of Guests' expectations and the pressure to act on it, is growing at a rate and in a direction, you have no real control over. This is the lead into Disruption v2.0.

While we have some limited examples of space age automations making deliveries and humanoid robots talking us through a check-in experience,



21. [https://www.eyefortravel.com/sites/default/files/1613\\_eft\\_predictive\\_analysis\\_report\\_v3.pdf](https://www.eyefortravel.com/sites/default/files/1613_eft_predictive_analysis_report_v3.pdf)

the key area where robots are making a real difference today is hidden in the back office doing the ever vigilant, 24/7/365 job of surfacing availability: expediently, consistently, constantly, across all channels. You can configure a bot to look across your availability and post it automatically, not relying on human intervention to make sure you have all your availability surfaced.

By delegating the easily automated tasks to a bot, you can leave employees to manage complicated queries where human interaction is necessary. According to Juniper Research, chatbots will help eCommerce companies save \$8 million by 2022 by saving \$0.70 per every user interaction.

Like many things in the IT game, being the best comes at a high cost, but not being in the game comes at a higher one. Despite it being my area

of passion, I have never been an advocate of “IT for IT’s sake”, my eternal challenge is spotting opportunities helping clients frame their reference, and then apply solutions that will drive genuine value.

In my Information Systems lectures at University back in 1991 I was told that one day in the future, technology would be thrown away - not because it was broken, but - because it was obsolete. That’s sort of my message around digital leadership - particularly in distribution - “Technology keeps you in the game, so treat it like a corporate asset, or you’ll be left behind”: focus on differentiation, focus on value, focus on Guests, the rest will follow.

*Jim Dolan is a Managing Director in KPMG LLP’s Technology Practice, with 22 years of Big 4 consulting experience helping clients to deliver transformational change.*

“Technology keeps you in the game, so treat it like a corporate asset, or you’ll be left behind”



# Industry Perspective



## **“Globally, the extended stay sector is growing rapidly on all continents”...**

Since its inception in 2007, Aparthotels Adagio® has established itself as the European leader in aparthotels. 2019 marked a year of exceptional performance for the brand, including seven openings in four countries and an additional 17 aparthotel signings. By 2023, Aparthotels Adagio aims to double its portfolio, reaching 162 aparthotels in Europe and 220 worldwide.

2019 also saw the Aparthotels Adagio brand surpass the 300 million mark in business volume, exceeding its objectives with an increase in sales on all direct (+ 10% in e-distribution vs 2018) and indirect channels (+ 21% vs 2018), in addition to sales boosts in both leisure and business guest segments.

In addition to an increase in sales, Aparthotels Adagio also saw its overall guest satisfaction score double – in comparison to all other hotel brands, with 86.9% either satisfied or very satisfied in 2019. This progression is the result of a strategy oriented around the customer experience, led by the brand since 2016.

Recent aparthotel openings in France included the Aparthotel Adagio Access Palaiseau Saclay, the Aparthotel Adagio Access Montpellier Centre, the Aparthotel Adagio Paris Nation and the Aparthotel Adagio Lille Centre Grand Place, with several other new properties worldwide. These new international properties include Bremen in Germany (which marks the brand's fifth opening in Germany), Casablanca in Morocco (which marks the first extension of the aparthotels network into North Africa), Jeddah in Saudi Arabia, and Leicester, UK.

In addition to development projects, the brand's new concept for common areas of its aparthotels ('The Circle') has also accelerated: 38 establishments were already renovated at the end of 2019, with the renovation of 21 sites planned for completion in 2020.

2019 also marked a record number of signings for the brand, with 17 signings in seven countries,

including new locations for the brand, such as Poland, Mauritius, Ukraine, Rwanda and Romania. This internationalisation is in-keeping with the brand's global customer base; last year Aparthotel Adagio welcomed 514,296 guests from 227 different nationalities.

In addition to these new openings and signings, Aparthotels Adagio will also be collaborating with the Success Hotel Group to open the Aparthotel Adagio Antwerp in 2022 and the Aparthotel Adagio access Brussels Airport in 2023. With two aparthotels already in the capital, these new aparthotels will further cement the brand's presence in Belgium.

Karim Malak, Managing Director of Aparthotel Adagio, commented:

“I am very proud of our collaborators and of all that we have accomplished with Aparthotel Adagio in 2019. We continue to create value for our customers, our collaborators, our partners, our shareholders and obviously also for the cities in which we are established.

“Globally, the extended stay sector is growing rapidly on all continents, driven by the new uses of millennials and a strong demand for well-being and conviviality.

“Aparthotel Adagio is the player of choice in this dynamic and attractive environment; our ambition remains to be the preferred accommodation solution for urban, business and family travellers.”

2020 will mark another year of tremendous growth for Aparthotels Adagio, with 11 planned openings including Brussels, Leicester, London, Freiburg (Germany), Vannes (France), Doha, Dubai and Goiânia (Brazil). A trial of a co-living concept will also be rolled out in Paris Bercy at the end of the first half of this year; created in response to new hotel and real estate trends with the aim of further strengthening the shared experience of aparthotel guests.

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# Data security & management

## By Simon Early

Or - I know what you did last summer, and the summer before that, and the rest of the year, and yesterday and this morning and ...

It is truly incredible how much data we “leak” whenever a computing device is used. It is probably equally as disconcerting the flippancy with which we casually spill this new commodity. Should anyone be surprised that Facebook and Google whisper “you ARE the product”? If you Google something whilst casually sipping a latte outside a coffee shop, Google knows who you are, where you are, your IP address, location and what’s around you.

How else would they know to serve up ads about deals on the buns to go with your drink? Actually, it’s all in their T&Cs - the one you agreed to when you ticked the box.

Security is the main consideration for most of the companies who want your data. After all, reputations are hard won and easily lost. It is significant that the big players never admit to being hacked or falling victim to ransomware. Instead they attribute service interruptions

to server upgrades or a “substation power fire outage.” In reality they are very likely hacked and it’s thanks only to some clever second-level security measures that the damage isn’t much worse.

## Enter the GDPR

To minimise both mischief by companies in possession of useful data and the damage caused by those naughty people who steal and misuse data, the General Data Protection Regulation (GDPR) was introduced across the EU in May 2018.

In a nutshell. The message of GDPR is don’t take more than you need and protect what you have. Only those who need-to-know can see or use it. And once you’re done, delete it.

The idea is that companies cannot sell or pass your data onto someone else. They can’t use your data in ways that you haven’t consented to. If they’re storing it securely, no-one can steal it and book a month’s holiday in Acapulco on your credit card.

Other countries have similar legislation; the U.S. is slightly different in that the government insists that data is secure - but they can have access if they wish. Which is nice.

## Cookie monster

In the unlikely event you ever read the T&Cs you sign; you'll be amazed what you have actually agreed to.

In the case of Facebook and Google, you agree to allow them to use your data for any purpose, including derivative works. If you email a friend and divulge the secret of eternal youth or attach the plans to build a weapon of mass destruction, they reserve the right to take that intellectual property, extend it a tiny bit and hey presto, the new thing belongs to them!

Imagine making a time machine and discussing it with a friend over email. Google could make the same machine, paint it bright blue and that's it! A true case of "what's yours is ours and what's mine's my own"- but tick the box we do, every time.

## They've got form

Form filling - who doesn't love a good form to fill out? Well, just about everyone in fact. Google's Chrome browser, a plethora of others and a vast number of plug-ins will save your data and autofill lots of them for you - automagically.

The price we pay for convenience is security. Chrome will even offer to save your credit card info in the browser, as will LastPass and many others.

Getting users to enter data into forms is the biggest obstacle faced by internet developers and marketeers. But for them to reach that point a load of other stuff has to happen.

The user needs to have wanted something, searched for and found it on a website; been persuaded the item is what they want and then provide a lot of personal data in order to take possession. There's a lot of trust involved, Websites generally embed a sales funnel process which goes like this:

1. Display the Thing the user wants - In. Your. Face.
2. It should be the entire reason users come to your website. That Thing is there, front and centre. In the travel industry it's usually a small form to enter travel and/or accommodation requirements.
3. Give confidence - either your brand, the fact it's all https (the little lock in the address bar should be present), recommendations, money-back guarantees, trade associations, local country customer services phone number, chat link etc. Preferably all of them!

4. Demonstrate a sense of urgency - something like "hurry - only 3 of these Things left and everyone wants them!"
5. Give the user a sense of "winning" - buy one get 5 free more Things.
6. Prompt action - "click this button and do This Thing now!"

If the form you're asked to complete is too wordy, it's either been badly designed or you're stuck with using the company's services or products because your organisation says so.

A well-designed form will take just what's needed to start with. Then, like a good fisherman, they will reel you in gradually.

## Enough's enough

In the travel industry we do this in stages. At first, we stick to Property Search: - nice and easy, just where, when and for how long.

Next, we hit you with filters, which require more data entry, before getting you to submit your enquiry or complete a booking if the property is available to be booked online. Assuming it isn't, we present you with a list of suitable options until you book.

By now you're committed, so the forms become more and more complicated. Where do you live? When were you born (in case they want to send you a cake on your birthday no doubt...)?

Don't panic though. As long as the form is covered under that little https lock at the top and it's a reputable company, that little lot - plus GDPR = should give you some comfort. If not, well it's all covered in the T&Cs. You do remember ticking that little box, right?

Getting users to enter data into forms is the biggest obstacle faced by internet developers and marketeers.

# The Airbnb effect – impact of home sharing on extended stay

Airbnb's gross bookings were expected to top \$44 billion during 2019

## By Mark Harris

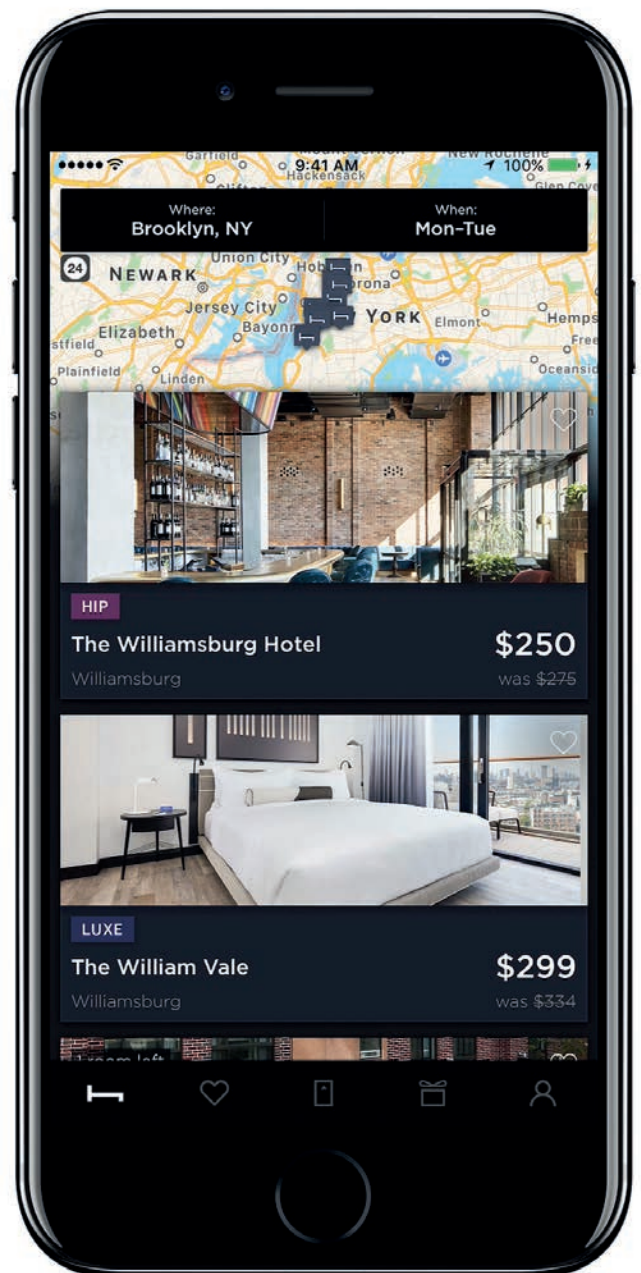
Paul Constantinou, chairman and founder of Australia's largest serviced apartment operator Quest, this year called on the industry to "embrace Airbnb", backing the home sharing platform as a cheaper distribution channel for operators than OTAs like Expedia.<sup>22</sup>

Although Quest was not then on Airbnb, Constantinou revealed that they were considering it because the platform charges lower booking fees "and friends of mine within the industry are already using it," he said.

Which pretty much sums up why Airbnb, the bogeyman of serviced apartments, is increasingly regarded as competitor or friend rather than foe. This is due, in part to the increasing convergence between short-term rentals and serviced apartments.

As shown by its acquisition of HotelTonight, Airbnb is diversifying into the boutique hotel and serviced apartments space, taking advantage of the blurring of the lines between traditional hotels and other accommodation options, evidenced by the rise of the master-lease model adopted by companies like Sonder, Lyric and Stay Alfred, investment into Airbnb-powered firms like Niido and Natiivo and the emergence of new market disruptors like Amazon.

This blurring has produced so-called 'mammoth' platforms<sup>23</sup> in Airbnb, Booking Holdings, Expedia Group (including HomeAway), TripAdvisor and Tujia. Airbnb's gross bookings were expected to top \$44 billion during 2019; together with the other four titans they will account for 73% of all short-term rental bookings for the year.



22. <https://www.afr.com/property/commercial/we-should-embrace-airbnb-says-quest-boss-paul-constantinou-20190122-h1aboy>

23. Skift



Airbnb may only be a decade old but in 2018 served 100 million guests at five million properties in 81,000 cities across 191 countries worldwide.



## Business travellers

Airbnb may only be a decade old but in 2018 served 100 million guests at five million properties in 81,000 cities across 191 countries worldwide. Like European Low-Cost Carriers such as Ryanair and easyJet, they have realised that they have reached the growth ceiling in many core markets. Consequently, they have begun to target business-travellers - the main source market for both hotel and serviced-apartment brands. Airbnb has also started to offer a more hotel-like services and the up-scale Airbnb Plus, whose properties are subject to extensive inspection criteria and hosts are required to follow a list of strict guidelines.

The company has also introduced Business Travel Ready (BTR), a programme that aims to provide business travellers with support and travel managers with a range of analytical tools. The level of traction achieved in the corporate market is limited, in main due to continuing concerns over the risk to Duty of Care. According to the GSAIR survey, 60% of corporates do not permit their employees to stay in home-sharing properties.

There are other drawbacks to BTR. There's a 24-hour wait for booking confirmation and a possibility the host might cancel a week in advance. Entering an empty house or apartment in an unfamiliar location alone, particularly at night, and especially for women travellers, is a no-no. Security personnel, door entry cards, security cameras and room safes are rare.

Airbnb properties often have shared bathroom and kitchen areas, so privacy can be a concern. Quality can be inconsistent from visit to visit and consistency for every visit. Some guests don't like having the host's personal belongings lying around. Overall, serviced apartments are much better equipped to guarantee the services business travellers and assignees regard as essential.

## Bleisure

Alongside their focus on business travel, Airbnb is also targeting the Bleisure traveller. In 2017, over 30% of Airbnb for Work bookings included at least one weekend night. Younger business travellers without family responsibilities are more likely to incorporate leisure into their business trips, adding on weekend stays and looking for convenience and independence.

When business travellers book Airbnb, it is usually for groups staying more than one or two nights. Nearly 60% of Airbnb for Work trips in 2017 had more than one guest. Of the 60% of Airbnb for Work trips with more than one guest, nearly 40% had three or more guests.

There are also more extended stays and relocations being booked on Airbnb, ranging from long business trips or training sessions that require several weeks away to onsite projects that can last several months to a year. In 2017 alone, stays booked on Airbnb for Work of 14 days or longer nearly tripled.

## Regulation

Airbnb has been the subject of much regulatory debate. At the heart of the problem is whether Airbnb is defined as an information society service, a hospitality / real estate company, an e-commerce provider or a real estate brokerage. The definition determines the relationship deemed to exist between Airbnb hosts and their guests, and thereby what regulation is applied.

While countries like Denmark and the Netherlands favour an online-based registration system, cities like Brussels and Barcelona want to curb the number of licences to prevent 'over-tourism'.

## Industry partnerships

To bolster its push into business-travel, Airbnb first partnered with Concur in 2017. The Concur travel and expense management platform lists Airbnb accommodation, giving the vendor greater competitive edge over both branded-hotel and serviced-apartment providers.

The number of Concur customers expensing Airbnb stays increased by 42% between 2016 and 2017 and included 63% of Concur's Fortune 500 customers.<sup>24</sup> Airbnb's stated aim is to make corporate travel 30% of its total business by 2020. Hardly equivalent to world domination but a significant enough market share to represent real competition for serviced apartments as guests embrace alternatives to hotels.



24. SAP Concur

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# Serviced apartment 2025



## By Mark Harris

The extended stay market – whether serviced apartment, aparthotel or private apartment rental – is thriving, providing unprecedented competition, and alternatives, to hotel accommodation.

Growth in extended stays has not only been fuelled by global mobility but, ironically, by technology too. Airbnb, HomeAway and others have had a massive impact on consumer awareness of hotel alternatives. They have also contributed to over-crowding in the sector by vying for guests alongside hotel groups' extended stay brands and specialist serviced apartment operators.

The future of serviced apartments is clearly signposted. BridgeStreet's Stüdyo brand offers rooms fitted with the essentials and shared common spaces (including kitchen). Ascott's lyf (pronounced 'life') properties are managed by millennials acting as community managers, city and food guides, bar keepers and problem solvers. The Derag Livinghotel concept combines

in-room kitchens with access to large public spaces with a shared kitchen where tenants can eat together.

As competition increases, operators are having to be more creative with their products, examples of which include more common spaces with communal dining areas at the expense of in-room kitchens, marketing them as more affordable micro-apartments such as the Bridgestreet Stow-Away property in London's Waterloo, which consists of 20 prefabricated modular micro-apartments. As guest behaviour moves further away from brand loyalty to rewards and 'on demand' services, the onus will be on operators to build strong product identities to mitigate bookers' freedom of choice. In other words, they will have to innovate.

So, what does innovation really look like in the extended stay sector? In many cases, innovation takes the form of brand development - design, fixtures, furnishing and equipment. Innovation in space utilisation has been a focus for brands backed by investors with a real estate background.

Smaller room sizes enable operators to generate returns comparable with traditional hotels, whilst serviced apartments' lower running costs have enabled operators to invest in F&B offerings and higher levels of service.

Historically, the level of innovation adopted by serviced apartment brands has reflected a property mind-set rather than the hospitality ethos that drives operators to create new guest experiences for a changing customer demographic. However, cost, scalability and customer understanding can all impact adoption levels. The key lies in matching guests' needs with available, affordable technology.

## Key technology trends

Larger brands face the challenge of processing and analysing the data generated by that technology, thereby exposing the shortcomings of proprietary systems and heavily customized solutions. Most have already discovered the value of centralising data in a single, secure, system for distribution, digital marketing and an improved guest experience.

Mobile is something operators can no longer ignore. 33% of serviced apartment bookings now come from mobile, compared to 39% of hotel and 22% of air bookings. 20% of serviced apartments booked via mobile come from smartphones.<sup>25</sup>

Accommodation providers and their suppliers now have an ever-increasing array of emerging technologies to consider when developing their e-commerce strategies. They must decide which ones offer the greatest potential to improve both the customer experience and operational efficiency. From artificial intelligence and virtual reality to data analytics, these technologies will sustain serviced apartments in their day-to-day operations, growth, marketing and strategy.

Technology is transforming the look and feel of serviced apartments. The revolution in home technology is being replicated in the extended stay sector as consumers demand the same levels of amenity in their temporary accommodation.

Companies like London-based Cornflake are providing personalised entertainment solutions, equipment and even personalised décor - all controlled through mobile using shared data networks. App-controlled service enables brands to offer enhanced security as well as more personalised environments.



# Technology is transforming the look and feel of serviced apartments.

25. 2018 Digital Benchmark Report (Serviced Apartment News/TIN)

## Personalisation in practice

Personalisation has become commonplace across the lodging sector. Propelled by the availability of behavioural analytics which, when linked to search engine results and cookie tracking, enable businesses to send targeted messages based on the user's interests, like the 'you might like' recommendations made when shopping on Amazon.

Hospitality providers are using personalisation to attract and retain customers and to replicate the human interaction customers enjoy when buying offline. But personalisation can take other forms too; from allocating a lower floor room because a guest prefers not to use the lift, to making sure the minibar is stocked with the guest's favourite drink.

Whilst some hotel brands are replacing check-in desks with personal hosts who welcome guests and remain their point of contact throughout the stay, others have created apps that allow guests to choose which type of bed they would like, serviced apartments have in the main been slower to change.

Smart serviced apartment operators are thinking beyond the four walls of their respective buildings. They are leveraging the power of adjacent spaces and generating revenues from activities other than room-sales. Some aim to bring 'emotional activities' to the guests; Adagio is putting bookshelves in its lobbies to provide objects that guests can borrow for their studio or apartment.

In the hotel sector, HEAL (Healthy Eating, Active Living) properties like Starwood's Capital 1 brand have incorporated wellbeing into design and finish. Serviced apartments and extended stay brands are likely to follow suit.<sup>26</sup>

## Blockchain

By 2025, serviced apartment operators will have adopted digital and crypto currencies. The attraction of Blockchain technology lies in enabling secure financial transactions. Vision Apartments was the first serviced apartment provider to accept payment in bitcoins and others are following.

The potential benefits of blockchain are not yet fully explored, but applications include eliminating the need for physical credit cards and verifying the sending of virtual card numbers to serviced apartment operators. The need to pay for overseas purchases in local currencies – and the additional cost – then disappears.<sup>27</sup>

A significant barrier to serviced apartment adoption of new technologies is the lack of consistency between the commoditised traditional hotel booking, the vastly more complex corporate housing or relocation assignment and everything in between. This means that technology must either be custom-built or easily adapted to serviced apartment operator's individual needs.

Ultimately, the brands that invest in tailored and pointy technology will be those who achieve a true competitive advantage. Each of the emerging technologies has created new opportunities but require moulding and adapting if the investment returns are to be optimised.

Ultimately, the brands that invest in tailored and pointy technology will be those who achieve a true competitive advantage.

26. <http://www.servicedapartmentnews.com/home/features/2018/1/2/serviced-apartment-providers-2018-trends/>

27. <https://travelshift.com/blockchain-transform-travel-industry/>



# Serviced apartments and traveller wellbeing



## By Charles McCrow

Amidst a new social order, in a world where everything is seemingly available online and on-demand, it's little wonder that some workers feel insecure, left behind and anxious.

The sheer volume of information which bombards us every day can leave many feeling overwhelmed. These feelings of anxiety can increase many times over when workers find themselves away from home on business or assignment in unfamiliar locations.

For employers, the need to provide employees with an effective work/life balance and to enable healthy lifestyles is not just beneficial for talent retention but has a dramatic impact on productivity.

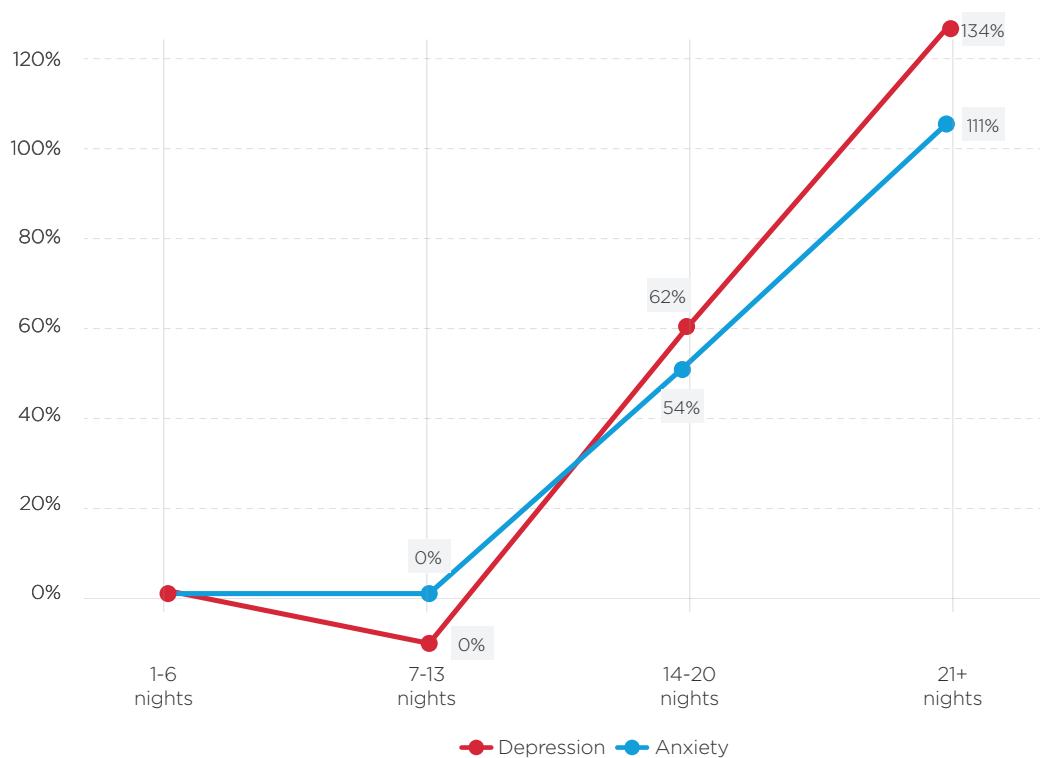
On average, corporate wellness programmes reduce sick leave and absenteeism by 25%, health costs by 25%, and worker's disability costs and compensation by 32%.<sup>28</sup>

On average, corporate wellness programmes reduce sick leave and absenteeism by 25%, health costs by 25%, and worker's disability costs and compensation by 32%.

28. <https://hbr.org/2014/02/in-defense-of-corporate-wellness-programs>



Fig 32. Impact on depression and anxiety by volume of business travel per month



Source: BusinessTravelNews.com

## Travel & wellness

Healthcare costs are rising, as are rates for cancer, cardiovascular disease, diabetes and obesity. Corporate wellness services - now a \$2 billion industry globally - focus on reducing employer healthcare costs by encouraging employees to make healthy lifestyle choices.

Corporate wellness programs cost around \$594 per employee - less than one round-trip domestic or international airline ticket and less than the cost of travel related stress per trip, estimated at \$662.<sup>29</sup>

Many travel or relocation programmes prioritise savings over employee satisfaction and convenience. A poorly thought-out programme can damage talent retention. Over 80% of millennials seriously consider how their job affects their work-life balance,<sup>30</sup> whilst overwork is the second most-cited reason that employees leave their jobs.<sup>31</sup>

Then there's the impact on employees' health. Travellers who spend 14 or more nights away from home every month tend to be more obese, do less

exercise, and are more likely to display symptoms of anxiety, depression and alcohol dependence.<sup>32</sup>

Serviced apartment brands are responding. Frasers Hospitality have created a signature facility - The Retreat - which provides a tranquil and conducive space for guests to relax and recharge mentally. Massage chairs and calming teas are available, whilst guests can also enjoy a power nap with ambient music, gentle lighting and soothing scents.

Meanwhile, guests at Premier Suites properties can follow online videos or download exercise cards and take advantage of exercise mats, fresh fruit, chilled water and towels from reception. They have bikes available at some locations so guests can cycle to and from the office.

Serviced apartments can leverage on the large room spaces to separate areas of work from play and rest, where guests can physically and mentally retreat to their private and personal space to take a break from social or work functions. Typically, serviced apartment rooms are 15 - 30% larger than most hotel rooms.

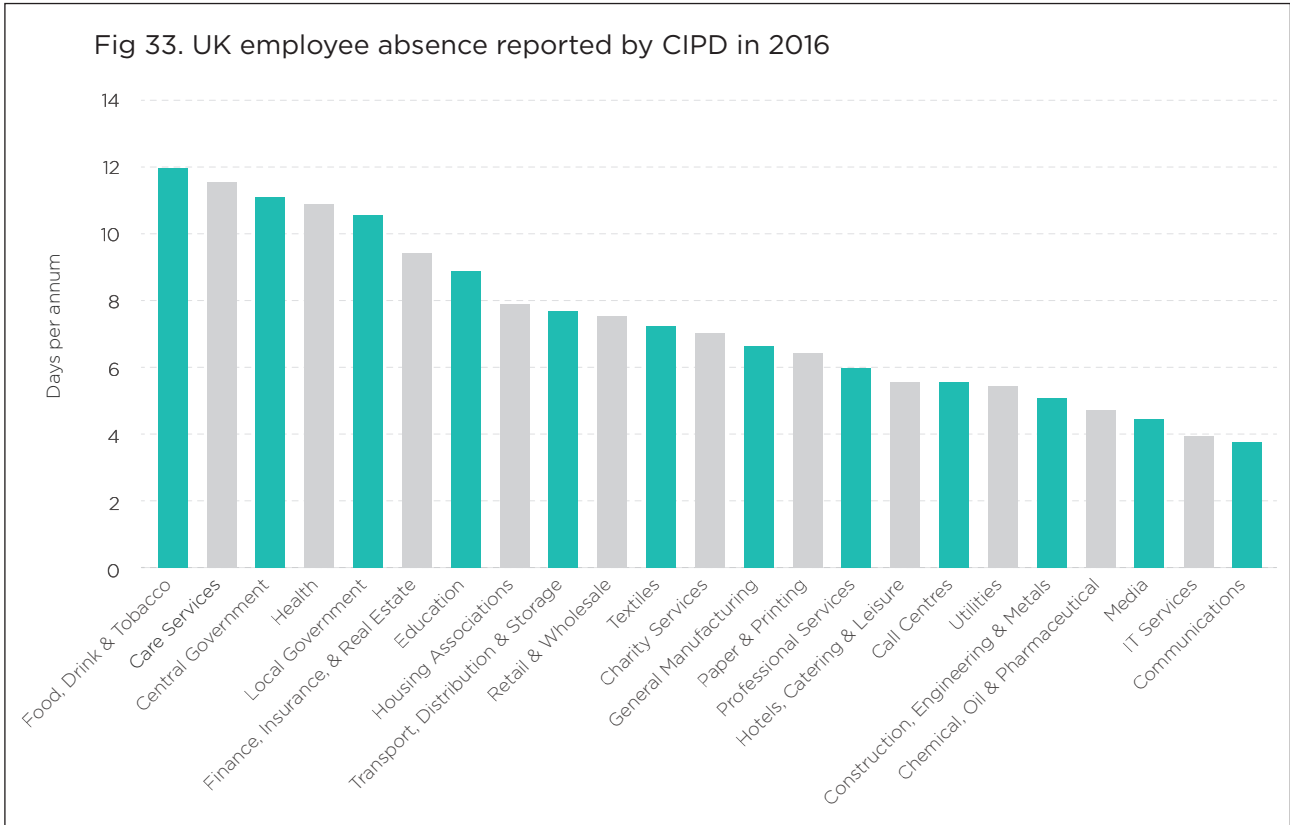
29. Corporate Wellness Magazine

30. <https://www.flexjobs.com/blog/post/survey-finds-varying-attitudes-millennials-older-workers-about-key-workplace-issues/>

31. <https://globenewswire.com/news-release/2018/10/25/1627089/0/en/Yoh-Survey-Lack-of-Respect-Broken-Promises-and-Overworking-Employees-Are-Top-Issues-with-Managers-That-Would-Make-Employed-Americans-Consider-New-Jobs.html>

32. <https://www.sciencedaily.com/releases/2018/01/180108121550.htm>

Fig 33. UK employee absence reported by CIPD in 2016



## Approaching the problem

Everyone knows that they work best when they are feeling well, but some of the factors involved in a transfer to another country and culture may have a negative - even though maybe only temporary - impact on this. Finding yourself in an environment that is not familiar could have a detrimental impact.

Companies who are sending people all over the world on short, or long-term assignments need to take wellness into account when relocating individuals - especially when whole families are moving.

Information about security, social connections, support and interaction with others in the new temporary location, city or foreign country, are essential for decision making, both for assignees and their partners.

The work starts very early in the sourcing process. Assignee involvement in the search ensures a comfortable start and saves time - the assignee knows what they like or dislike. Searching for a temporary home isn't all that difficult, unlike the confidence that what you have seen online is what you will get.

“The stress, sleep interruption, unhealthy eating and drinking, and lack of exercise that are common side effects of being on the road. Over the long-term, these issues can add up to chronic disease risks.”

Andrew Rundle, Associate Professor of Epidemiology, Mailman School of Public Health.

## Co-living

The new trend of co-living brings in a new dynamic, but the same criteria listed above apply. Availability for this option will be determined by whether there is a co-living development in the required location. The urban living lifestyle will be welcomed by Millennials to whom the social aspects of living closely and engaging with like-minded others outside the assignment working community.

Most people are looking for a community feeling with meaningful social connections and involvement. The co-living trend may be a substitute for a community-based way of life which is gradually disappearing as a globally mobile workforce, urban creep and the fragmentation of family units change the fabric of society.

For employers, co-living offers the prospect of lower costs. Typically, co-living options offer private sleeping quarters and have shared communal areas for cooking, dining and lounges for meetings or discussion. This isn't far away from traditional hotel offerings; private rooms with public restaurants and lounges. In the context of the new social culture however, co-living properties can be a great solution for some. See *next article for more details*.

## Assignment working & wellness

Offering cultural awareness information for business travel as well as for relocating assignees will help colleagues to appreciate the diversity of the world when away from home.

Support from local contacts, networks and interest groups is critical in helping to make recommendations of where to go and where to avoid. Transferees need more clarity about their destinations.

Less well understood is how to ensure wellness in the relocation industry, where longer-term assignments are more typical. Even in shorter, business travel related stays, the impact of absence from friends and family must not be overlooked.

The accommodation environment is critical to wellbeing. Research by John Lewis & Partners recently found that 53% of their customers believe a living area should be a 'space for quiet and calm reflection'. 75% want to read and 20% use their living areas for yoga, mindfulness or exercise, watch TV or switch off. Natural materials, light, indoor plants and reducing clutter all make that living environment restful.

For those who are relocating or on business trips away, our recommendation is to take a day or two off on arrival, switch off from work and explore some of the new places near you – museums, parks or a spa. Assignees should not dive straight into a busy working schedule. A day or two off will reap big dividends in wellbeing, and thereby productivity for their employers.

Focussing on alleviating the stresses that occur before and during a move is the best way forward. Prevention is better than cure. The holistic approach involves no more effort than you'd willingly give to a friend or family in need of assistance.

## Key takeaways

- Corporate wellness services have exploded into a \$2 billion industry.
- Wellness programmes reduce sick leave and absenteeism by 25%, health costs by 25%, and worker's disability costs and compensation by 32%.
- Cultural awareness, recommendations of where to go (and avoid) are essential.
- The accommodation environment is critical – space to relax as they see fit.
- Co-living may work for some – but not all.
- Assignees should not dive straight into a busy working schedule.
- Focus on alleviating the stresses that occur before and during a move.

# Industry perspective

## Serviced Apartments and Traveller Wellbeing

By Oliver Faull, Swiss-Belhotel International's Vice President for Australia & New Zealand



There are several factors impacting traveller wellbeing in the serviced apartment sector. The first is the modern fitness trend. Today, corporate travellers are increasingly searching for places to stay where they can keep up their health and wellness regimes.

84% of business travellers in Asia Pacific (including Australasia) said they tried to stay in control of their routines when travelling<sup>33</sup> – more than in Europe and North America by using onsite amenities like swimming pools and fitness centres, healthy cuisine and more. But allowing guests to take control of their fitness means more than just providing a gym; it's about creating an atmosphere that is conducive to wellness. For many guests, the sense of being enclosed – either in a small hotel room or a congested part of the city – detracts from their wellbeing.

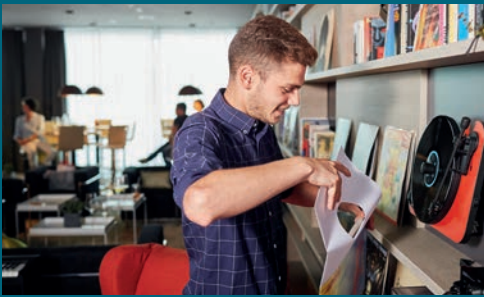
Serviced apartments solve this problem by offering greater space and the ability for guests to stay freely, create their own healthy cuisine and maintain a semblance of their home life routines.

In many ways, Australasia is ahead of the curve in terms of global serviced apartment trends. Rather than being limited to corporate travellers, this type of accommodation has always been popular with travelling families and leisure guests in the region. As a result, serviced apartments can often be found in popular Australasian resort destinations, as well as business hubs, and offer a good mix of facilities.

It is not only amenities that boost guests' wellbeing. Having a greater sense of freedom is important too. Shared accommodation providers like Airbnb are showing travellers – both and leisure – that they do not need to put up with cramped single-room living any longer. Now, corporate travellers, families and others can enjoy full houses or apartments for the same price as a hotel room. This style of accommodation also suits modern millennial lifestyle, allowing guests to “live like a local”. Unfortunately, this can come at the expense of safety and security, unless you book with a trusted hotel or serviced residence provider.

So, in practical terms, guests now demand accommodation that is spacious, convenient, safe, secure, well-located and fully equipped with amenities that support their lifestyles. For example, Swiss-Belhotel International provides large living spaces that allow guests to unwind in style. Our smallest apartments are double the size of a standard hotel room and many larger suites can comfortably accommodate a family of six. Each apartment also features a fully equipped kitchen, open-plan lounge and dining area and a large private balcony.

“Guests now demand accommodation that is spacious, convenient, safe, secure, well-located and fully equipped with amenities that support their lifestyles”.



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# Co-living - can it work for corporates?

## By Mark Harris

The serviced apartment sector is undergoing a subtle yet dramatic transformation. The lines between traditional hotels and other accommodation options are blurring.

The major serviced apartment operators are diversifying their products as the way we live and work changes. By 2050, 68% of the world's population will be living in cities, many of whom will be sharing accommodation by choice.

This trend is termed co-living - a form of housing where residents share living space and a set of interests, values, and/or intentions. It's tailor-made for millennials who value collaboration, social networking and the sharing economy.

Co-living and co-working are starting to define how accommodation providers design their products. The modern workplace can be the home, office or coffee shop, anytime day or night, so providers are striving to meet these disparate needs.

## What is co-living?

Co-living is almost as broad a church as serviced apartments. Many different concepts and brands have sprung up, including The Collective, Projects, WeLive, Ollie, Vonder and Kin. The concept is not a new one though; in the 1930's the Isokon project in North London offered individual rent, communal spaces, and services around a co-living space. It failed.

There are over 23,150 co-living beds either built or in development across Europe. The UK is a particularly strong growth market, with London holding more than 20% of the European market, and Manchester, Glasgow and Birmingham also ranking in the top 20 co-living cities in Europe. 85% of the UK's co-living assets are still in the pipeline.

However, it is the United States that has pioneered the revival of co-living spaces. Availability grew by 55% in 2018 and is expected to exceed 83% by 2021.<sup>34</sup> Developments range from four or five-bedroom flats to multi-storey buildings. Communal areas in co-living buildings usually account for 25% - 30% of facilities; rooms can be shared or private.



## Benefits

Generation Y sees co-living as a lifestyle that facilitates knowledge sharing, networking, encourages professional cooperation, avoids being tied into a long lease and is sustainable.

Co-living spaces are usually found in city centres so residents can get about on foot, bike or bus. They use renewable energy and keep plastic use to a minimum.

## Co-living products

Examples of co-living spaces include the Rainbow Mansion in San Francisco, a co-living house for engineers. In Germany, StayToo manages almost 1,000 private apartments with shared laundry and sports areas in cities like Berlin, Nuremberg and Bonn. Copenhagen's Nest houses 21 entrepreneurs who share four apartments, prepare community dinners and organise social events.

On a larger scale, co-living operator Hmlet wants to build a flexible housing ecosystem across Asia, bringing together close-knit communities, making it as easy to rent an apartment as activating your Spotify subscription. Founded in 2016 in Singapore, Hmlet currently rents out 1,200 rooms across Singapore, Tokyo, Hong Kong and Sydney, offering everything from a pocket room with a shared kitchen and living room to a private two-bedroom apartment, all at affordable prices and with the flexibility to move out in 30 days, and a ready-made community to come home to.

It seems to be working, with a 93% occupancy rate across Hmlet leased properties, on an average tenancy of 13 months. The company claims to be attracting corporate interest, naming Volvo, Zendesk, and DLA Piper as employers eager to help their employees relocate in a stress-free way.

## Serviced apartments and co-living

In response to demand for shared accommodation, the Bangkok-based Onyx Hospitality Group has launched its Shama Hub brand - a serviced apartments and co-living concept. Shama Hub quad studios sleep up to four people, incorporating a dedicated study alcove, space to entertain and a kitchenette and dining area.

They are complemented by The Hub, a social lobby that integrates check-in and check-out, cafe, bar, grab-and-go counter, co-working and

informal meetings space, offering a spot where both locals and travellers congregate. In Hong Kong, co-living operator Weave has purchased the Largos Residences, which includes 44 apartments and two ground floor shops between the Sai Ying Pun and Sheung Wan MTR stations.

The Collective has launched its second co-living space in London's Canary Wharf, with rooms available to rent by the night. Aimed squarely at millennials, in reality these products are not dissimilar to the aparthotels that offer communal spaces and facilities. Like the Moorgate in the City of London has 27 suites that resemble the rooms of a Soho House hotel, furnished with Crittall brass windows, parquet flooring and pink accent chairs.

## Corporates and co-living

So, is co-living the new Airbnb? After a hard day's work in a noisy, open-plan office with constant arguments over the coffee rota and other workplace grumbles, does the average worker want to come home to another noisy bunch rowing over whose turn it is to clean the bathroom?

Operators like Sonder have high hopes for co-living. In summer 2019 Sonder became travel's newest \$billion brand after raising \$225 Million for its Airbnb-style hospitality business.<sup>35</sup> Yes, even if everyone was prepared to live in a community environment, is co-living compatible with corporate duty of care? After all, employers can't vet employees' co-residents.

Based on humans' need for a sense of belonging, the ability to connect with like-minded people and a place that we can call home, co-living is a logical extension of the sharing economy. But whilst ride sharing services are gaining in traction, and Airbnb is already becoming mainstream amongst business users, a shift towards communal living seems a long way off right now.

There are over  
23,150 co-living  
beds either built  
or in development  
across Europe

35. Forbes

# Tomorrow's guests - who are they?

**By Ana Todirica**

Residence coordinator at Thon Residence EU

After targeting the millennial generation (those born between the first half of the 80s and the first half of the 90s) for years, serviced apartment brands' attention has switched to those born from the mid 90's onwards. Generation Z is estimated to be worth US\$200 billion dollars to the travel & tourism industry<sup>36</sup> by 2020.

Not only is business travel routine for these generations. Generation Z has never known a world without smartphones or social media; they are experts at online research, have short attention spans (eight seconds<sup>37</sup>) and expect immediate results. 85% of Gen Z uses YouTube and 32% say they use it more than any other social media site.<sup>38</sup>

Global business travel spending will reach \$1.7 trillion by 2022<sup>39</sup>. 75% of business travellers aged 23 to 35 see business travel as a major work perk, and 65% consider it a status symbol - even though maintaining a work/life balance is a major challenge.<sup>40</sup> 41% claim business travel makes it difficult for them to have a stable family life, and 46% say their companies don't consider their personal life when asking them to travel for work.



## Gen Y vs Gen Z

It is the differences between Generations Y and Z that nuance innovation in the lodging sector. Whereas millennials looked to others to provide solutions to their needs, the new generation finds its own solutions.<sup>41</sup> The extended stay sector has directly benefitted because millennials travel more frequently, stay longer (on average 5-7 days) and prioritise cost and value over frequency of guest services. The serviced apartment meets these needs perfectly.

The trend towards combining business and leisure trips - bleisure - is also gathering momentum, especially in the U.S., where length of stay for a business versus bleisure traveller jumps from two nights to six-plus.

43% of business trips in the U.S. are now bleisure, whilst 70% of business travellers who add on a leisure stay travel at least every 2 to 3 months.<sup>42</sup> 54% of travellers would like to extend a business trip for leisure but 44% think it will make them look bad to their senior leadership. A new phenomenon is bleisure regret - 59% of young business travellers regret not expending a previous trip to explore a destination or city more thoroughly.<sup>43</sup>

At our Thon Residences in Brussels, most of our guests are business travellers. They come to Brussels for work in connection with the European institutions. As many of them stay for longer periods, they are also looking for activities during the weekends. They want to be close to the workplace but at the same time, they want to stay in an attractive, yet safe neighbourhood.

## A more sustainable way of thinking

How we live usually determines how we work. By 2050, 68 per cent of the world's population will be city dwellers. More families and professionals are now opting to co-share. Some believe that, by 2030, a substantial proportion of the population will have no interest in buying a home and will instead intentionally spend most of their life on the road due to affordability and greater mobility in employment.

36. <http://twissen.com/travellers/generation-z-impacts-on-families-travel-choices/> 37. Vision Critical 38. Pew Research Institute 39. <https://www.gbta.org/news-and-advocacy/newsroom/gbta-forecasts-seven-percent-growth-in-global-business-travel-spend-potentially-signifying-end-to-era-of-uncertainty> 40. 2018 poll by Hilton Hotels & Resorts of 1,200 business travelers aged 23-35 41. Rise of Gen Z: New Challenge for Retailers - Marcie Merriman, Ernst & Young LLP (2018) 42. <https://www.traveldailynews.com/post/attracting-the-high-value-bleisure-traveler-insights-for-hotels> 43. 2018 poll by Hilton Hotels & Resorts of 1,200 business travelers aged 23-35



Generations Y and Z have completely different expectations to their predecessors. They are looking for more sustainable accommodation providers, bikes to ride through the city or electric cars to travel further afield. They demand high-speed WiFi and to be able to share their experiences in real time.

People now pay more attention to their health and want to know where their food comes from. So, we have to ensure that our guests can find fresh and healthy food they are looking for, locally. A modern kitchen, fully equipped with an oven or a blender, is important to guests because this enables guests to meet their dietary needs and usual lifestyles even away from home.

## Co-everything?

Co-living and co-working are starting to define how accommodation providers design their products. The modern workplace can be the home, office or coffee shop, anytime day or night, so providers are striving to meet these disparate needs. The solutions represent a plethora of accommodation options, which some would term “hotel alternatives”, rather than serviced apartments.

The so-called Generation Globetrotter will be able to work anywhere providing they have a connected mobile device. These ‘temporary’ living spaces are already in evidence in the extended stay sector through brands like Zoku, Roam, Norm, Remote Year, Hmlet, and the recently launched Sharma Hub and Stay Kook.

In the scramble for the millennial business traveller market, lodging brands have progressed past the basics of ultra-high speed WiFi and smartphone activated door entry. However, innovations can look very different from brand to brand.

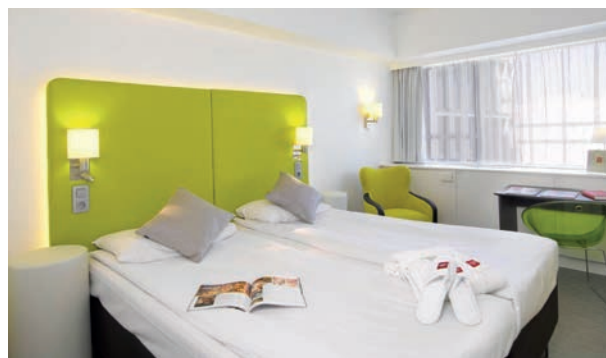
Tru by Hilton has created common room area with ping-pong tables; a build-your-own-breakfast bar and a social media wall where guests can see each other’s social media postings in real time. Even Hotels has opted for workout gear in guest rooms and mood lighting behind the bed controlled by a remote control on the nightstand. CitizenM has introduced co-working spaces combining vintage typewriters and books with state-of-the-art audio/visual systems.

## Blurred lines

In the extended stay sector, innovation is also blurring the distinctions between serviced apartments, aparthotels and traditional hotels. Operators like Native, Locke and Roomzzz are developing increasingly stylish, design-led products. Ideas from the co-working sector are also being introduced to create home-office hybrids.

When Generation Z decides where to stay, 16% will choose an Airbnb while 57% will choose a hotel. This is the opportunity for the serviced apartment sector to capitalize. Whether it be a week-long spring break trip to Nashville or a weekend in New York City, Gen Z wants to experience the destination city with their hotel accommodation.

To meet that need, operators are combining the ethos of community with guest experience. The more unique, or authentic, the experience, the more satisfied Gen Z is. But does this generation pick experience over brands?



Confronted by the proliferation of brands with less noticeable product differentiation, millennials have developed a ‘less is more’ mentality. They choose experiences over products, but that does not mean they have no brand loyalty. Younger adults are more willing respondents to pay extra for sustainable goods and support brands that demonstrate a strong sense of purpose beyond financial success.

Offering our guests, a personalised service with a good quality product and a variety of different features, will make the difference because guests want to customize their stays. At Thon Residences we want our guests to feel special and enjoy a memorable experience while they stay with us.

Gen Z is already impacting the serviced apartment sector. Brands are gearing design, amenities and every aspect of extended stay to tomorrow’s guest. They are reviewing their marketing strategies; making better use of natural light and smart technology; assessing destination appeal and getting app enabled. Tomorrow’s guest is on the way, and serviced apartment brands need to prepare.

*Thon Hotels Brussels has four fully serviced aparthotels in the city comprising more than 250 modern apartments for short and long stays.*

# Industry Perspective



## Fraser's Hospitality operates serviced, hotel residences and boutique lifestyle hotels that cater to different market segments

Fraser's Hospitality, a member of Fraser's Property Group, owns and operates properties under five brands and asset-manages third-party properties held by Fraser's Hospitality Trust.

Since its inception in 1998, Fraser's Hospitality has grown from an initial 412 residences in Singapore to more than 140 properties in over 70 cities including those in the pipeline. This represents over 23,400 keys worldwide across North Asia, Southeast Asia, Australia, Europe and the Middle East.

In 2014, Fraser's Hospitality Trust was the first global hotel and serviced residence trust to be listed in Singapore, comprising Fraser's Hospitality Real Estate Investment Trust and Fraser's 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.

Fraser's 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.

With a remarkable list of accolades and awards as recognition of its success, Fraser's Hospitality remains committed to anticipating and exceeding the evolving needs of executive travellers with continuous innovation and intuitive service, creating a second home and community for guests and staff alike.

# Over 23,400 keys worldwide across North Asia, Southeast Asia, Australia, Europe and the Middle East.

# FRASERS HOSPITALITY



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

In the heart of key gateway cities, Fraser Hospitality's Gold-Standard hotels and serviced residences offer all the comforts of home – and for one, in a historical jewel.

A former tax authority office built in the 1900s, Fraser Suites Hamburg embodies the rich history of the past and the charming modernity of the present.

Experience the award-winning Fraser Difference in over 140 properties ideally located in more than 70 cities worldwide.

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BY FRASER  
hotel residences

  
Malmison

  
Hotel  
du Vin  
& Bistro

# Regional report Africa



The continent's general economic performance continues to improve. Gross domestic product reached 3.5%, 4% in 2019 and GDP growth is projected to accelerate to 4.1% in 2020 compared to 3.3% worldwide.<sup>44</sup>

However, that growth may not be fast enough to address persistent fiscal and current account deficits and unsustainable debt. Although growth in Sub-Saharan Africa (countries fully or partially located south of the Sahara<sup>45</sup>) is expected to average about 3.5% in 2020, South Africa's domestic economic outlook shows poor growth prospects.<sup>46</sup>

Sub-Saharan Africa's economy is mainly driven by quickening growth in the resource-rich economies of Nigeria and South Africa, although rampant inflation in Zimbabwe and higher food prices in Nigeria prompted by land border closures, has also contributed to the upturn.

67 million tourists visited Africa in 2018, a rise of 7% on 2017, making Africa the second-fastest growing region for tourism after Asia Pacific.<sup>47</sup>

African countries are now reaping the benefits from positive policy changes coupled with increased investments in the sector, that have made it a more attractive destination for business and tourism.

In Ethiopia, relaxed visa restrictions and improved flight connectivity has transformed Addis Ababa into a regional transport hub, overtaking Dubai as the world's gateway to Africa. This has resulted in Ethiopia becoming Africa's fastest growing travel country, growing by 48.6% in 2018.<sup>48</sup> Meanwhile, Kenya, Rwanda and South Africa have re-positioned themselves as conference and trade fair destinations.

Spending on travel and tourism in Africa is predicted to grow at a slightly higher rate than the global average rate to 2028, although inbound travel expenditure will grow faster than the world-wide average. However, total spending in Africa will likely remain at just 2.3% of the worldwide total by 2028.

Fig 34. Spending on travel in Africa - 2017 vs 2028

Aggregate	2017	2028	% change
	US\$bn	US\$bn	2017-28
<b>Outbound spending</b>	31.1	48.9	+57.2
<b>Incoming receipts</b>	48.7	78.5	+61.2
<b>Domestic spending</b>	73.7	112.4	+52.5
<b>Leisure spending</b>	85.0	133.5	+57.1
<b>Business spending</b>	37.4	57.4	+53.5
<b>Total spending</b>	122.4	190.9	+56.0
<b>Capital investment</b>	28.2	45.5	+61.3

Source: WTTC Travel & Economic Impact 2018 Africa

## Sub-Saharan Africa's economy is mainly driven by quickening growth in the resource-rich economies of Nigeria and South Africa.

44. African Economic Outlook 2019 - African Development Bank

45. United Nations

46. International Monetary Fund

47. <https://qz.com/africa/1717902/africas-tourism-industry-is-second-fastest-growing-in-world/>

48. Jumia Africa Hospitality report



## Travel and mobility

Africa's lack of infrastructure has traditionally been a major obstacle to development in the region, resulting in a low level of intra-African trade and trade with other regions. The continent accounts for 12% of the world population, but generates a mere 1% of global GDP and only 2% of world trade.

However, that is set to change, because investment in road, bridges and railway construction in Africa set to reach US\$69bn in 2020.<sup>49</sup> Growth in transport construction in the region is being driven by increasing investment in railway projects, principally in Nigeria, Kenya and Egypt. When completed, these projects will cover 54,110km of roads, 55,345km of railway track and 599km of bridges, of which 75,297km will be newly constructed. The investment reflects a clear determination to improve and expand trade through major continental initiatives such as the Program for Infrastructure Development in Africa (PIDA).

Africa's first high-speed rail line, the Al Boraq, opened in Morocco in November 2018, connecting Tangier to Kenitra with trains operating at speeds up to 320 km hour. Existing lines from Kenitra to Rabat and Casablanca also were upgraded, halving the journey between Tangier and Casablanca to just over two hours. Egypt has now announced its own plans for its first high-speed railway linking Ain Sokhna, the country's new administrative capital, with Alexandria and New Alamein City.

Ride-hailing services are many business travellers' preferred ground transportation choice in Africa. Uber is the region's most popular ride-hailing service, albeit under increasing competition from

Estonia's Bolt (formerly Taxify) in many cities. Despite having 36,000 drivers across sub-Saharan Africa, Uber has yet to establish a similar presence in West Africa but is talking to regulators about expanding to Senegal and Côte d'Ivoire as well as introducing boat rides in Lagos to alleviate street traffic.

Amongst the growing competition to Uber are Little Cabs in Kenya, Russian operator inDriver in Tanzania, Cape Town, Johannesburg and Nairobi. inDriver plans to expand to Nigeria, Ghana, Zimbabwe, Uganda and Namibia. However, Uber's acquisition of Careem will reduce competition in North Africa, where the United Arab Emirates-based ride-hailing company is often the first choice for travellers. Authorities in Egypt, where ride-hailing faces a legal challenge from taxi drivers, will try to block any merger between Careem and Uber.

The African Union is promoting regional travel through increased air services and fewer border controls and visa requirements. Airlines are expanding their fleets, although demand has yet to surge, held back by high fares, resistance in some countries to market liberalization and mixed fortunes among the region's carriers.

Demand is growing fastest in eastern African countries like Tanzania, Malawi and Mozambique, although South Africa remains the region's largest air travel market, accounting for 26% of all flights to and in Africa. Business travel accounted for approximately 36% of total travel spend in South Africa in 2018, and projections for the corporate travel sector remain positive.<sup>50</sup>

49. <https://www.globaldata.com/investment-in-transport-construction-in-africa-set-to-reach-us69bn-in-2020/>

50. WTTTC

Fig 35. Hotel chain development pipeline for Africa (as at May 2019)

		Hotel	Rooms	Average Size
1	Egypt	51	15,158	297
2	Nigeria	49	7,940	162
3	Morocco	36	6,395	178
4	Ethiopia	34	6,184	182
5	Kenya	27	4,232	157
6	Algeria	19	4,147	218
7	Cape Verde	11	3,479	316
8	Senegal	17	2,829	166
9	Tunisia	16	2,768	173
10	South Africa	18	2,574	143

Source: W Hospitality Group

## Hospitality sector

Growth in both international and domestic traveller numbers, combined with an expanded presence for international hotel chains is fuelling hotel revenues which are predicted to increase by 7.4% to 2022 across the five key markets of South Africa, Nigeria, Mauritius, Kenya and Tanzania.<sup>51</sup>

South Africa is established as the leading convention destination in Africa, with Cape Town among the top-50 convention cities in the world. South African hotel room revenue is forecast to increase by 3.3% annually, although growth in online booking and price comparison sites will depress average daily rate growth. Nigeria is the fastest-growing market, followed by Tanzania and Kenya.

In South Africa, the number of available rooms is expected to increase at a 1.2% compound annual rate to 67,200 in 2023 from 63,400 in 2018. With guest nights projected to grow faster than available rooms, the occupancy rate for hotels will increase to a projected 61.1% in 2023 from 59.2% in 2018. Three-star hotels accounted for 36% of all available hotel rooms in South Africa in 2018 and will generate 41% of the overall increase in room revenue during the next five years.<sup>52</sup>

With demand growing at a rate of 7% to 9% annually, the major hotel chains are scrambling to gain footholds in the African hotel market. New supply is centred on Abidjan, Addis Ababa,

Johannesburg and Lagos, with openings in Accra, Ghana having slowed down after a period of sustained growth. Much of the new supply is focussed on the middle and lower ends of the market, giving travellers greater choice and forcing average rates down.

Serviced apartments are gaining traction in the region because average stays are longer, millennials want more flexibility and rates are lower than five-star hotels. In many cities apartments are preferred to Airbnb because they adhere to brand standards. Safety is a major concern for corporates, so hotels are adhering to recognized safety accreditations to secure corporate business.

Airbnb's acquisition of HotelTonight has also showed the company's intent to expand beyond private rentals, B&Bs and small properties in Africa.

## Extended stay

There are currently around 18,900 serviced apartments across the African continent in 317 locations, an increase of 5,017 units and 101 locations since the last GSAIR.

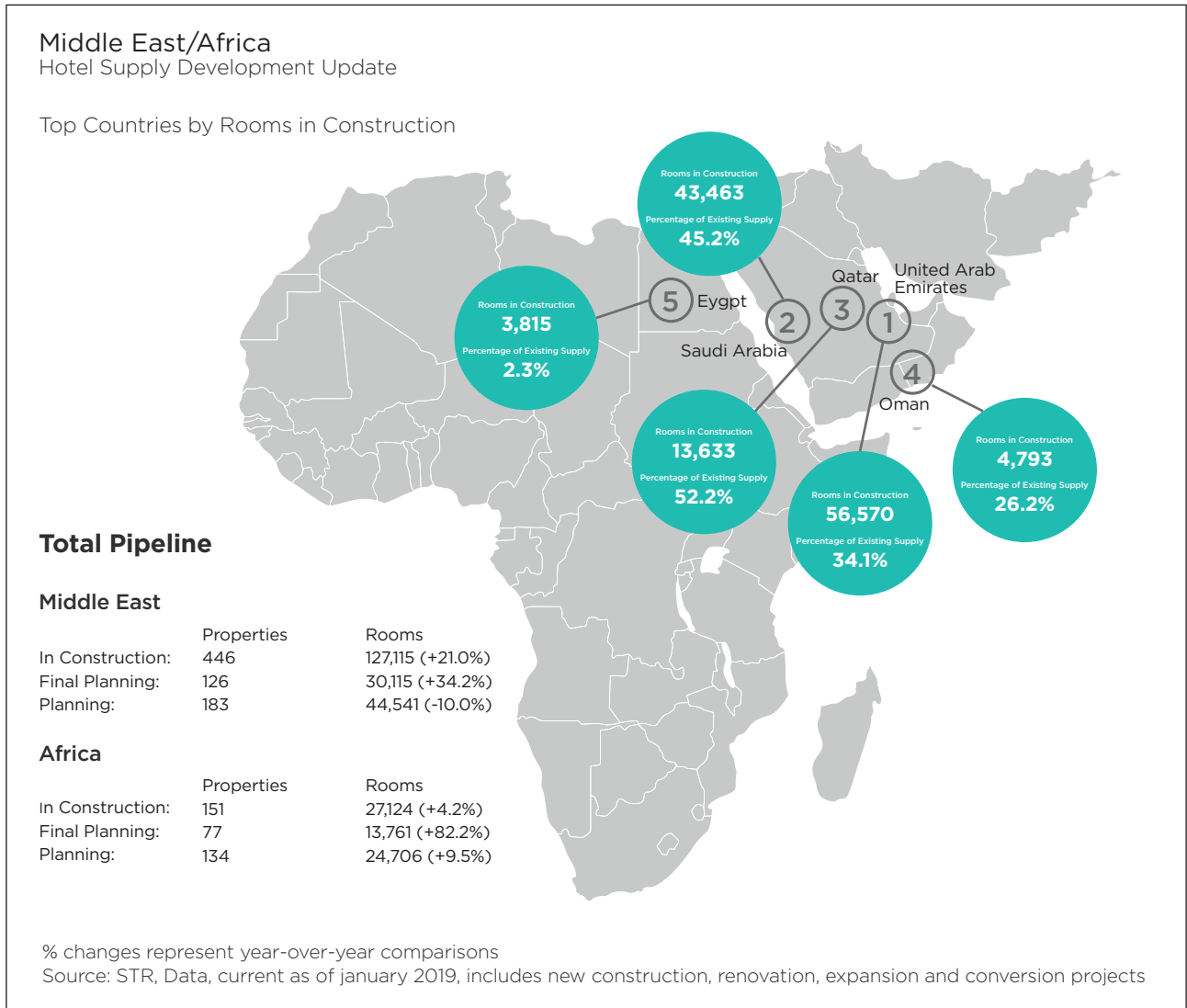
This reflects an increase of 36.14% in inventory and 46.76% in locations – respectively the second highest and highest increases of any global region.

Supply is fragmented, with relatively few extended stay operators of any size. Nairobi Serviced Apartments is the largest extended stay operator

51. <https://www.hotelmanagement.net/revenue-management/africa-s-hotels-set-for-continued-growth-by-2022>

52. <https://www.pwc.co.za/en/press-room/africa-hotels-outlook-2019-2023.html>

Fig 36. Hotel supply/development - Africa vs Middle East



in the region with 5,991 units in 170 locations.<sup>53</sup> Only two other brand - Atalayoun Golf Resort and Fraser Suites have over 1,000 units.

Over the last three years, serviced apartments occupancy in Nairobi has outperformed hotel competitors by 72% to 52%, driven by international companies housing their staff in upmarket parts of the capital.<sup>54</sup> Since 2018, inventory in Nairobi has more than doubled with Best Western, Radisson and Movenpick all having a presence.

## New serviced apartment supply

- Radisson Hotel Group has opened its first extended-stay product in Nairobi. The 122-key Radisson Blu Hotel and Residence in Kilimani district offers underground parking, 24-hour room service, spa, sauna, steam rooms, pool, gym, meetings and events space.

- Aparthotels Adagio has opened its first property in North Africa. The 96 key Adagio Casablanca City Center is located near the Mohammed V Stadium and the Royal Golf. It features 96 apartments including 79 studios, all with fully equipped kitchen, lounge area and Wi-Fi.
- Accor will launch its Pullman Living extended stay brand, in Accra, Ghana. Pullman Accra will be a dual, premium offering with 149 serviced apartments and a hotel with 214 rooms and suites.
- Projected to open in 2023, the Residence Inn by Marriott Accra Kotoka Airport will be the brand's debut in Africa. 160 suites with separate living, working and sleeping zones, equipped with fully functional kitchens will have access to a rooftop bar, health and leisure club and boardroom.

53. HVS

54. Vaal Real Estate report



## RATES IN KEY CITIES

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

	STUDIO				ONE BEDROOM				TWO BEDROOM				
	2019/20 rate		YoY variance		2019/20 rate		YoY variance		2019/20 rate		YoY variance		
	Local currency	US\$	Euro	%	Local currency	US\$	Euro	%	Local currency	US\$	Euro	%	
<b>Cape Town (ZAR)</b>													
<b>1-6 nights (nightly rate)</b>	ZAR 1,030	ZAR 1,045	USD 71	EUR 64	ZAR 1,100	ZAR 1,125	USD 78	EUR 71	ZAR 1,700	ZAR 1,680	USD 115	EUR 103	-1%
<b>7 nights + (weekly rate)</b>	ZAR 6,450	ZAR 6,500	USD 443	EUR 400	ZAR 6,600	ZAR 6,700	USD 457	EUR 412	ZAR 10,300	ZAR 10,100	USD 689	EUR 621	-2%
<b>One month + (monthly rate)</b>	ZAR 13,700	ZAR 13,600	USD 927	EUR 836	ZAR 13,900	ZAR 14,000	USD 955	EUR 860	ZAR 18,400	ZAR 18,200	USD 1,241	EUR 1,119	-1%
<b>3 month + (monthly rate)</b>	ZAR 12,800	ZAR 12,600	USD 859	EUR 774	ZAR 13,500	ZAR 13,600	USD 927	EUR 836	ZAR 17,000	ZAR 16,800	USD 1,146	EUR 1,032	-1%
<b>Nairobi (KES)</b>													
<b>1-6 nights (nightly rate)</b>	KES 6,700	KES 6,600	USD 65		KES 9,500	KES 9,750	USD 96		KES 11,800	KES 11,600	USD 114		-2%
<b>7 nights + (weekly rate)</b>	KES 34,000	KES 33,800	USD 333		KES 61,000	KES 61,000	USD 600		KES 66,000	KES 65,000	USD 634		-2%
<b>One month + (monthly rate)</b>	KES 121,000	KES 120,500	USD 1,186		KES 181,000	KES 181,000	USD 1,781		KES 211,000	KES 209,000	USD 2,056		-1%
<b>3 month + (monthly rate)</b>	KES 116,000	KES 116,000	USD 1,141		KES 169,000	KES 170,000	USD 1,673		KES 200,000	KES 198,500	USD 1,953		-1%

### AFRICA

# Regional report Asia



In 2020 Asia's GDP will be greater than the combined GDP of the rest of the world. By 2030, the region is expected to contribute roughly 60% of global growth. Asia-Pacific will also be responsible for 90% of the 2.4 billion new members of the middle class entering the global economy.

The bulk of that growth will come from the developing markets of China, India and throughout South-East Asia and will give rise to a host of new decisions for businesses, governments and NGOs. The pressure will be on them to guide Asia's development in a way that is equitable and designed to solve a host of social and economic problems.

The range of industries in Asia continues to diversify, with financial services and mining rapidly growing sectors alongside the more traditional agriculture, electronics and infrastructure. This growth and diversification are driving business travel volumes across the region, with many organizations reviewing and re-thinking their travel programs to take full advantage of a rapidly expanding market.

## Travel & mobility

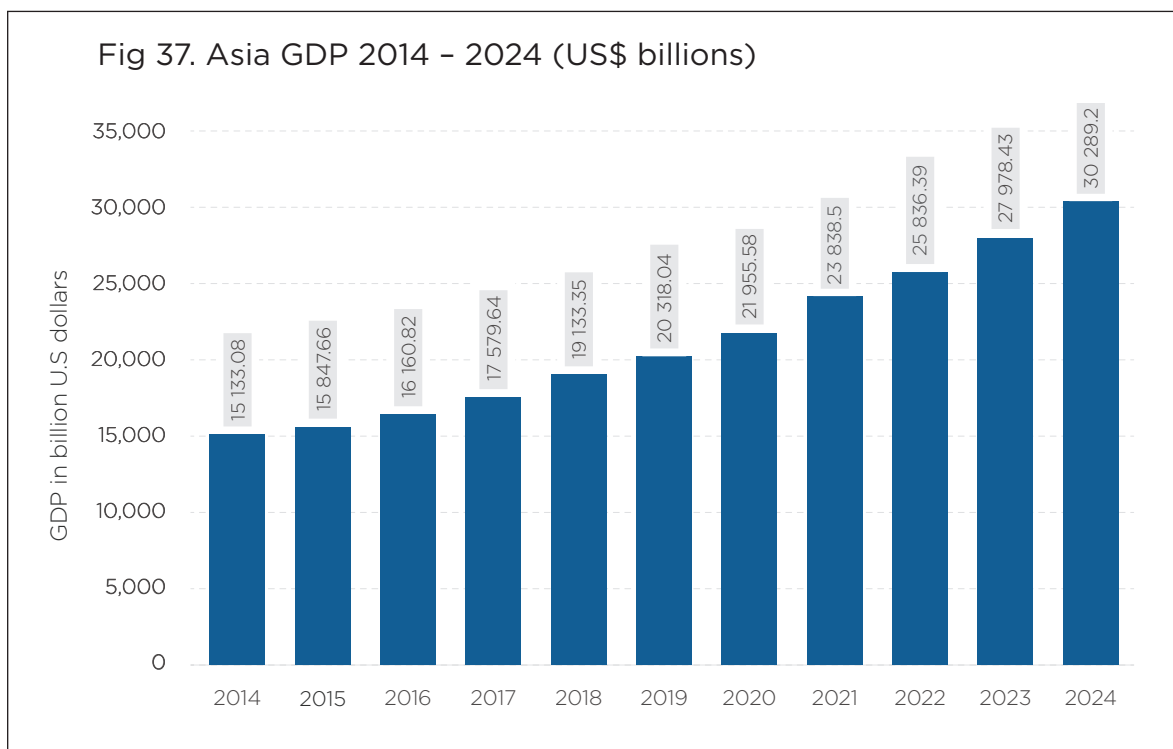
Business travel is amongst the first casualties of economic, political and environmental uncertainty - whether regionally or globally. The trade war between the U.S. and China is just one looming threat.

Although air passenger movement could fall by up to 68 million globally if the conflict escalates<sup>55</sup>, the Asia Pacific region will remain the world's fastest growing business travel market. Driven by China, India, and the emerging economies of Southeast Asia, business travel spending is predicted to more than double to \$900 billion by 2025 - more than half of the global total.<sup>56</sup>

Within the region, corporate travel spending is swinging away from traditional markets like Australia, Japan, Hong Kong and Singapore to emerging markets like China, India, Indonesia, Thailand, Malaysia and the Philippines.

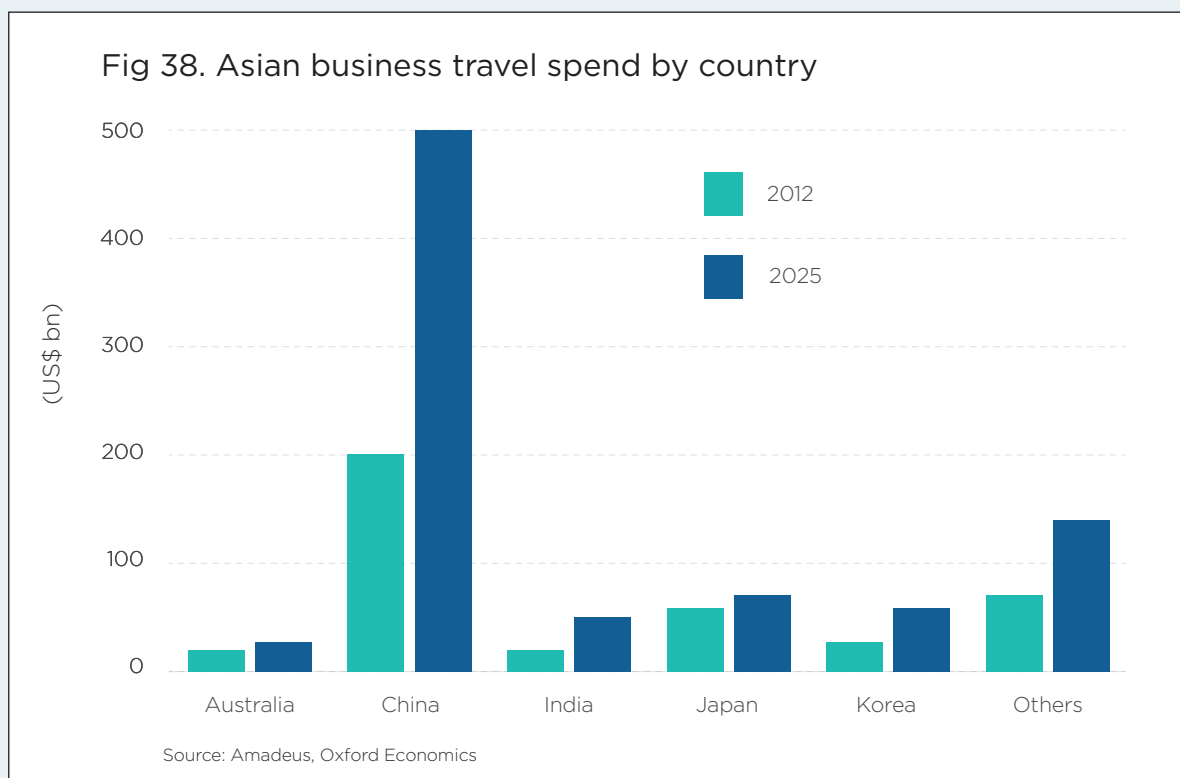
China is the continent's largest source market, with international travel up by 9% during the first nine months of 2019 compared to 4.5% by North Americans. By 2025, China will become the world's largest corporate travel market, spending \$500 billion by 2025 - roughly twice what they do now.

India's business travel market is worth \$25 billion and is expected to more than double to \$60 billion by 2025. The region's airport capacity is growing. The new Daxing International Airport will relieve pressure on Beijing Capital International Airport, whilst Airport Authority Hong Kong is investing \$18 billion to up-grade its airport. One hundred new airports will open in India over the next twenty years, taking the country's number of operational airports to 200 by 2040.



55. IATA

56. Amadeus - Business Travel in Asia Pacific: Setting the Smart Course



In the five main domestic markets (Indonesia, Thailand, Vietnam, Malaysia and the Philippines), Low Cost Carriers (LCCs) account for at least 50% of airline capacity. All five countries have large domestic markets of at least 25 million annual passengers. Combined these five domestic markets generate over 220 million annual passengers, led by Indonesia with around 100 million.

## Hospitality

Asia is experiencing an unprecedented hotel development boom. Investment in the region's hospitality industry will grow 15% during 2020 as international brands open alongside local hotels and corporates include more independent properties in their programs.

Excluding China, the region has 958 projects under construction that will add 221,927 hotel rooms that will open in 2020. Having opened 338 new hotels during 2019.<sup>57</sup> As the country prepares to host the 2020 Olympics, Japan has the largest pipeline with 41% of all new hotels in 2019 and 30% in 2020.

Other countries with significant pipelines include Indonesia (375 new projects, 21% of Asia Pacific's total), India (236 projects), Vietnam (134) and Malaysia (also 134). City-wise, Jakarta, Indonesia has 84 in the pipeline, followed by Seoul, South Korea with 73 and Kuala Lumpur, Malaysia with 54 projects. Tokyo has 53 projects and Bangkok 46.

41% of the region's pipeline is being fulfilled by Marriott International (258 projects), AccorHotels (218), InterContinental Hotels Group (162) and Hilton (91).

The China hotel market is expected to be worth US\$ 136 billion by the end of 2023. With political and social stability, rapid economic growth and a vast population base, China has inevitably attracted the world's leading hotel chains.

There are 1,062 projects in the Chinese hotel pipeline which, once completed, will grow the country's inventory to 256,506 bedrooms. 55% of these projects will open by the end of 2020; Hilton is leading the way with 40 projects and 11,272 rooms currently under development, followed by Four Points by Sheraton with 38 projects and 10,016 rooms. The world's largest hotel group, Marriott International, has 35 projects and 8,770 rooms coming to China.<sup>58</sup>

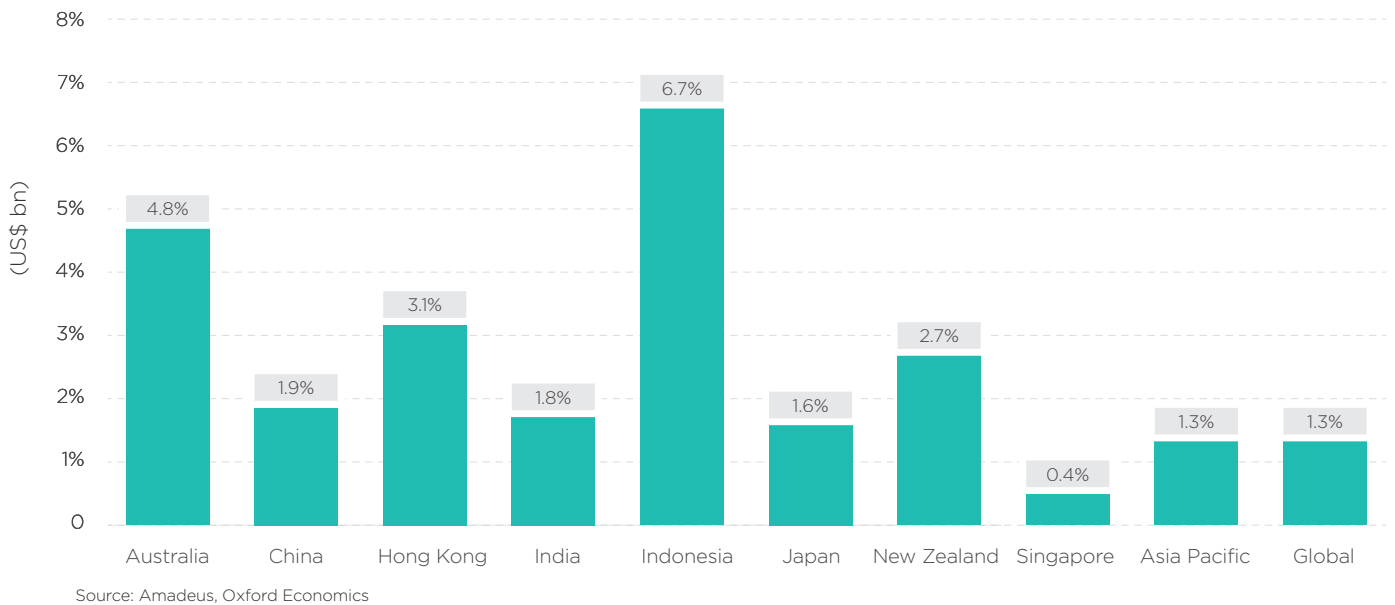
OYO (On Your Own) Rooms exemplifies the Asian hotel market. Now just six years old, OYO is now the world's fastest-growing hotel group, with 23,000 hotels in 18 countries - mainly in Asia. Ranked the globe's sixth-largest hotel chain, OYO is backed by more than \$1 billion in funding from investors including Airbnb.

OYO currently has more available rooms in China than in its home market of India. In 2020, OYO will be investing US\$50 million in new hotels in Vietnam as it aims to grow to 20,000 rooms in ten Vietnamese cities.

57. <https://www.htrends.com/trends-detail-sid-108421.html>

58. <https://hoteldesigns.net/industry-news/500-new-hotels-slotted-to-arrive-in-china-by-2020/>

Fig 39. Asia hotel rates growth 2020



Although room supply is growing, hotel rates are set to rise by between 1% and 4% during 2020. Bangkok, Ho Chi Minh City, Kuala Lumpur, Melbourne, Shanghai and Singapore are expected to see a 2% rise, compared to 1% in Beijing and Sydney. Hong Kong is set to see a rise of 3% due to record visitor numbers driving occupancy and the rate of hotel development slowing into 2020.<sup>59</sup>

## Extended stay

There are currently around 162,348 serviced apartments across Asia in 1,186 locations, an increase of 45,745 units and 101 locations since the last GSAIR.

This reflects an increase of 29.23% in inventory and 33.41% in locations – respectively the highest and third highest increases of any global region. The market is dominated by The Ascott Group who operate four brands with over 10,000 units across the region. The largest, by number of serviced apartment units, is Citadines (19,932), followed by Somerset (18,773) and Ascott The Residence (10,849).

Ironically, against a background of growing business travel into and within the region, forecasts for the serviced apartment sector are more conservative.

The U.S./China trade war has resulted in Singapore being ranked the top Asian city for expatriates, but it is also regarded as expensive and companies hiring expatriates with families are on the decline. Oversupply of private apartments,

companies reducing travel budgets and looking for alternatives to high-cost relocations are other factors.

Operators are responding by segmenting their brands and properties to appeal to different audiences, from hybrid style, high-end accommodation with hospitality services brands that target millennials like The Ascott Group's lyf brand and co-living concepts like the Ariva Trillion Residences in Kuala Lumpur.

Airbnb is enjoying immense growth in the Asia Pacific region, where it currently claims more than one million listings, compared to fewer than a hundred thousand listings in 2012. Airbnb hosts in Asia Pacific have made US\$10m in total earnings to date.<sup>60</sup>

The brand is now targeting India's and China's vast millennial populations, as well as emerging markets such as Vietnam and Indonesia. China has become one of Airbnb's fastest growing destinations worldwide and is predicted to become Airbnb's largest origin market globally by 2020.

In 2018, Airbnb was forced to suspend most of its listings and reservations in Japan due to tight compliance deadlines for the new 'minpaku' home-sharing law. The company channelled over US\$30m towards rebuilding its community in a series of nationwide initiatives. Almost two thirds of short-term rental properties registered in Japan are now available on Airbnb.

59. Hotel Monitor 2020  
60. Skift

## RATES IN KEY CITIES

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.	STUDIO				ONE BEDROOM				TWO BEDROOM						
	2019/20 rate		YoY variance		2019/20 rate		YoY variance		2019/20 rate		YoY variance				
	Local currency	US\$	Euro	%	Local currency	US\$	Euro	%	Local currency	US\$	Euro	YoY variance			
	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate	2017/18 rate			
<b>ASIA</b>															
<b>Bangalore (INR)</b>															
1-6 nights (nightly rate)	INR 3,675	INR 3,800	USD 53	EUR 48	3%	INR 4,275	INR 4,500	USD 63	EUR 57	5%	INR 6,150	INR 6,400	USD 90	EUR 81	4%
7 nights + (weekly rate)	INR 23,200	INR 23,500	USD 329	EUR 297	1%	INR 23,700	INR 24,000	USD 336	EUR 303	1%	INR 37,500	INR 39,000	USD 547	EUR 493	4%
One month + (monthly rate)	INR 58,750	INR 60,000	USD 841	EUR 758	2%	INR 75,000	INR 75,000	USD 1,051	EUR 948	0%	INR 87,000	INR 86,900	USD 1,218	EUR 1,098	0%
3 month + (monthly rate)	INR 55,000	INR 55,000	USD 771	EUR 695	0%	INR 68,000	INR 67,500	USD 946	EUR 853	-1%	INR 84,000	INR 84,000	USD 1,177	EUR 1,061	0%
<b>Hong Kong (HKD)</b>															
1-6 nights (nightly rate)	HKD 1,700	HKD 1,645	USD 211	EUR 190	-3%	HKD 1,775	HKD 1,690	USD 216	EUR 195	-5%	HKD 1,925	HKD 1,820	USD 233	EUR 210	-5%
7 nights + (weekly rate)	HKD 9,500	HKD 9,300	USD 1,190	EUR 1,073	-2%	HKD 11,000	HKD 10,400	USD 1,331	EUR 1,200	-5%	HKD 12,100	HKD 11,750	USD 1,504	EUR 1,356	-3%
One month + (monthly rate)	HKD 31,200	HKD 31,000	USD 3,967	EUR 3,577	-1%	HKD 40,000	HKD 38,900	USD 4,978	EUR 4,489	-3%	HKD 43,000	HKD 42,100	USD 5,388	EUR 4,858	-2%
3 month + (monthly rate)	HKD 30,000	HKD 28,500	USD 3,647	EUR 3,289	-5%	HKD 38,500	HKD 37,100	USD 4,748	EUR 4,281	-4%	HKD 40,800	HKD 38,200	USD 4,889	EUR 4,408	-6%
<b>Mumbai (INR)</b>															
1-6 nights (nightly rate)	INR 8,600	INR 9,100	USD 127	EUR 115	6%	INR 10,700	INR 11,000	USD 154	EUR 139	3%	INR 18,100	INR 19,000	USD 266	EUR 240	5%
7 nights + (weekly rate)	INR 54,000	INR 54,900	USD 769	EUR 694	2%	INR 76,000	INR 77,000	USD 1,079	EUR 973	1%	INR 116,700	INR 118,100	USD 1,655	EUR 1,492	1%
One month + (monthly rate)	INR 100,000	INR 100,900	USD 1,414	EUR 1,275	1%	INR 110,000	INR 111,000	USD 1,556	EUR 1,402	1%	INR 124,300	INR 125,400	USD 1,757	EUR 1,584	1%
3 month + (monthly rate)	INR 95,000	INR 95,450	USD 1,338	EUR 1,206	0%	INR 106,000	INR 107,000	USD 1,500	EUR 1,352	1%	INR 115,500	INR 116,800	USD 1,637	EUR 1,476	1%
<b>Shanghai (CNY)</b>															
1-6 nights (nightly rate)	CNY 1,625	CNY 1,750	USD 249	EUR 224	8%	CNY 1,700	CNY 1,820	USD 259	EUR 233	7%	CNY 2,750	CNY 3,000	USD 426	EUR 384	9%
7 nights + (weekly rate)	CNY 8,000	CNY 8,200	USD 1,165	EUR 1,050	3%	CNY 12,200	CNY 12,500	USD 1,776	EUR 1,600	2%	CNY 16,000	CNY 16,800	USD 2,387	EUR 2,151	5%
One month + (monthly rate)	CNY 31,000	CNY 31,400	USD 4,461	EUR 4,021	1%	CNY 38,900	CNY 39,200	USD 5,569	EUR 5,020	1%	CNY 48,500	CNY 49,000	USD 6,961	EUR 6,274	1%
3 month + (monthly rate)	CNY 29,500	CNY 30,000	USD 4,262	EUR 3,842	2%	CNY 36,800	CNY 37,400	USD 5,313	EUR 4,789	2%	CNY 45,000	CNY 45,200	USD 6,421	EUR 5,788	0%

## RATES IN KEY CITIES

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

### ASIA CONT...

	STUDIO				ONE BEDROOM				TWO BEDROOM				YoY variance		
	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		Local currency	2017/18 rate		Local currency	Euro
	Local currency	US\$			Euro	%			Local currency	US\$					
<b>Singapore (SGD)</b>															
1-6 nights (nightly rate)	SGD 355	SGD 360	USD 265	EUR 239	1%	SGD 400	SGD 425	USD 313	EUR 282	6%	SGD 525	SGD 575	USD 423	EUR 382	10%
7 nights + (weekly rate)	SGD 1,890	SGD 1,900	USD 1,398	EUR 1,261	1%	SGD 2,480	SGD 2,520	USD 1,855	EUR 1,673	2%	SGD 3,225	SGD 3,500	USD 2,576	EUR 2,323	9%
One month + (monthly rate)	SGD 7,600	SGD 7,700	USD 5,666	EUR 5,111	1%	SGD 9,000	SGD 9,100	USD 6,686	EUR 6,040	1%	SGD 9,500	SGD 10,000	USD 7,359	EUR 6,636	5%
3 month + (monthly rate)	SGD 7,000	SGD 6,900	USD 5,078	EUR 4,049	-1%	SGD 8,700	SGD 9,000	USD 6,623	EUR 5,973	3%	SGD 9,225	SGD 9,500	USD 6,991	EUR 6,304	3%
<b>Tokyo (JPY)</b>															
1-6 nights (nightly rate)	JPY 18,200	JPY 19,000	USD 175	EUR 158	4%	JPY 23,000	JPY 24,500	USD 225	EUR 203	7%	JPY 27,000	JPY 29,000	USD 267	EUR 241	7%
7 nights + (weekly rate)	JPY 80,000	JPY 81,000	USD 745	EUR 672	1%	JPY 100,000	JPY 101,450	USD 933	EUR 842	1%	JPY 123,500	JPY 125,600	USD 1,156	EUR 1,042	2%
One month + (monthly rate)	JPY 210,000	JPY 212,000	USD 1,951	EUR 1,759	1%	JPY 227,000	JPY 228,500	USD 2,102	EUR 1,896	1%	JPY 260,000	JPY 261,800	USD 2,409	EUR 2,173	1%
3 month + (monthly rate)	JPY 205,000	JPY 208,000	USD 1,914	EUR 1,726	1%	JPY 210,000	JPY 212,000	USD 1,951	EUR 1,759	1%	JPY 236,000	JPY 237,500	USD 2,185	EUR 1,971	1%

## New serviced apartment supply

- MetroResidences has launched a 50-studio apartment building close to United Square, Novena Square and Goldbell Towers in Singapore. Facilities include a gym, pool, hot tub and access to the MetroResidences community.
- Ovolo Group has purchased the 194-key Citadines Kuta Beach Bali, which consists of 182 studio rooms, nine one-bedroom suites, three two-bedroom suites, an all-day restaurant, a rooftop pool and bar, a gym and conferencing facilities.
- Co-living operator Hmlet has opened a 57-unit property in Hong Kong, bringing their presence in Hong Kong to 250 rooms including serviced apartments and rooms within dedicated centres operated by Hmlet.
- Oakwood is launching a club lounge experience at Oakwood Premier properties across Asia Pacific, beginning with the Oakwood Premier OUE Singapore. The concept will deliver personalised nightcaps and canapés to guests on their doorsteps.
- Mandarin Oriental is launching The Residences at Mandarin Oriental, Bangkok, its first in south-east Asia. The 52-storey development comprises 146 waterfront residences featuring unobstructed views of the Chao Phraya river.

# Regional report Australasia





2019 was a year to forget for Australia's economy. Economic growth slowed as households used extra income from tax and interest rate cuts to bolster savings and repay debt, rather than spend. Meanwhile the unemployment rate depressed wage growth.

Nevertheless, the region's economy is projected to grow by 2.5% in 2020-21, evidence that Australia remains a safe, low-risk destination in which to invest and do business. Australia is the only major developed economy to have recorded no annual recessions from 1992 to 2018 and the IMF remains positive on Australia's economic outlook.

The Australian dollar is forecast to remain low over the medium term, and this will continue to support growth of international travel into Australia and encourage domestic travel. To that end, the Australian Government plans to invest \$100 billion in transport infrastructure over the coming decade. Amongst the significant infrastructure projects underway, the New South Wales government will spend \$87 billion and Victoria \$57 billion commitment on road and rail projects.

## Travel and mobility

In the twelve months to March 2019, international visitors to Australia spent a record \$44.3 billion – 5% up on the previous year. International visitor numbers reached 9.3 million, a rise of 3.3%, while room nights were up by 1% to 271 million. Going forward, international arrivals are forecast to grow by 64% from 2017-18 to 2026-27.

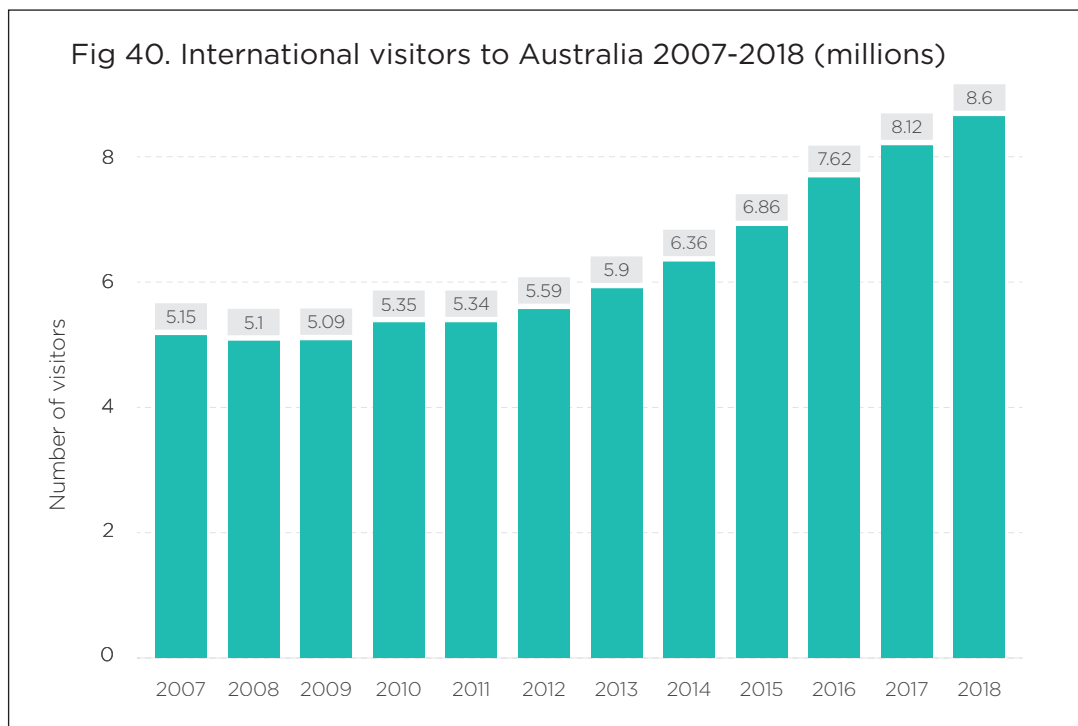
Increasing economic and political uncertainty in key inbound tourism markets across Asia and the U.S. are predicted to slow down the growth in international arrivals from an average 7.5% average growth over the last three years to 4.9% in 2020.

Domestically, travellers spent a record high of \$74.5 billion on 109 million overnight trips, an increase of 13% and 210% respectively. Domestic travel is forecast to grow by 24% (overnight visitors) and 29% (day visitors) over the period 2017-18 to 2026-27.<sup>61</sup>

Australia has become reliant upon business travel, fuelled by continued growth in cities around the country and the largest industry for work-related travel – mining – expanding in a number of states. In recent years, 11% of the Australian population has travelled by air for business in recent years.<sup>62</sup>

New Zealand saw a slower rate of growth in international arrivals during 2019 compared to previous years. Chinese arrivals for the year fell from 11% to 3%, whereas Chinese arrivals into Australia over the same period grew by 2.4%.<sup>63</sup>

Australia is New Zealand's largest international visitor market, accounting for almost half of all international visitor arrivals. In the year ending June 2018, 57% of Australian visitors to New Zealand were repeat visitors.



61. AirPlus International

62. Horwath HTL

63. <https://www.tourismnewzealand.com/markets-stats/markets/australia/>

## Hospitality

Strong performance in Australia's tourism sector during 2018/19 has seen the sector's growth outpace Australia's national growth rate for the third consecutive year.

Australia's accommodation sector is seeing its biggest transformation since the Sydney Olympics. 272 new hotels are to be built in Australia's capitals over the next six years, adding more than 45,000 new rooms. This growth is being driven by new air services agreements increasing the number of flights to Australia, and a lower dollar.<sup>64</sup>

The Open Skies agreement, signed in 2016 between Australia and China has given Chinese airlines greater access to Australia, resulting in Chinese air travellers growing from 285,000 in 2005 to 1.5 million in 2018. A separate agreement with India – Australia's fastest growing inbound tourism market – could have a similar impact.

The Australian economic slowdown notwithstanding, the region's hotel sector continues to perform strongly. More than 7,100 new Australian hotel rooms were added in 2018, with new supply exceeding demand for the first

time in a number of years. The main beneficiaries were Sydney and Brisbane, with around 700 additional rooms each, followed by Perth and Melbourne.

Growth in new capacity is forecast to continue, with another 33,000 new rooms expected to be added over the next three years, half of these expected to be hosting guests by the end of 2020. The majority of this new stock will be concentrated in Perth, Sydney and Melbourne in particular, with around 6,500 new rooms expected to come online in Melbourne in 2019 and 2020 via 32 new properties.<sup>65</sup>

Meanwhile, record tourism levels are driving healthy growth in New Zealand's hotel industry. International visitors reaching a record 3.9m in July 2019.<sup>66</sup> Wellington leads the way for growth in RevPAR at 6.8%, followed by Rotorua (3.3%) and Queenstown (2.8%).

By contrast, Auckland saw RevPAR decline by 7.9% despite 81.9% occupancy. This was due in the main to fewer major events taking place locally compared to 2017/18 and the postponed opening of the New Zealand International Convention Centre.



64. Tourism Accommodation Australia

65. Deloitte Tourism and Hotel Market Outlook 2019

66. Colliers International 67. <https://www.thehotelconversation.com.au/news/2019/11/06/record-tourists-ensure-healthy-growth-new-zealand-hotel-industry/1572993677>

Nine new hotels with a total of 947 rooms opened in New Zealand's main visitor hubs during 2019 with a further 17 hotels and 2,158 rooms are scheduled to open during 2020. The long-term outlook for the New Zealand tourism and hotel industry is for continuing growth in demand.

The opening of major new conference centers in Auckland, Wellington and Christchurch will make it possible for New Zealand to host larger international conferences, driving destination marketing and economic development agencies to focus on event attraction—especially during the shoulder and off-seasons.

The NZ Super Fund's \$300 million investment in a hotel venture in July 2019 is the largest off market hotel transaction in New Zealand's history. New Zealand's \$42 billion sovereign wealth fund announced it was investing in a portfolio of hotels established by one of the country's largest hotel owners, the Russell Group and Lockwood Property Group.

The venture will create a platform for NZ Super Fund to invest further in New Zealand's tourism sector. The phased investment includes the 255 room Four Points by Sherato, the 160 unit Adina Auckland Britomart in Auckland, and the 263 room BreakFree on Cashel in Christchurch, as well as an intention to acquire and develop additional sites.<sup>67</sup>



The long-term outlook for the New Zealand tourism and hotel industry is for continuing growth in demand.



67. <https://www.thehotelconversation.com.au/news/2019/11/06/record-tourists-ensure-healthy-growth-new-zealand-hotel-industry/1572993677>

## Extended stay

There are currently around 80,365 serviced apartments across Australasia in 1,218 locations, an increase of 4,841 units and 71 locations since the last GSAIR.

This reflects an increase of 6.41% in inventory and 6.19% in locations – respectively the second lowest and lowest increases of any global region. Whilst the hotel sector in Australia has grown to 281,598 rooms, it is estimated that serviced apartments now enjoy a 25% share of the accommodation market<sup>68</sup> having grown by 26% since 2015 into a \$55 billion industry delivering 30+ million bed nights to the economy.

The largest brand in the region in terms of inventory is Quest Apartment Hotels, now part of The Ascott. Quest has 12,760 serviced apartment units in 186 locations. The next largest are the Accor-owned Mantra and Mercure brands with 9,999 and 8,366 units respectively.

In the two years since the last GSAIR was published, Accor has seen the biggest growth in portfolio (48%), thanks to its \$1.2 billion acquisition of the Mantra Group which prompted a number of acquisitions including Adina, Medina, Quest, Oaks Mantra & Peppers. All are controlled by global hoteliers, leaving Meriton is the only major serviced apartment operator not controlled by global chains. Industry growth estimates are that the sector will triple from 1,147 to 3,648 developments by 2022.<sup>69</sup>

## New serviced apartment supply

- Quest Perth Ascot, Quest's 15th property in Western Australia, will open in late 2020. The property will feature 112 serviced apartments catering to business travellers working in Kewdale, Bayswater, Belmont, Ascot Racecourse and Perth Airport.
- Oakwood Premier Melbourne will be Oakwood's first luxury property in Australia when it opens in early 2022. 238 studio, one and two-bedroom apartments will have access to an all-day dining restaurant, meeting venues, a lobby bar and fitness centre.
- Crown Group will open SKYE Suites Green Square, Sydney. 90 studios, one and two-bedroom apartments form part of the \$575 million, 20-storey building which forms a gateway to Sydney's Green Square precinct.
- Veriu has opened a micro-apartment hotel – its fifth property in Australia – also in Sydney's Green Square. The 144-key property features a lobby lounge bar, on-site gym, conference room, dedicated workspaces for business travellers and an on-site Italian restaurant.
- Daiwa Living Waldorf has rebranded its Waldorf Apartments portfolio to Nesuto as the company aims to triple the brand's Australia and New Zealand footprint of 1,500 rooms to 5,000 rooms by 2024.
- Maple Development Group, a subsidiary of Chinese developer Peng Bo, has lodged plans for a \$200 million apartment tower in central Brisbane. The proposal includes a restoration of the historic Davidson's Residence, built in 1868, which will serve as a reception area for the serviced apartments.
- Swiss-Belhotel International will launch two new operations in New Zealand in late 2020. The Swiss-Belhotel & Residences Queenstown, and the younger, more value-conscious brand Zest Queenstown by Swiss-Belhotel will open concurrently.



68. <https://www.yourinvestmentpropertymag.com.au/strategy/investing-for-cash-flow--the-serviced-apartment-solution-236642.aspx>

69. BankWest



APARTMENT HOTELS

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# Industry perspective

## Quest Hotels

Quest Apartment Hotel's network growth continues to lead the serviced apartment sector in the Australasian market, underpinned by the brand's ongoing commitment to both suburban and regional Australasia, opening properties where businesses travellers need to be for their work.

In the next two years, it is anticipated 16-20 new Quest Apartment Hotel properties will open across Australia and New Zealand. Maintaining such momentum involves tapping into hot market segments. Currently the demand for Quest's offering is strongest on Australia's eastern seaboard, moderate through the middle of Australia, and steady on the west coast of Australia. The strongest demand continues to be specifically in greater metropolitan and regional locations, rather than capital city centre locations. Priority locations share common themes: an underlying level of demand from our corporate client base, a strong and diverse economic base, and amenities that add to the guest experience, such as restaurants and shops.

Working with developers, we have witnessed business models change and evolve, driven by the aim to achieve the highest and best use due to increasing land values, competing land uses and rising construction costs. Of Quest's more recent property openings, the majority have been in mixed-use developments - reflecting a shift away from the traditional stand-alone apartment hotels.

Expansion by other key players in the serviced apartment sector has been moderate; however recent noteworthy announcements include: The Ascott Limited choosing Sydney Airport as the Asia Pacific launch location for Citadines Connect, a new sub-brand of the Citadines serviced residence brand; Meriton Suites announcing plans for their first hotel located in Melbourne; and Accor's The Sebel brand adding a further three properties to their network in suburban Melbourne and Canberra.

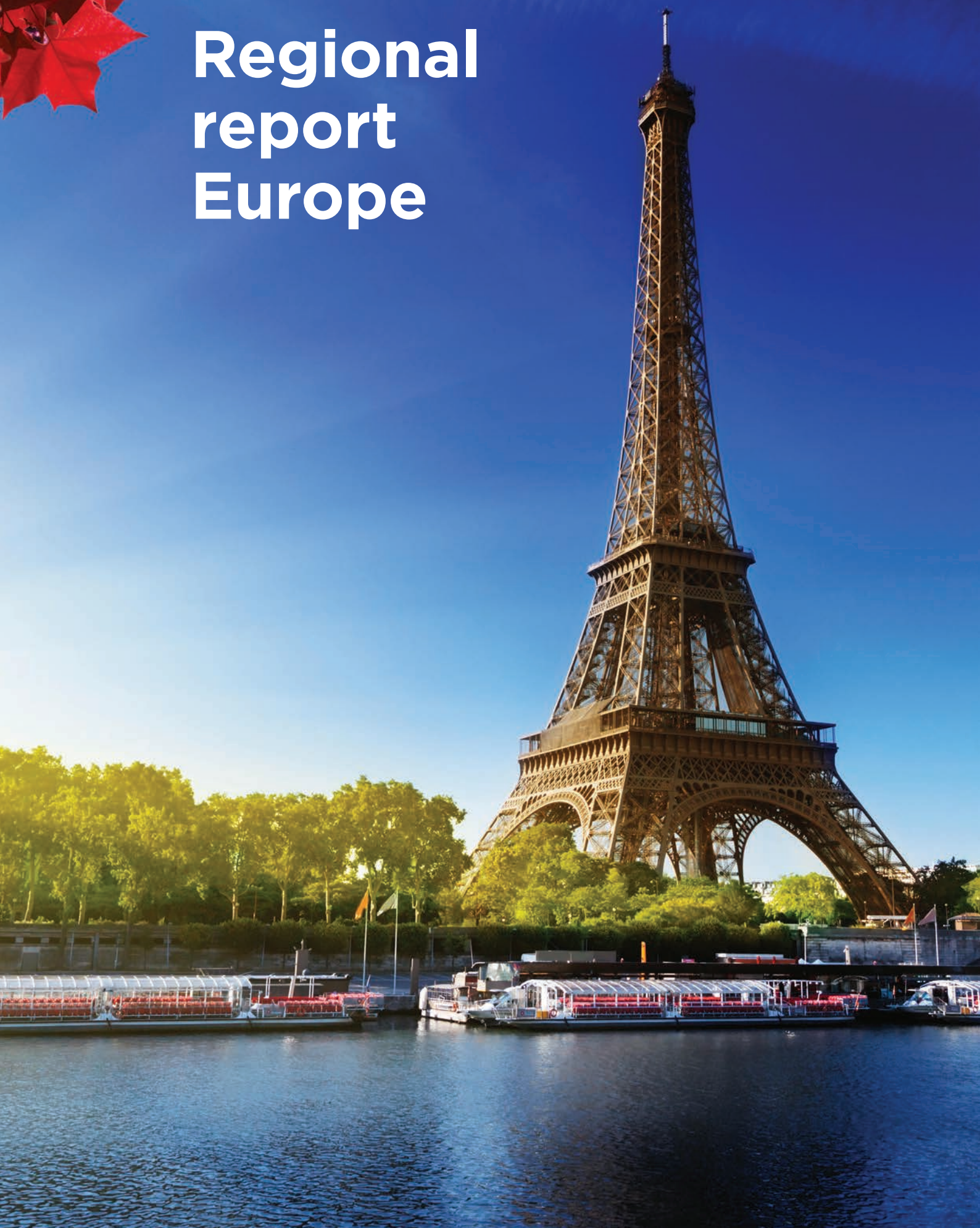


## RATES IN KEY CITIES

These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.	STUDIO						ONE BEDROOM						TWO BEDROOM							
	2017/18 rate		2019/20 rate		YoY variance		2017/18 rate		2019/20 rate		YoY variance		2017/18 rate		2019/20 rate		YoY variance			
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	
<b>AUSTRALASIA</b>																				
<b>Auckland (NZD)</b>																				
1-6 nights (nightly rate)	NZD 175	NZD 175	USD 115	EUR 104	0%	NZD 210	NZD 215	USD 141	EUR 127	2%	NZD 245	NZD 255	USD 167	EUR 151	4%	NZD 245	NZD 255	USD 167	EUR 151	4%
7 nights + (weekly rate)	NZD 1,075	NZD 1,080	USD 708	EUR 639	0%	NZD 1,375	NZD 1,400	USD 918	EUR 829	2%	NZD 1,475	NZD 1,525	USD 1,000	EUR 903	3%	NZD 1,475	NZD 1,525	USD 1,000	EUR 903	3%
One month + (monthly rate)	NZD 3,100	NZD 3,150	USD 2,066	EUR 1,864	2%	NZD 4,000	NZD 4,100	USD 2,689	EUR 2,427	3%	NZD 5,100	NZD 5,200	USD 3,411	EUR 3,078	2%	NZD 5,100	NZD 5,200	USD 3,411	EUR 3,078	2%
3 month + (monthly rate)	NZD 3,000	NZD 2,950	USD 1,935	EUR 1,746	-2%	NZD 3,700	NZD 3,850	USD 2,525	EUR 2,279	4%	NZD 5,000	NZD 5,100	USD 3,345	EUR 3,019	2%	NZD 5,000	NZD 5,100	USD 3,345	EUR 3,019	2%
<b>Canberra (AUD)</b>																				
1-6 nights (nightly rate)	AUD 182	AUD 190	USD 130	EUR 117	4%	AUD 215	AUD 225	USD 154	EUR 139	5%	AUD 305	AUD 310	USD 213	EUR 192	2%	AUD 305	AUD 310	USD 213	EUR 192	2%
7 nights + (weekly rate)	AUD 1,100	AUD 1,100	USD 720	EUR 649	0%	AUD 1,400	AUD 1,420	USD 974	EUR 878	1%	AUD 1,500	AUD 1,480	USD 1,015	EUR 915	-1%	AUD 1,500	AUD 1,480	USD 1,015	EUR 915	-1%
One month + (monthly rate)	AUD 3,400	AUD 3,400	USD 2,193	EUR 1,978	0%	AUD 3,700	AUD 3,750	USD 2,571	EUR 2,319	1%	AUD 4,000	AUD 3,950	USD 2,708	EUR 2,442	-1%	AUD 4,000	AUD 3,950	USD 2,708	EUR 2,442	-1%
3 month + (monthly rate)	AUD 3,000	AUD 2,975	USD 1,953	EUR 1,761	-1%	AUD 3,075	AUD 3,100	USD 2,125	EUR 1,917	1%	AUD 3,600	AUD 3,490	USD 2,393	EUR 2,158	-3%	AUD 3,600	AUD 3,490	USD 2,393	EUR 2,158	-3%
<b>Melbourne (AUD)</b>																				
1-6 nights (nightly rate)	AUD 235	AUD 250	USD 171	EUR 155	6%	AUD 270	AUD 295	USD 202	EUR 182	9%	AUD 380	AUD 390	USD 267	EUR 241	3%	AUD 380	AUD 390	USD 267	EUR 241	3%
7 nights + (weekly rate)	AUD 1,310	AUD 1,400	USD 959	EUR 865	7%	AUD 1,675	AUD 1,725	USD 1,183	EUR 1,067	3%	AUD 2,500	AUD 2,525	USD 1,731	EUR 1,561	1%	AUD 2,500	AUD 2,525	USD 1,731	EUR 1,561	1%
One month + (monthly rate)	AUD 4,100	AUD 4,250	USD 2,913	EUR 2,627	4%	AUD 4,500	AUD 4,750	USD 3,257	EUR 2,937	6%	AUD 4,600	AUD 4,600	USD 3,154	EUR 2,844	0%	AUD 4,600	AUD 4,600	USD 3,154	EUR 2,844	0%
3 month + (monthly rate)	AUD 3,850	AUD 4,000	USD 2,741	EUR 2,472	4%	AUD 4,300	AUD 4,500	USD 3,085	EUR 2,782	5%	AUD 4,375	AUD 4,400	USD 3,017	EUR 2,729	1%	AUD 4,375	AUD 4,400	USD 3,017	EUR 2,729	1%
<b>Sydney (AUD)</b>																				
1-6 nights (nightly rate)	AUD 193	AUD 210	USD 144	EUR 130	9%	AUD 224	AUD 235	USD 161	EUR 145	5%	AUD 309	AUD 310	USD 213	EUR 192	0%	AUD 309	AUD 310	USD 213	EUR 192	0%
7 nights + (weekly rate)	AUD 1,100	AUD 1,190	USD 815	EUR 735	8%	AUD 1,175	AUD 1,225	USD 840	EUR 757	4%	AUD 1,380	AUD 1,375	USD 943	EUR 850	0%	AUD 1,380	AUD 1,375	USD 943	EUR 850	0%
One month + (monthly rate)	AUD 3,400	AUD 3,450	USD 2,364	EUR 2,132	1%	AUD 3,650	AUD 3,775	USD 2,588	EUR 2,334	3%	AUD 3,800	AUD 3,750	USD 2,571	EUR 2,318	-1%	AUD 3,800	AUD 3,750	USD 2,571	EUR 2,318	-1%
3 month + (monthly rate)	AUD 3,300	AUD 3,300	USD 2,229	EUR 2,039	0%	AUD 3,350	AUD 3,410	USD 2,338	EUR 2,108	2%	AUD 3,650	AUD 3,600	USD 2,468	EUR 2,226	-1%	AUD 3,650	AUD 3,600	USD 2,468	EUR 2,226	-1%



# Regional report Europe





According to the international Monetary Fund, real GDP across Europe slowed from 2.3% in 2018 to 1.4% in 2019 but will rebound to 1.8% in 2020. European projections were downgraded by 0.1% in both 2019 and 2020, while the expected growth in emerging Europe has been revised upwards by 0.5% and 0.2% respectively.

Growth may be slowing, but the outlook remains positive. With manufacturing in recession, consumer spending is now the main growth engine for the region.

## Travel and mobility

As a highly developed tourism market, Europe should see the slowest growth in spending on travel and tourism of any major region during the period to 2028. Europe will remain one of the biggest travel markets in the world after that of Asia Pacific, accounting for 26% of the global total by 2028.

Tourism is a significant driver of revenue; tourist arrivals to Europe are forecast to rise by 57% by 2030 with a 200% increase in Chinese tourism.

Despite un-precedented awareness of the environmental impact, business travel shows no signs of slowing down across Europe. Business travel accounts for 22.2% of travel and tourism's contribution to Europe's GDP.

The EU is investing over euros 117 million in 39 key transport projects to improve connections across the continent, while focusing on sustainable transport modes. The projects will reduce the noise generated by freight trains, develop and improve cross-border railway links and upgrade crucial infrastructure in ports. They will be supported through the Connecting Europe Facility (CEF), the EU's financial mechanism supporting transport infrastructure.

## Hospitality

Amidst low growth projections and Brexit-related uncertainty, hotel room rates rise across Europe's main business cities are rising – albeit modestly.

However, the hotel development pipeline is at a record high. Germany is leading the way with 379 projects in development, followed by the UK with 281 hotels. London will add a further 10,000 new rooms in 2020 to the 10,000 added in 2019. Another trend is for the major hotel brands to launch new lifestyle formats to millennial business travellers. With shared working spaces and a less formal environment, these developments are further blurring the distinctions between accommodation types.

Fig 41. Spending on travel and tourism in Europe - 2017 and 2028

Aggregate	2017	2028	% change
	€bn	€bn	2017-28
<b>Outbound spending</b>	495.6	615.3	+24.2
<b>Incoming receipts</b>	546.3	814.1	+49.0
<b>Domestic spending</b>	1,115.4	1,351.0	+21.1
<b>Leisure spending</b>	1,292.5	1,683.4	+30.2
<b>Business spending</b>	368.3	480.3	+30.4
<b>Total spending</b>	1,660.8	2,163.7	+30.3
<b>Capital Investment</b>	217.3	301.8	+38.9

Source: Mintel

Tourist arrivals to Europe are forecast to rise by 57% by 2030

## Extended stay

There are currently around 204,733 serviced apartments across Europe in 4,068 locations, an increase of 42,039 units and 1,076 locations since the last GSAIR. This reflects an increase of 25.84% in inventory and 35.96% in locations, respectively the third and second highest of any global region.

The combined benefits of cost, space and quality are driving the popularity of serviced apartments amongst business travellers. In turn, this has pushed up the length of average stay to 39.3 days and 43 days amongst operators who derive more than 50% of their demand from corporate guests. For those with the majority of demand from leisure guests, the average length of stay was 23.8 days.

Innovation is a characteristic of the European serviced apartment industry. New and rebooted brands jostle for attention alongside new concepts like co-living and home-sharing, resulting in fragmentation of the serviced apartment market in response to changing demand behaviours.

Examples of this include Marriott's move into the home-sharing market with the launch of the Homes & Villas by Marriott rental platform. Then there's BridgeStreet's appointment to manage the 'removable' Stow-Away Waterloo – a 20-room property built using repurposed shipping containers which can be relocated. Meanwhile Cuckooz is developing 'sleep-centric' rooms in London that mimic the safety and security of a womb.

Amongst branded operators, Adagio plans to double its global portfolio to 220 apart-hotels by 2023. The company's new concept 'The Circle' incorporates redesigned public spaces, shared kitchens and co-working spaces and has been rolled out in over 20 apart-hotels to date.

Both occupancy and average rate in extended stay recorded growth in 2018, resulting in a RevPAR increase of 7.0%, compared to 5% for the traditional hotel industry. London saw a RevPAR growth of 4% compared to 3% for hotels, with regional UK markets recording growth of 3.5% and 1.5% respectively. In contrast, the rest of Europe recorded faster growth in both occupancy and average rate, resulting in RevPAR growth of 7% in 2018.

Fig 42. European extended stay market size and growth rate 2014- 2019 (US\$m)

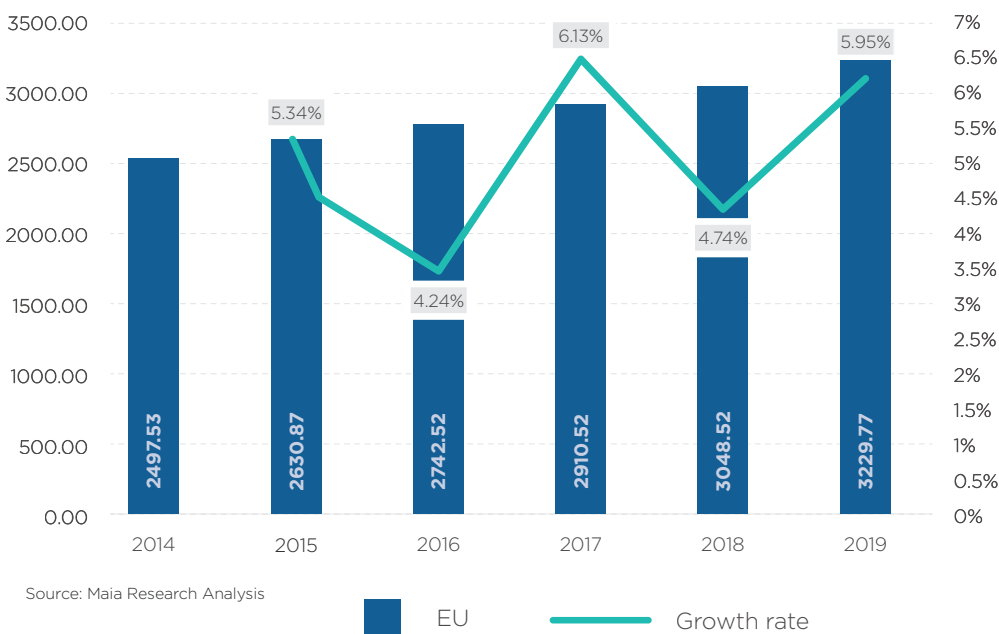
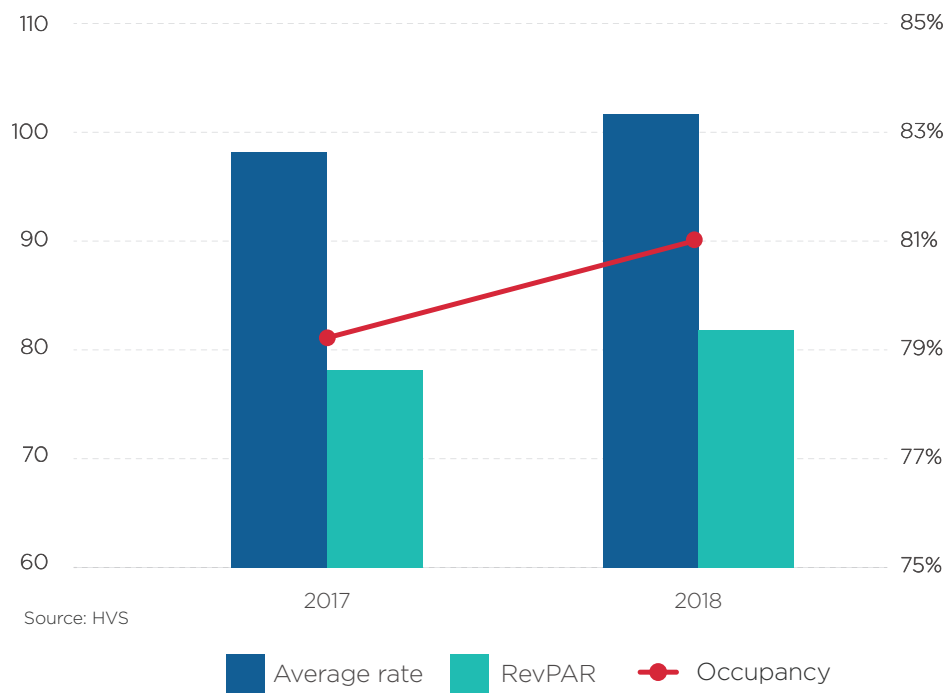




Fig 43. European serviced apartment sector performance 2018 (€ Euros)



# Market perspective – Nordics

By **Johannes Kangas – CEO at Forenom**



The serviced apartment demand has increased all over the Nordics the past two years. The indicators we have followed point out 8% and higher yearly demand increases in Denmark, Finland, Norway and Sweden in 2018 and 2019 compared to the earlier two years period. The higher serviced apartment growth compared to the market growth in general has its root in the continuing market penetration and increased awareness of the sector. The future development is partly depending on the economic growth which has been more modest lately in the region than two years ago. At the same time, the serviced apartment providers in the Nordics have been able to offer more competitive offering than hotel sector and benefit from the last economic downturn due to the customers' cost saving needs.

Within two years, the market has taken big steps in terms of consolidation. As the most visible indication of the maturing market Forenom has strengthened its market leader position via five acquisitions during the past two years having today a portfolio of over 7,800 accommodation units across the Nordics.

The trend of the higher adoption of corporate serviced apartment buying platforms has continued. However, at the same time, large companies especially in the IT segment have transferred the serviced apartment reservations to their employees and operate without centralized serviced apartment reservation team. This has increased the decision-making power of a single employee and challenges the sector to develop digital booking platforms which are as convenient as possible for users.

Within two years, the Nordic market has taken big steps in terms of consolidation

## New serviced apartment supply

The serviced apartment development pipeline is set to top 23,600 additional units by 2022, making extended stay one of the most buoyant sectors in the accommodation industry. As with the hotel pipeline, the UK and Germany represent the majority of that pipeline.

Transaction volumes accounted for 10% of all hotel transactions in Europe in 2018, although Brookfield's acquisition of Saco accounted for £430 million of this amount. Amongst the international operators entering the EU market are Selina, with \$100 million raised and 35 European properties in the pipeline; Vivali, launching with 6 European projects and Sonder, with \$135 million raised and 150 units planned for London.

Other new supply includes:

- Atwell Suites, IHG's third extended stay aimed below Staybridge Suites and targeting stays of four to six nights. These will be all-studio suites with kitchenettes, whilst public areas will include limited food and beverage offerings, flexible meeting space and 'huddle areas', as well as private and public working spaces.
- ONYX Hospitality Group has launched Shama Hub, its new serviced apartments and co-living concept, developed to meet the demand for short to medium term living solutions in space-efficient venues. The pipeline will







initially be focused on the Asia-Pacific region, with the first signed deals in Haikou and Changchun in China.

- Edyn is the new name for SACO that will adorn nine new properties in major cities including London, Dublin, Berlin and Lisbon. edyn has signed an agreement with Danica Pension for the development of a 236-room Locke aparthotel in Postbyen, Copenhagen. The property will span two of Postbyen's towers and is expected to be ready for occupancy in 2024.
- Amongst Aparthotels Adagio's 2019 openings are the Adagio Aparthotel Lille Centre Grand Place, Aparthotel Adagio Paris Nation, the highest wooden structure in Paris. The aparthotel opened its doors on 17 December and consists of 118 apartments on six levels; 82 studios and 36 two-room apartments, a swimming pool, gym and laundry services.
- The brand-new Adagio access Hamburg Mühlendamm will begin construction in 2020, with the proposed development to include 148 studios and apartments. By the end of 2019, Aparthotels Adagio will have opened 13,000 apartments in 13 different countries, with further expansions planned on an international scale.

## Operator perspective - Appart'City

Appart'City is a leading French urban aparthotel chain with over one hundred, two to four-star aparthotels. Guests benefit from a strong complementary national presence and positioning, together with a consistent network across France and Belgium.

The company is also continuing its development internationally by opening in Switzerland, in Vernier near Geneva Airport, in February 2020. Other aparthotels will open in France in 2020 and 2021.

## Operator perspective - Tim Düysen, Derag Living Hotels

"Exciting times lie ahead! In Germany alone, there are currently 28,500 serviced apartment units in around 540 properties. This is up to 40 percent more than three years ago. However, industry experts in the German-speaking sector do not see an end to this. On the contrary, their estimates range up to 100,000 apartment units until 2030.

This competition will benefit the market and us as a company. When I became a member of Living Hotels 15 years ago, they already managed 10 properties. At that time, the challenge was to make potential customers aware of the fact that this professional solution for temporary living exists.

But times have changed. Today, customers can choose from a variety of solutions with different service levels. We have a total of 17 serviced apartment houses in eight cities with around 3,200 beds. By now, our product is enjoying a certain degree of recognition, especially among customers who have a need for more than just the classic hotel.

It will also be exciting to see how the first economic difficulties will affect the serviced apartment sector. International forecasts are rather alarming. Some of the new players have spent large sums of money in order to be able to get involved in the market. If the expected high revenues fail to materialize, contracts will still have to be fulfilled. We remain curious!"

## Operator perspective – Staycity

Award-winning Staycity Group is a privately held company based in Dublin established in 2004 by CEO Tom Walsh and his brother Ger. The company has since become Europe's leading independent aparthotel operator, offering quality short-term and long-term aparthotel lettings in 12 central city locations across Europe. The properties operate under the Staycity Aparthotels and Wilde Aparthotels by Staycity brands.

Staycity's properties appeal to both business and leisure travellers who are looking for a more user-friendly, cost-effective alternative to hotels. The apartments are typically made up of studios, one-bedroom and two-bedroom units with 24-hour reception, kitchens or kitchenettes, a dining area, sitting area as well as complimentary Wi-Fi access, guest laundry facilities and weekly housekeeping. Most sites have car parking, and many offer a gym, guest lounge and Staycafé selling breakfast, all-day snacks and drinks.

The company's fast-expanding estate includes properties open in Birmingham (249 apartments), Dublin (228), Edinburgh (146), Liverpool (268), London (541), Lyon (144), Manchester (182), Marseille (108), Paris (50), Paris Marne-la-Vallée (284, plus 22 villas), Venice Mestre (175), and York (197). In December the company is opening two further Wilde properties in Berlin (48) and Edinburgh (128).

In 2018 StayCity won 'Best Operator' in the Serviced Apartment News Awards while in 2019 CEO and co-founder Tom Walsh was awarded the accolade 'Industry Inspiration' at the same awards as well as being shortlisted for 'Best Property' for Wilde on the Strand, and 'Best Operator'.

## Rates

Rates for the same size of serviced apartment and length of stay vary from city to city. For example, a studio apartment in Lisbon for 1 - 6 nights costs EUR125 compared to EUR175 in London. Similarly, a two-bed apartment costs EUR128 in Moscow compared to EUR338 in London.



## RATES IN KEY CITIES

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

### EUROPE

	STUDIO				ONE BEDROOM				TWO BEDROOM						
	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance			
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	
<b>Amsterdam (EUR)</b>															
1-6 nights (nightly rate)	EUR 170	EUR 180	USD 200			EUR 225	EUR 230	USD 256		6%	EUR 280	EUR 280	USD 312		0%
7 nights + (weekly rate)	EUR 950	EUR 975	USD 1,085			EUR 1,400	EUR 1,420	USD 1,580		3%	EUR 1,650	EUR 1,700	USD 1,892		3%
One month + (monthly rate)	EUR 3,700	EUR 3,700	USD 4,117		0%	EUR 5,150	EUR 5,200	USD 5,786		0%	EUR 5,750	EUR 5,775	USD 6,426		0%
3 month + (monthly rate)	EUR 3,275	EUR 3,300	USD 3,672		1%	EUR 4,750	EUR 4,895	USD 5,447		1%	EUR 5,500	EUR 5,525	USD 6,148		0%
<b>Brussels (EUR)</b>															
1-6 nights (nightly rate)	EUR 150	EUR 160	USD 178			EUR 225	EUR 230	USD 256		7%	EUR 285	EUR 275	USD 306		-4%
7 nights + (weekly rate)	EUR 825	EUR 835	USD 929		1%	EUR 1,310	EUR 1,280	USD 1,424		1%	EUR 1,510	EUR 1,450	USD 1,614		-4%
One month + (monthly rate)	EUR 3,500	EUR 3,500	USD 3,895		0%	EUR 4,500	EUR 4,350	USD 4,840		0%	EUR 6,250	EUR 6,000	USD 6,677		-4%
3 month + (monthly rate)	EUR 3,300	EUR 3,280	USD 3,650		-1%	EUR 4,250	EUR 4,200	USD 4,673		-1%	EUR 6,000	EUR 5,750	USD 6,399		-4%
<b>Frankfurt (EUR)</b>															
1-6 nights (nightly rate)	EUR 125	EUR 135	USD 150			EUR 185	EUR 200	USD 223		8%	EUR 240	EUR 245	USD 273		2%
7 nights + (weekly rate)	EUR 835	EUR 880	USD 979		5%	EUR 1,125	EUR 1,200	USD 1,335		7%	EUR 1,500	EUR 1,520	USD 1,691		1%
One month + (monthly rate)	EUR 3,500	EUR 3,620	USD 4,028		3%	EUR 4,250	EUR 4,500	USD 5,007		6%	EUR 5,300	EUR 5,450	USD 6,065		3%
3 month + (monthly rate)	EUR 3,150	EUR 3,300	USD 3,672		5%	EUR 4,000	EUR 4,200	USD 4,673		5%	EUR 5,100	EUR 5,150	USD 5,731		1%
<b>Lisbon (EUR)</b>															
1-6 nights (nightly rate)	EUR 125	EUR 125	USD 139		0%	EUR 180	EUR 185	USD 206		0%	EUR 240	EUR 235	USD 262		-2%
7 nights + (weekly rate)	EUR 750	EUR 750	USD 835		0%	EUR 1,100	EUR 1,190	USD 1,324		8%	EUR 1,300	EUR 1,295	USD 1,441		0%
One month + (monthly rate)	EUR 2,800	EUR 2,700	USD 3,005		-4%	EUR 3,850	EUR 4,000	USD 4,451		4%	EUR 4,775	EUR 4,590	USD 5,107		-4%
3 month + (monthly rate)	EUR 2,500	EUR 2,400	USD 2,671		-4%	EUR 3,650	EUR 3,650	USD 4,061		0%	EUR 4,600	EUR 4,450	USD 4,951		-3%



## RATES IN KEY CITIES

	STUDIO				ONE BEDROOM				TWO BEDROOM						
	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance			
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%
<i>These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.</i>															
<b>EUROPE CONT...</b>															
<b>London (GBP)</b>															
1-6 nights (nightly rate)	GBP 180	GBP 175	USD 224	EUR 201	-3%	GBP 250	GBP 240	USD 316	EUR 284	-4%	GBP 300	GBP 285	USD 376	EUR 338	-5%
7 nights + (weekly rate)	GBP 1,225	GBP 1,200	USD 1,582	EUR 1,422	-2%	GBP 1,700	GBP 1,620	USD 2,103	EUR 1,890	-5%	GBP 2,000	GBP 1,900	USD 2,506	EUR 2,251	-5%
One month + (monthly rate)	GBP 4,250	GBP 4,150	USD 5,275	EUR 4,740	-2%	GBP 5,700	GBP 5,500	USD 7,253	EUR 6,517	-4%	GBP 7,250	GBP 6,900	USD 9,099	EUR 8,176	-5%
3 month + (monthly rate)	GBP 4,000	GBP 3,850	USD 4,945	EUR 4,443	-4%	GBP 5,350	GBP 5,000	USD 6,593	EUR 5,924	-7%	GBP 6,850	GBP 6,500	USD 8,573	EUR 7,703	-5%
<b>Madrid (EUR)</b>															
1-6 nights (nightly rate)	EUR 120	EUR 130	USD 145		8%	EUR 195	EUR 200	USD 223		3%	EUR 210	EUR 210	USD 234		0%
7 nights + (weekly rate)	EUR 700	EUR 750	USD 835		7%	EUR 1,100	EUR 1,200	USD 1,335		9%	EUR 1,375	EUR 1,350	USD 1,502		-2%
One month + (monthly rate)	EUR 2,350	EUR 2,400	USD 2,671		2%	EUR 3,450	EUR 3,500	USD 3,894		1%	EUR 4,100	EUR 4,000	USD 4,450		-2%
3 month + (monthly rate)	EUR 2,100	EUR 2,250	USD 2,504		7%	EUR 3,150	EUR 3,250	USD 3,617		3%	EUR 4,000	EUR 3,850	USD 4,284		-4%
<b>Moscow (RUB)</b>															
1-6 nights (nightly rate)	RUB 6,500	RUB 6,450	USD 102	EUR 92	-1%	RUB 6,850	RUB 6,800	USD 108	EUR 97	-1%	RUB 9,200	RUB 9,000	USD 142	EUR 128	-2%
7 nights + (weekly rate)	RUB 34,500	RUB 34,000	USD 538	EUR 483	-1%	RUB 34,800	RUB 34,500	USD 546	EUR 490	-1%	RUB 51,000	RUB 50,200	USD 794	EUR 714	-2%
One month + (monthly rate)	RUB 120,000	RUB 118,500	USD 1,875	EUR 1,685	-1%	RUB 122,000	RUB 121,750	USD 1,927	EUR 1,731	0%	RUB 172,000	RUB 171,500	USD 2,714	EUR 2,438	0%
3 month + (monthly rate)	RUB 118,000	RUB 117,200	USD 1,855	EUR 1,666	-1%	RUB 119,500	RUB 119,000	USD 1,883	EUR 1,692	0%	RUB 168,000	RUB 167,500	USD 2,651	EUR 2,381	0%
<b>Paris (EUR)</b>															
1-6 nights (nightly rate)	EUR 200	EUR 210	USD 234		5%	EUR 280	EUR 300	USD 334		7%	EUR 450	EUR 435	USD 484		-3%
7 nights + (weekly rate)	EUR 1,200	EUR 1,290	USD 1,436		8%	EUR 1,875	EUR 1,900	USD 2,114		1%	EUR 2,875	EUR 2,850	USD 3,171		-1%
One month + (monthly rate)	EUR 3,800	EUR 3,850	USD 4,284		1%	EUR 6,150	EUR 6,250	USD 6,955		2%	EUR 10,000	EUR 9,600	USD 10,681		-4%
3 month + (monthly rate)	EUR 3,600	EUR 3,675	USD 4,090		2%	EUR 6,000	EUR 5,850	USD 6,510		-3%	EUR 9,000	EUR 8,500	USD 9,457		-6%

# Regional report LATAM



The economic outlook for Latin America is mixed as heightened social tensions, uncertainty around government policies and tepid global demand. GDP will grow less than 1% in Mexico, Brazil and Uruguay during 2020 whilst Argentina is likely to stay in recession for the third consecutive year, although not as severely as Venezuela, whose deep recession is due mainly to oil sanctions.<sup>70</sup>

## Travel & mobility

Housing more than 649 million people (and rising) over 36 countries, Latin America is one of the most urbanized regions in the world.

30% of the total population live in cities with populations of over 1m and the proportion of city-dwellers has increased six-fold in the last fifty years.<sup>71</sup> However this growth is challenging the region's traffic infrastructure, with cities crying out for improvements in parking, road safety, buses, underground, over ground, train systems and the popular BRT (Bus Rapid Transit).

This lack of efficient public transport systems is prompting the younger generation to turn away

from car ownership to on-demand transportation options. Revenues from ride-hailing across Latam are expected to grow from US\$518 million in 2018 to over US\$1bn by 2023 as Uber, 99, Easy Taxi, Cabify, Beat and Nekso battle it out to become the region's number one provider.<sup>72</sup>

Car sharing fleet has also grown steadily over the past 4 years – especially in Brazil and Mexico. Latin America is the second largest shared mobility region in the world and is predicted to grow eight-fold to \$285 billion by 2030 whilst continuing to lag far behind the top three markets.<sup>73</sup>

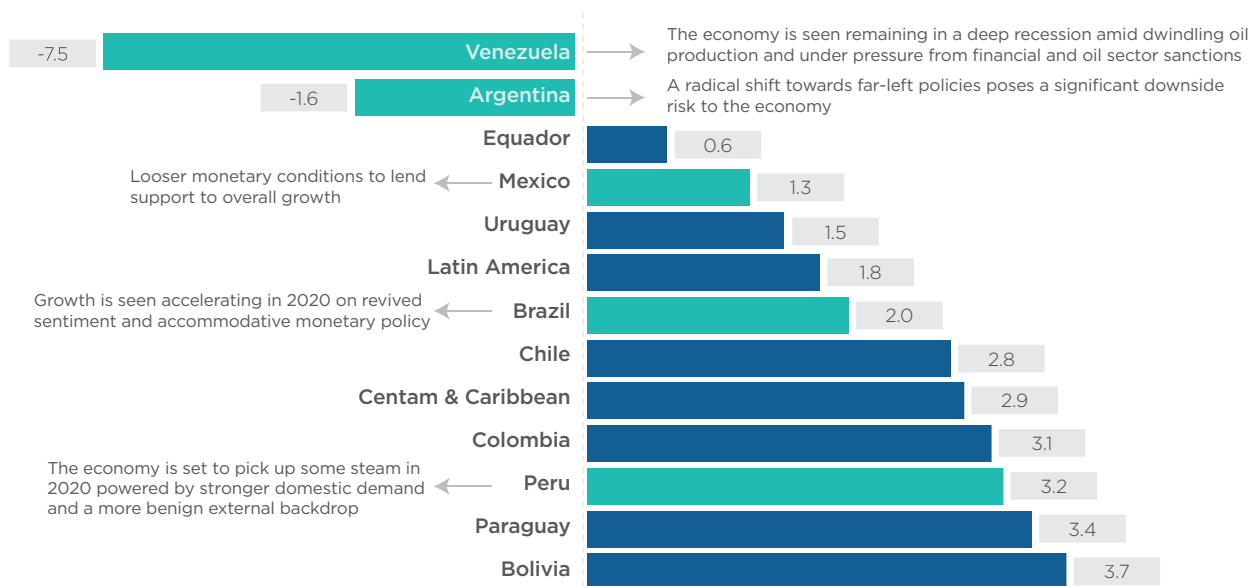
Bike and scooter sharing have also become popular in response to transportation issues and a drive towards more sustainable environments. Bike sharing in Latin America began in 2008 in Brazil and Chile followed by Argentina and Colombia. In the last ten years Colombia, Venezuela, Ecuador, Uruguay and Mexico have also played host to new bike share schemes within the region. The largest bike sharing system in South America is soon to be realized in Brazil.

The economic outlook for Latin America is mixed as heightened social tensions, uncertainty around government policies and tepid global demand.

Fig 44. Latam economic outlook 2020

### GDP Forecasts 2020

Annual var. in %



70. <https://www.focus-economics.com/regions/latin-america>

71. <http://movmi.net/latin-america-shared-mobility/>

72. <https://www.intertraffic.com/>

73. Goldman Sachs

Fig 45. Spending on travel in Latin America - 2017 vs 2028

Aggregate	2017	2028	% change
	US\$bn	US\$bn	2017-28
<b>Outbound spending</b>	55.4	100.6	+81.6
<b>Incoming receipts</b>	49.3	87.3	+77.1
<b>Domestic spending</b>	188.7	249.9	+32.4
<b>Leisure spending</b>	195.5	276.6	+41.5
<b>Business spending</b>	42.4	60.5	+42.7
<b>Total spending</b>	237.9	337.1	+41.7
<b>Capital Investment</b>	45.1	705	+56.3

Source: WTTC Travel & Economic Impact 2018 Latin America

Poor economic performance in some Latin American countries is affecting demand for air travel which, combined with rapid expansion by low-cost carriers across the region is pushing down average ticket prices in many markets except the largest business travel market, Brazil.

In some countries, many business travellers are either flying less or downgrading their class of travel. In response to this downtrading and high inflation, some carriers are offering tickets payable in interest-free monthly instalments over a year.

In spite of being largely a region of developing economies, the outlook for growth in spending on travel across Latin America is well below that of the worldwide average for the period 2017-28. Whilst incoming receipts are projected to soar by over 77% during the coming decade, outbound travel will likely still well exceed that of incoming travellers by 2028.

## Hospitality

While Mexico has traditionally been the strongest tourism economy in the region, Brazil, Panama, Costa Rica, Chile, and Argentina have also become increasingly competitive in this sector.

Tourism has also benefitted from regulatory improvements. Colombia, for instance, was able to secure major investment in the hotel industry after creating tax incentives and stabilizing the region. 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.

This investment has increased competition and improved performance. Sao Paolo's hotel

74. STR

75. Lodging Econometrics

market increased its revenue per available room (RevPAR) by 10% during 2019<sup>74</sup>, whereas Rio de Janeiro's hotel occupancy rates and RevPAR declined. However, this additional supply is coming onstream as economic pressures depress demand in some markets. Occupancy across the region is only 50 - 60%. Many of the newly opened hotels are lower-priced, less luxurious properties aimed at cost-conscious millennials. As a result, average room rates are falling.

Looking ahead, the region's total construction pipeline by rooms is in its third year of decline. At 710 hotel projects and 123,392 rooms, the pipeline is at its lowest number of projects for six years. 321 hotels comprising 56,228 rooms were under construction in Q4 of 2019 with 208 new hotels and 35,733 rooms due to begin construction and a further 181 hotels and 31,431 rooms at early planning stages.<sup>75</sup>

Mexico leads the construction pipeline with all-time high room counts at 203 hotels and 36,188 rooms, followed by Brazil (56 hotels and 25,991 rooms), Colombia (46 hotels and 7,267 rooms), Peru (43 hotels and 6,055 rooms) and the Dominican Republic (35 hotels and 11,053 rooms). Cities with the largest pipelines include Lima, Mexico City, Cancun, São Paulo and Cartagena. These five cities account for 20% of rooms in the pipeline. Amongst the operators, Accor tops the Latin American pipeline with 104 hotels and 13,880 rooms; followed by Marriott International (103 hotels and 16,435 rooms), Hilton (82 hotels and 11,574 rooms, a record for the chain) and IHG (54 hotels and 6,432 rooms). These four companies account for 48% of projects in the construction pipeline.

## Extended stay

Like the broader hospitality market, serviced apartment supply across Latam varies from country to country. In Brazil, for example, there has been a trend towards buildings that combine residential and non-residential units, providing investors with incremental revenues.

Latin America is the world's second-fastest-growing mobile market, with 200 million smartphone users. Together with travel and mobility departments empowering their employees to choose where they stay whilst on business, this is driving greater use of the OTAs to access a wider choice of local and global providers.<sup>76</sup>

The increase of serviced apartment options available on websites such as Airbnb and Booking.com has given business travellers the confidence to book online. The downside has been the new challenges for operators that this has created. These include revenue and distribution channel management; commissions, loyalty programs and flexibility around cancellation policies and additional services.

## Market perspective - Q Apartments

Q Apartments has grown to become a key player in the global serviced apartments industry. Through their own inventory and their supplier network, Q can offer over 27,000 apartments across 21 LATAM nations. Founded in 1996 in Copenhagen, and following their takeover of Skyline in 2017, the company services three main markets – the United Kingdom, Denmark and Brazil.

Q Apartments is focusing on its expansion in terms of inventory, improving the guest journey experience globally, and looking into new models of operation. In the LATAM market, Q has invested in property acquisition and identified a pipeline of new buildings to open over the next three years.

The opportunities in the Brazilian market has prompted Q Apartments to divide its business into property and block management and corporate housing programme management. Q Apartments is continuously building trust and its brand reputation for block and inventory management in São Paulo.

## Market assessment - Sao Paulo

Sao Paulo is the most established market within Brazil for temporary accommodation and offers the most varied options in terms of quality, which is reflected in the rates.

Nearby cities such as Santos to the South or Campinas to the north of Sao Paulo have lower rates and good quality. Within the city itself, Pinheiros, Paulista, Brooklin and Vila Olimpia are the most-requested areas.

More aparthotels and corporate housing units ensure that availability is good. The cities are quiet during the school holidays in June and December. High season occurs when large events such as the Carnival (February into March) Formula 1 (November) and other festivals take place.

Yearly rate increases are usually higher than the rest of the country because Sao Paulo is the main business hub. Rate negotiations vary according to location, quality of accommodation and length of stay. Providers in this market usually charge per person instead of per unit, meaning the nightly rate is higher for a couple staying in a one-bedroom apartment, than it would be for a single person.

## Market assessment - Rio de Janeiro

The market here is a little different when it comes to aparthotels and corporate housing option although other locations within the state of Rio de Janeiro offer a lower rate range than the capital. High season runs from December to March including Carnival week when the city becomes extremely busy and supplements are often added to rates. July is also busy when the schools are on half term.

Rate negotiation usually depends on business relationship and demand although length of stay also influences price. In some cases, a fixed price per stay can be negotiated, even if it encompasses high season, if the stay is long enough. However, in most cases local providers will not honour the initial rate when it comes to extensions and rates will vary based on market fluctuation.

76. <https://www.hsystem.com.br/artigos/10-mega-tendencias-que-vao-impactar-a-hotelaria-em-2019-e-2020>

## RATES IN KEY CITIES

	STUDIO				ONE BEDROOM				TWO BEDROOM			
	2019/20 rate		YoY variance		2019/20 rate		YoY variance		2019/20 rate		YoY variance	
	Local currency	Us\$	Euro	%	Local currency	Us\$	Euro	%	Local currency	Us\$	Euro	%
<i>These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.</i>												
<b>SOUTH AMERICA</b>												
<b>Buenos Aires (ARS)</b>												
1-6 nights (nightly rate)		USD 27	EUR 25			USD 35	EUR 31			USD 42	EUR 38	
7 nights + (weekly rate)		USD 180	EUR 162			USD 200	EUR 180			USD 225	EUR 202	
One month + (monthly rate)		USD 780	EUR 701			USD 1,195	EUR 1,074			USD 1,300	EUR 1,168	
3 month + (monthly rate)		USD 760	EUR 683			USD 1,100	EUR 988			USD 1,225	EUR 1,101	
<b>Rio de Janeiro (BRL)</b>												
1-6 nights (nightly rate)	BRL 275	USD 61	EUR 55	-7%	BRL 350	USD 77	EUR 70	-7%	BRL 435	USD 95	EUR 86	-8%
7 nights + (weekly rate)	BRL 1,400	USD 309	EUR 279	-7%	BRL 2,000	USD 464	EUR 418	-3%	BRL 2,400	USD 535	EUR 483	-6%
One month + (monthly rate)	BRL 4,675	USD 1,071	EUR 965	-4%	BRL 6,150	USD 1,404	EUR 1,265	-4%	BRL 7,600	USD 1,761	EUR 1,587	-3%
3 month + (monthly rate)	BRL 4,150	USD 952	EUR 858	-4%	BRL 5,500	USD 1,237	EUR 1,115	-5%	BRL 7,100	USD 1,615	EUR 1,456	-4%
<b>Sao Paulo (BRL)</b>												
1-6 nights (nightly rate)	BRL 300	USD 67	EUR 60	-7%	BRL 400	USD 92	EUR 83	-4%	BRL 510	USD 115	EUR 104	-5%
7 nights + (weekly rate)	BRL 1,620	USD 381	EUR 343	-1%	BRL 2,500	USD 547	EUR 493	-8%	BRL 3,250	USD 714	EUR 643	-8%
One month + (monthly rate)	BRL 5,500	USD 1,261	EUR 1,137	-4%	BRL 7,300	USD 1,654	EUR 1,491	-5%	BRL 9,500	USD 2,195	EUR 1,979	-3%
3 month + (monthly rate)	BRL 5,150	USD 1,166	EUR 1,051	-5%	BRL 6,850	USD 1,475	EUR 1,330	-9%	BRL 9,200	USD 2,120	EUR 1,911	-3%

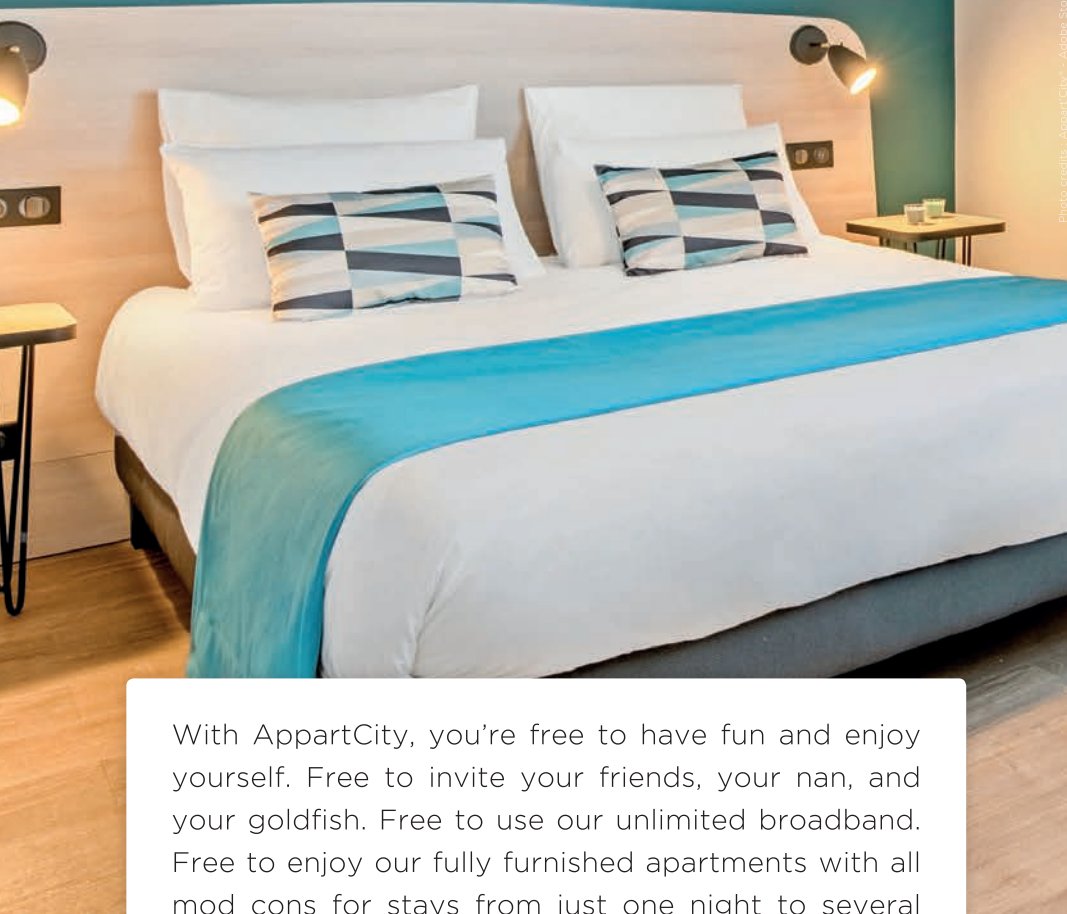


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# Regional report Middle East

By James Wren,  
Colliers International





The serviced apartment sector in the Gulf Cooperation Council (“GCC”) region is growing, owing to various economy diversification strategies implemented in the region. Each country in the GCC region has their own strategy with different visions for tourism development.

For example, The Dubai Tourism Strategy aims to attract 25 million visitors by 2025 and aims to position itself as the most favoured destination in the world. Similar to Dubai, Saudi Arabia aims to position itself among the top five global destinations.

Under the Saudi Arabia vision 2030, the tourism is expected to contribute 10% of Saudi Arabia’s GDP by 2030. The common goal of all such strategies is to create alternative sources that drive the economy rather than relying solely on oil.

These strategies focus on increasing tourism and hospitality sectors, which provides opportunities for development of serviced apartments. The following is an overview of the GCC serviced apartment sector, aiming to identify market segmentation, key supply characteristics, performance and outlook of this sector in the GCC market.

## Market Segmentation

Majority of demand in the key GCC serviced apartment country market of UAE is generated from business/expat travellers, who visit to either work on assignments or stay during the relocation period. This segment of travellers opt for longer stays.

Serviced apartments have become a preferable option for business/expat travellers not only because of the low room rates but also because of good IT infrastructure, cleanliness, comfort, quick and efficient services and meeting room facilities. Inversely, the other major serviced apartment country market of the GCC, namely, Saudi Arabia, attracts short stay guests, who are either visiting friends & relatives (VFR) or for leisure and religious purposes.

The key driver of the short-stay demand segment within KSA, Oman, Kuwait and Bahrain is linked to the fact that the majority of demand is generated by GCC nationals who typically travel in large family groups. These large groups require larger room sizes and usually prefer accommodation facilities which facilitate family time and self-catering services.

## Existing supply characteristics

Dubai holds the highest number of serviced apartment keys amongst the GCC markets, for the year 2019, totalling up to 34,426 keys in 247 establishments. 67% of these are internationally branded. Dubai is followed by Riyadh with 23,991 keys in 595 establishments.

It is important to note 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.

While in other GCC markets such as Muscat, the total supply of serviced apartments for 2019 is 2,396 keys. Only 33% of these are internationally branded. Kuwait City has a total of 1,752 serviced apartment keys in 42 properties.

Jeddah and Riyadh’s existing serviced apartment market is populated by the locally branded and unbranded properties. Boudl Hotels & Resorts, a local operator has highest number of properties in both the markets accounting for a total supply of 1,065 keys.

Figure 48 shown overleaf demonstrates the total number of keys and the share of internationally branded supply in the GCC region. Excluding Dubai and Abu Dhabi, the existing supply of serviced apartments in the GCC market is comprised of mainly unbranded and locally branded operators and limited international operators. Internationally branded serviced apartments in markets excluding Dubai and Abu Dhabi are fragmented and usually do not have more than two to three properties in a market.

The religious tourism market is experiencing an increase because of the initiatives taken by the Saudi government such as implementation of a new visa, Umrah Plus (which allows the pilgrims to visit other sites in Saudi Arabia after performing their religious practice). In 2018, a total of 18.3 million pilgrims performed Umrah, 36.9% of which were non-Saudi pilgrims. The Saudi vision 2030 aims to increase the Umrah pilgrims to 30 million every year.

This provides opportunity for international operators to enter the GCC serviced apartment market specially in cities such as Makkah and Madinah to support the religious tourism.

Fig 46. Number of Keys and Share of Internationally Branded Supply, December 2019

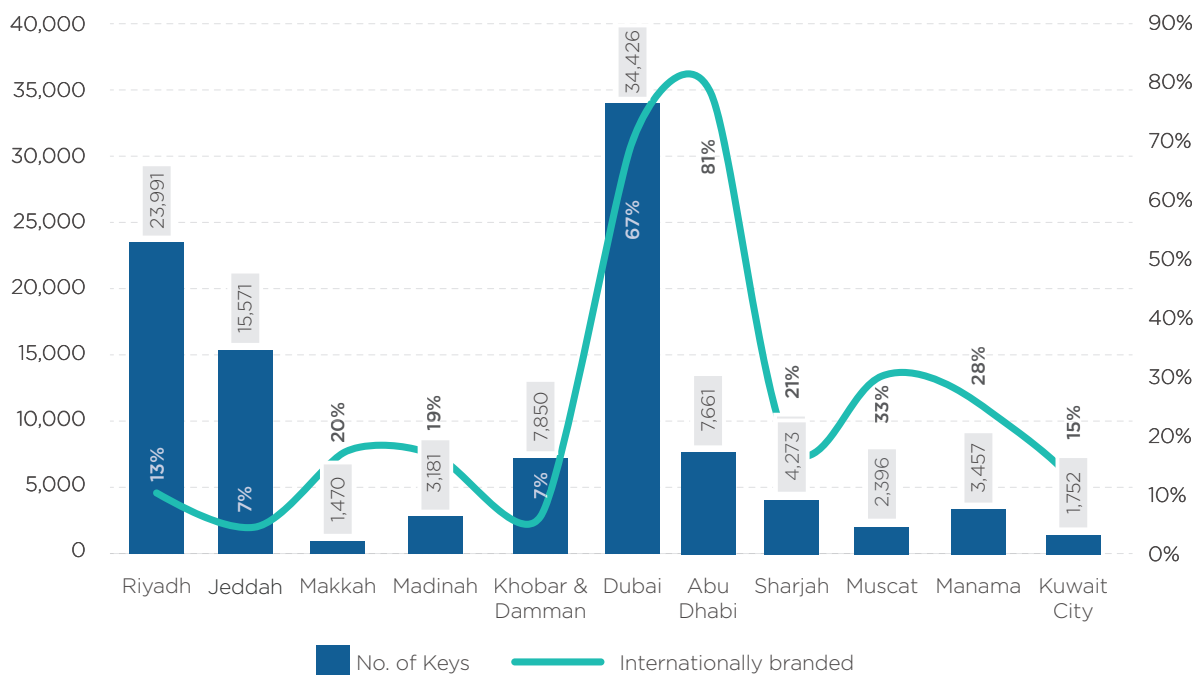
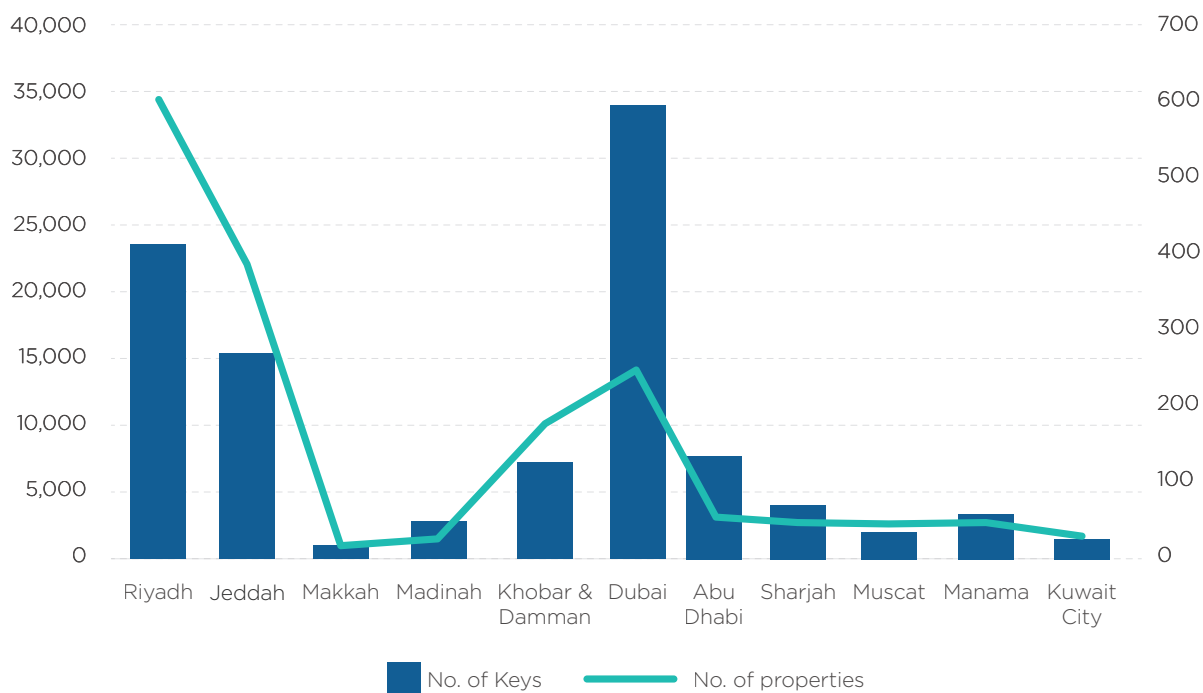


Fig 47. Number of Keys and Number of Properties by Market, December 2019



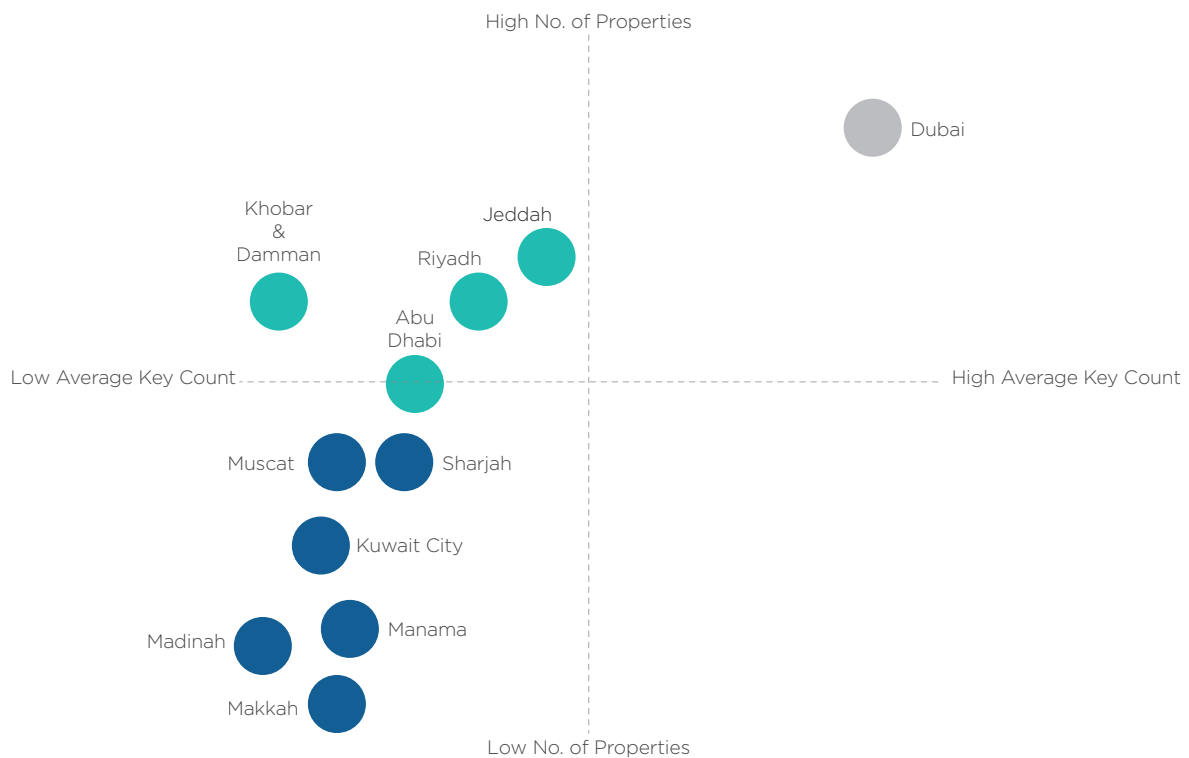
## Serviced Apartments Pipeline

The GCC region has a growing hospitality development pipeline with a wide range of projects from local as well as international operators. The serviced apartment market in the region is also growing owing partly to demand from large families travelling for leisure along with relocating families.

The future supply of GCC market is represented below.



Fig 48. Future Supply in GCC Market, December 2019



Source: Colliers International, 2019

Around 15,000 branded serviced apartment keys are expected to enter the GCC region in the coming few years. Majority of the keys are expected to open in Dubai. Jeddah and Riyadh both will bring in relatively lower supply in the region.

Despite having sizeable hotel market inventory, the holy cities of Makkah and Madinah in Saudi Arabia have the least developed serviced apartment markets, primarily attributed to the different nature of these destinations, which are focused on religious tourism. However, this presents an opportunity to develop efficiently designed serviced apartments that are specifically catered to the pilgrim travellers' needs.

## Driving force for serviced apartment usage

Serviced apartments provide better value than hotels and generally have bigger rooms, which is a requirement for the large families in GCC region. Moreover, the presence of fully equipped kitchen is an added advantage for families opting for longer stays.

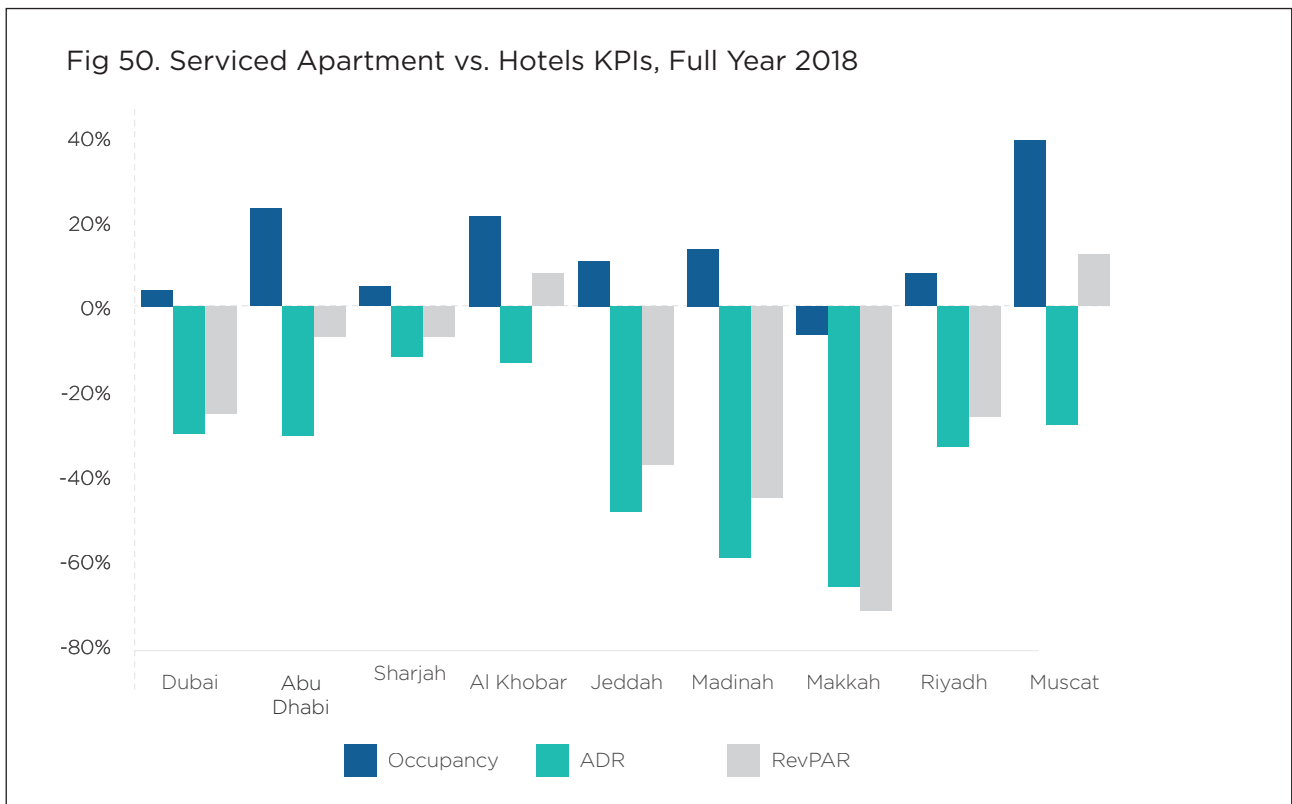
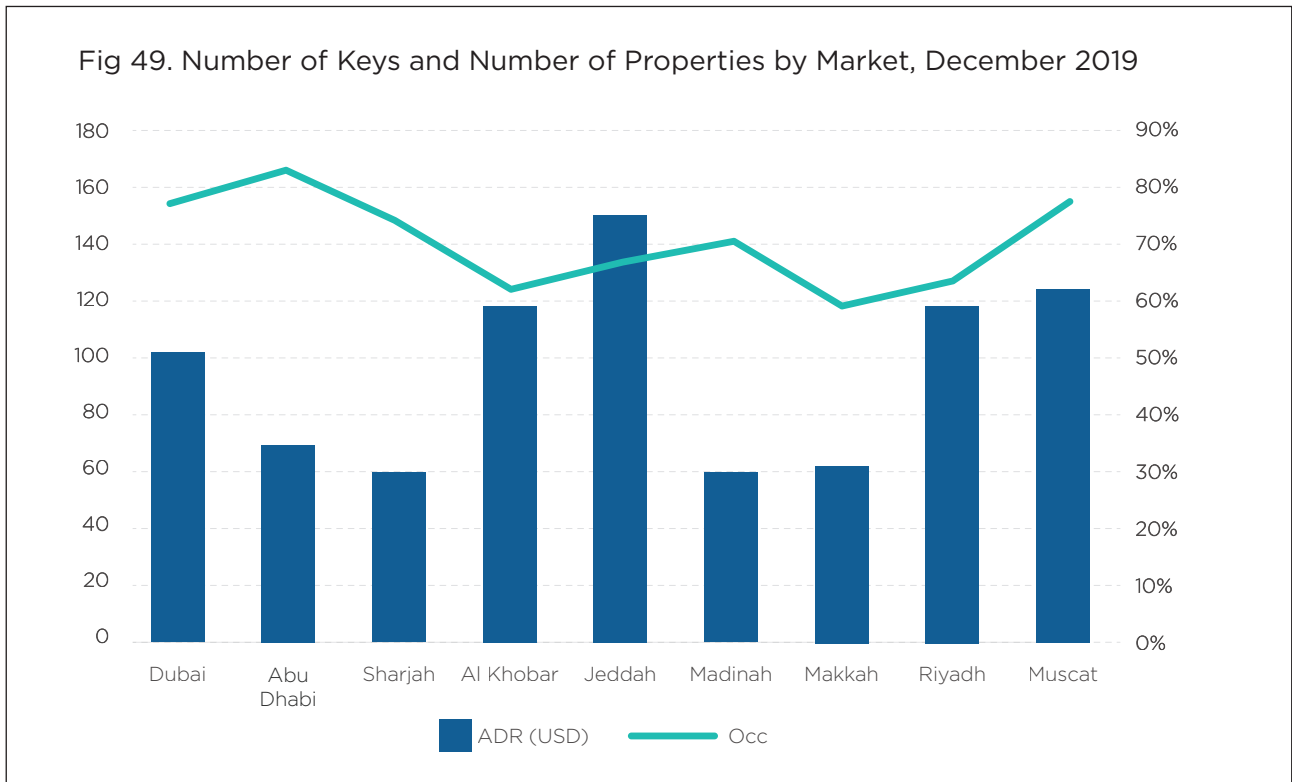
For working individuals and couples, serviced apartments provide a hassle-free option with easy payment, privacy and added services. In cities like Abu Dhabi with higher rental rates, a serviced apartment is preferable option for residents as well as long stay tourists, due to their flexible payment options and luxury services which typically are not offered in residential units.

## Serviced Apartment Performance

In the region, the highest average rates for serviced apartments are achieved in Jeddah, reaching up to USD 155 per night during peak periods. This is due to the city's limited supply of branded properties compared to other markets.

However, higher occupancy levels for serviced apartments are achieved in Abu Dhabi followed by Dubai, with 85% and 78% occupancy levels respectively in 2018. This level of occupancy can be attributed to the positioning of these cities in the region. They both have strong attractions which invites both leisure and corporate demand.

Figure 50 below, represents the KPI's for the serviced apartments present in the GCC region.



A further comparison between serviced apartment performance and hotels performance is demonstrated in the Exhibit 5 present below. In 2018, most markets recorded higher occupancies than hotels but a lower average rate than hotels. This highlights the strength of serviced apartments in capturing demand, however, it also points to the higher 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.

## How can serviced apartment industry benefit from airbnb

The vacation rental homes have gained a lot of popularity in the last few years because of the private and local experience that they provide. This popularity can be attributed to the change in travel habits and behaviours specially among the millennials and younger generations. This generation is looking for authentic experiences from their travel. They want to experience a destination not like a tourist but as a local. However, this travel behaviour is not limited to younger generation.

The serviced apartment industry can take advantage of this change in behaviour of guests. A serviced apartment can act as a bridge between a hotel and an Airbnb. It offers cleanliness and security that of a hotel, moreover they can also provide facilities such as fully equipped kitchens and home like feeling that an Airbnb offers.

In a market like Dubai, most of the Airbnb's are in upscale areas such as Dubai Marina and Palm Jumeirah. Being in these locations they generally are expensive and only a limited range of tourists can afford them. This gives an opportunity for quality serviced apartments in other areas of Dubai to attract budget friendly travellers looking for homely as well as local experience. This can partly be done by offering competitive price, providing guests with guaranteed bookings and giving them the facilities and privacy, they want.

## Future outlook

With developments in vacation rental sector, the serviced apartment sector will have to adapt in order to remain relevant in the market. Dubai's serviced apartment sector can take advantage of upscale limited Airbnb's and provide efficient, home like services for budget friendly guests in upcoming midscale districts such as Jumeirah

Village Circle, Dubai Silicon Oasis, to name a few. Various countries in the GCC region are undergoing economy diversification plans and venturing into new areas rather than relying on oil. Saudi Arabia's Saudi Vision 2030 is one such program which is changing the tourism scene of the country. Under this program, KSA is expected to attract more tourists, with opening of tourism in the country.

This provides an opportunity for development of smaller and efficient unit sizes, in order to cater to guests with smaller families. This will be coupled with opportunity for development of branded serviced apartments. The serviced apartment sector of KSA region is also expected to see an increase in long stay guests due to improvement in visa regulations, emphasis on domestic tourism and expected increase in religious tourism.

## Extended stay supply

There are currently around 102,177 serviced apartments across the Middle East in 900 locations, an increase of 5,332 units and 153 locations since the last GSAIR.

This reflects an increase of 5.51% in inventory and 20.48% in locations - respectively the lowest and fourth highest increases of any global region.



## RATES IN KEY CITIES

	STUDIO						ONE BEDROOM						TWO BEDROOM						
	2017/18 rate		2019/20 rate		YoY variance		2017/18 rate		2019/20 rate		YoY variance		2017/18 rate		2019/20 rate		YoY variance		
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	Local currency	Local currency	US\$	Euro	
<i>These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.</i>																			
<b>MIDDLE EAST</b>																			
<b>Abu Dhabi (AED)</b>																			
1-6 nights (nightly rate)	AED 625	AED 580	USD 158	EUR 142	-7%	AED 900	AED 800	USD 218	EUR 196	-11%	AED 1,175	AED 1,100	USD 299	EUR 270	-6%				
7 nights + (weekly rate)	AED 3,475	AED 3,200	USD 871	EUR 785	-8%	AED 4,000	AED 3,820	USD 1,040	EUR 937	-5%	AED 6,275	AED 6,000	USD 1,634	EUR 1,471	-4%				
One month + (monthly rate)	AED 10,800	AED 10,000	USD 2,723	EUR 2,452	-7%	AED 16,500	AED 15,200	USD 4,138	EUR 3,727	-8%	AED 26,000	AED 25,100	USD 6,834	EUR 6,154	-3%				
3 month + (monthly rate)	AED 9,750	AED 9,400	USD 2,559	EUR 2,305	-4%	AED 15,800	AED 14,100	USD 3,859	EUR 3,457	-11%	AED 23,000	AED 22,000	USD 5,990	EUR 5,394	-4%				
<b>Dubai (AED)</b>																			
1-6 nights (nightly rate)	AED 680	AED 640	USD 174	EUR 157	-6%	AED 900	AED 800	USD 218	EUR 196	-11%	AED 1,200	AED 1,100	USD 299	EUR 270	-8%				
7 nights + (weekly rate)	AED 3,850	AED 3,690	USD 1,005	EUR 905	-4%	AED 5,000	AED 4,300	USD 1,171	EUR 1,054	-14%	AED 7,300	AED 6,900	USD 1,879	EUR 1,692	-5%				
One month + (monthly rate)	AED 14,000	AED 12,800	USD 3,485	EUR 3,138	-9%	AED 22,500	AED 21,800	USD 5,935	EUR 5,345	-3%	AED 26,500	AED 25,100	USD 6,834	EUR 6,154	-5%				
3 month + (monthly rate)	AED 12,500	AED 11,100	USD 3,022	EUR 2,722	-11%	AED 21,600	AED 20,000	USD 5,445	EUR 4,904	-7%	AED 25,000	AED 23,100	USD 6,289	EUR 5,664	-8%				
<b>Doha (QAR)</b>																			
1-6 nights (nightly rate)	QAR 690	QAR 720	USD 198	EUR 178	4%	QAR 950	QAR 1,000	USD 275	EUR 247	5%	QAR 1,275	QAR 1,350	USD 371	EUR 334	6%				
7 nights + (weekly rate)	QAR 3,900	QAR 4,000	USD 1,099	EUR 990	3%	QAR 5,800	QAR 6,000	USD 1,648	EUR 1,484	3%	QAR 7,900	QAR 8,500	USD 2,335	EUR 2,103	8%				
One month + (monthly rate)	QAR 16,200	QAR 16,500	USD 4,533	EUR 4,082	2%	QAR 24,200	QAR 25,000	USD 6,868	EUR 6,185	3%	QAR 31,000	QAR 31,400	USD 8,626	EUR 7,768	1%				
3 month + (monthly rate)	QAR 14,900	QAR 15,200	USD 4,176	EUR 3,760	2%	QAR 23,500	QAR 23,800	USD 6,538	EUR 5,888	1%	QAR 27,500	QAR 27,900	USD 7,665	EUR 6,902	1%				

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# Regional report USA

By Mark Skinner,  
Highland Group





The U.S. economic outlook is healthy, despite an expected fall in GDP growth rate below the 2% - 3% 'ideal' range. With unemployment and inflation below the natural rate, the U.S. is often described as having a 'goldilocks' economy - not too hot or cold, sustains moderate economic growth and has low inflation.

Uncertainty over trade wars with both China and Iran notwithstanding, the economy is forecast to carry on growing - but more slowly, from 2.0% in 2020 to 1.9% in 2021 and 1.8% in 2022.<sup>77</sup>

By contrast, Canadian GDP is forecast to grow by 1.8% in 2020 and 1.9% in 2021, although Canada's trade sector will continue to be challenged by weak global growth - especially with the U.S..

## Travel & mobility

A buoyant economy has fuelled demand for business travel throughout 2019, prompting airlines like American Airlines, Delta Air Lines and United Airlines to launch new routes, increase the frequency of existing routes or use larger aircraft. Each of these 'big three' is developing their secondary hubs, upgrading regional services with larger jets.

More fuel-efficient long-haul aircraft such as the Boeing 787 and Airbus A350 have enabled European airlines to launch direct services to secondary cities like Austin, Nashville, Charleston and Pittsburgh. By contrast, among the long-haul low-cost carriers (LCCs), Wow Air went bust whilst full-service Gulf carriers Emirates and Etihad Airways reduced their transatlantic flights.

## Hospitality sector

Rates have not increased in line with demand as fast as the demand, due to a number of factors including concerns about the future performance of the U.S. economy, international trade disputes and additional supply in cities like New York, Dallas, Los Angeles, Chicago, Nashville, Miami, Boston, Detroit and Seattle.

In some cities, rate rises have been significant, for example by 4% - 5% in San Francisco during 2019. Demand is becoming stronger, especially for stays in midscale hotels, but some business travelers are upgrading to upscale brands like Marriott, Radisson Blu and W Hotels. As rate inconsistency across different booking channels continues to challenge corporates.



## Extended stay

There are currently around 605,489 serviced apartments across the U.S. and Canada in 7,775 locations, an increase of 48,054 units and 602 locations since the last GSAIR.

This reflects an increase of 8.62% in inventory and 8.39% in locations – respectively the fourth and fifth highest increases of any global region.

The U.S. extended stay market is the biggest and most mature in the world – and it's still growing. With the number of extended-stay hotel rooms fast approaching 500,000, the USA is the world's largest region for extended-stay hotel product. Annual room revenues are likely to exceed \$14 billion in 2019.

Fig 51. Global Extended-Stay Market by Revenues

	2014	2015	2016	2017	2018	2019
<b>United States</b>	5897.72	6218.87	6530.90	6876.57	7214.63	7600.89
<b>EU</b>	2497.53	2630.87	2742.52	2910.52	3048.52	3229.77
<b>China</b>	799.16	851.45	905.22	960.69	1022.36	1094.30
<b>Japan</b>	457.65	491.92	524.21	567.74	611.13	660.22
<b>India</b>	196.63	212.56	216.08	227.64	233.89	241.32
<b>Southeast Asia</b>	339.21	360.74	389.97	422.76	456.92	472.02
<b>Other</b>	1310.86	1379.81	1476.74	1583.98	1691.32	1878.97
<b>Global</b>	11498.77	12146.23	12785.62	13549.89	14278.77	15177.50

Source: Annual reports, Secondary Information, Press Releases,

Extended-stay hotel room night demand is at a record high and still growing at some of the fastest rates we have seen in a decade.

Fig 52. US Extended-Stay Hotel Room Nights Sold (000's)

Year-to-Date Through the 3rd Quarter								
Segment	2012	2013	2014	2015	2016	2017	2018	2019
<b>Economy</b>	16,517	16,711	17,037	17,348	17,887	18,364	18,895	19,680
<b>Mid-Price</b>	26,996	27,579	29,102	30,325	31,574	34,160	36,909	40,235
<b>Upscale</b>	27,834	28,742	30,666	33,309	35,626	38,893	41,630	43,804
<b>Total</b>	71,346	73,032	76,805	80,981	85,087	91,417	97,434	103,718

Source: The Highland Group

The U.S. extended stay market is the biggest and most mature in the world – and it's still growing

Rapid supply growth coupled with high occupancy is driving extended-stay hotel demand. Fundamentally, however, and despite a threefold increase in extended-stay room supply over the last 20 years, traditional hotels in the USA still accommodate more room nights than extended-stay hotels from guests staying seven consecutive nights or longer.

The supply of extended-stay hotel rooms grew by more than 25,000 in 2018 and, boosted by a wave

of openings in Q3 2019, the trailing 12 months saw a net change in rooms open of more than 30,000. Despite the supply growth, annual occupancy in 2018 was 76.5%, a level that varied little for five consecutive years. Record high occupancy has continued in 2019 as extended-stay hotels reported average occupancy above 77% for the first nine months of the year for the sixth straight year.

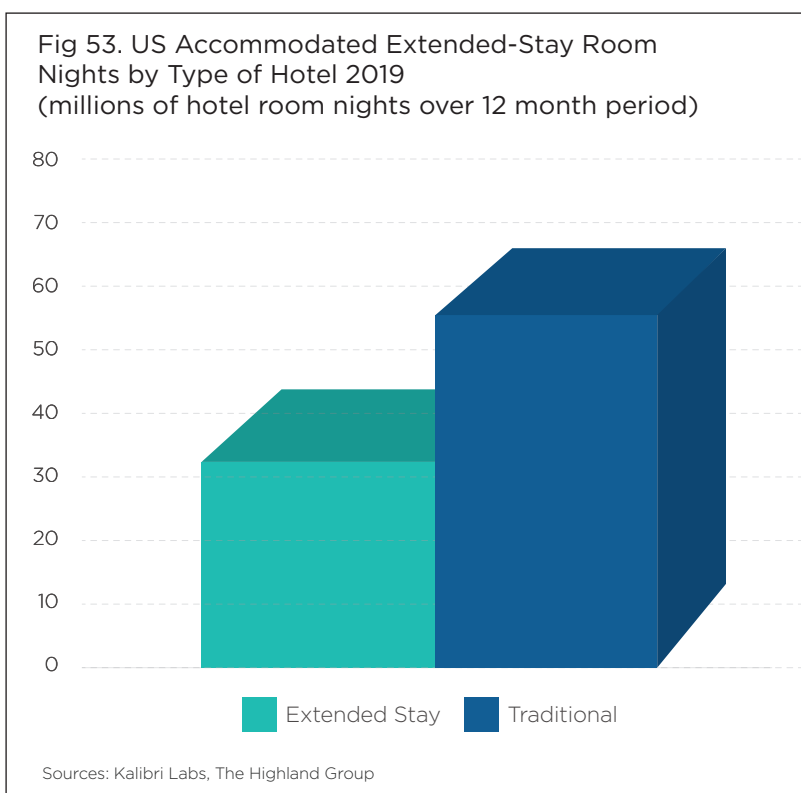


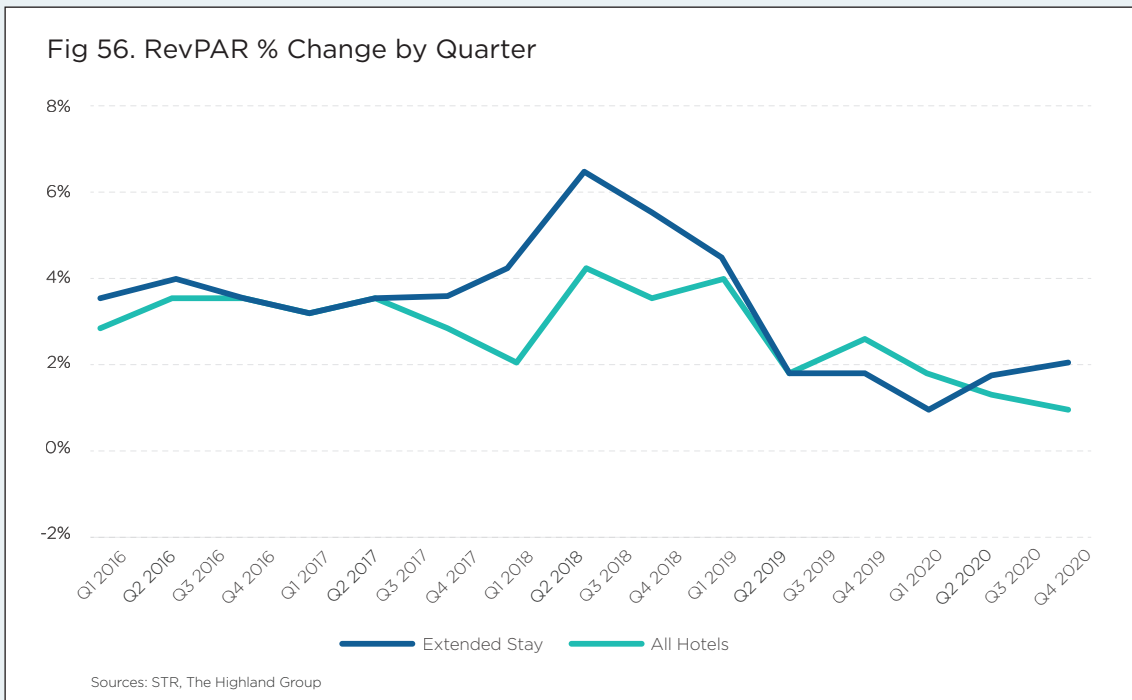
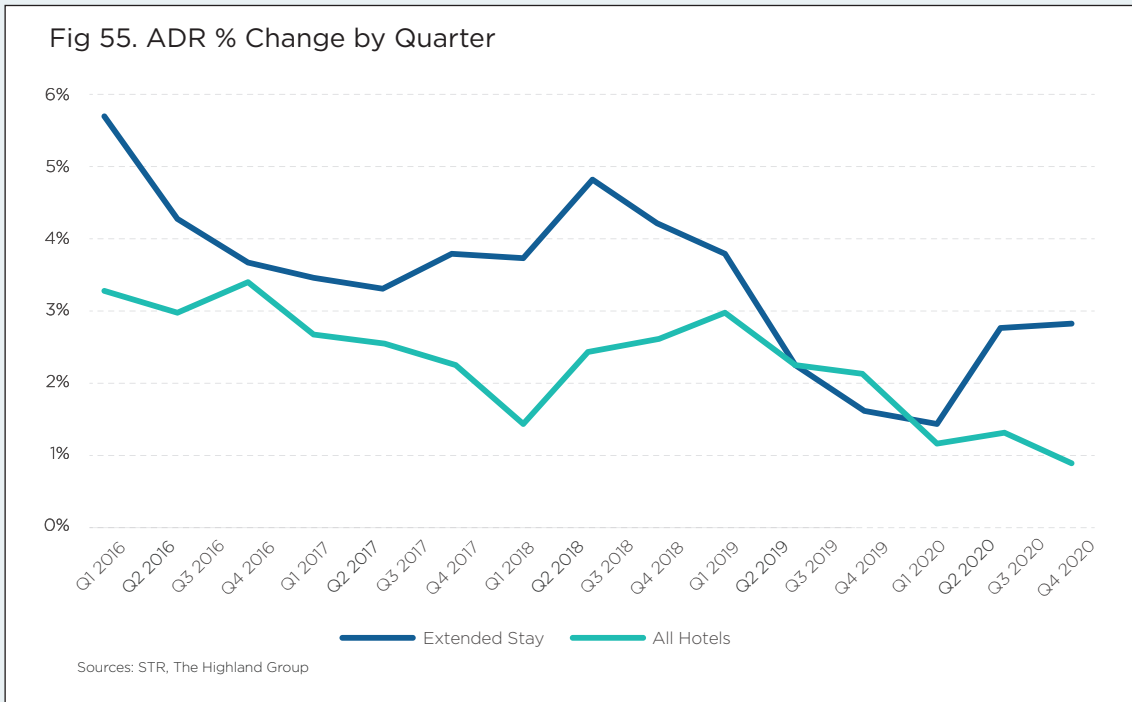
Fig 54. US Extended-Stay Hotel Average Occupancy

Year-to-Date Through the 3rd Quarter									
Segment	2012	2013	2014	2015	2016	2017	2018	2019	Change 18/19
<b>Economy</b>	80.4%	78.6%	79.7%	79.2%	77.4%	77.3%	78.7%	78.4%	-0.4%
<b>Mid-Price</b>	72.0%	73.0%	74.9%	74.8%	74.4%	74.9%	75.0%	75.5%	0.7%
<b>Upscale</b>	76.9%	77.6%	79.6%	80.3%	79.8%	79.9%	80.0%	79.7%	-0.4%
<b>Total</b>	75.7%	76.0%	77.8%	77.9%	77.2%	77.5%	77.8%	77.8%	0.0%

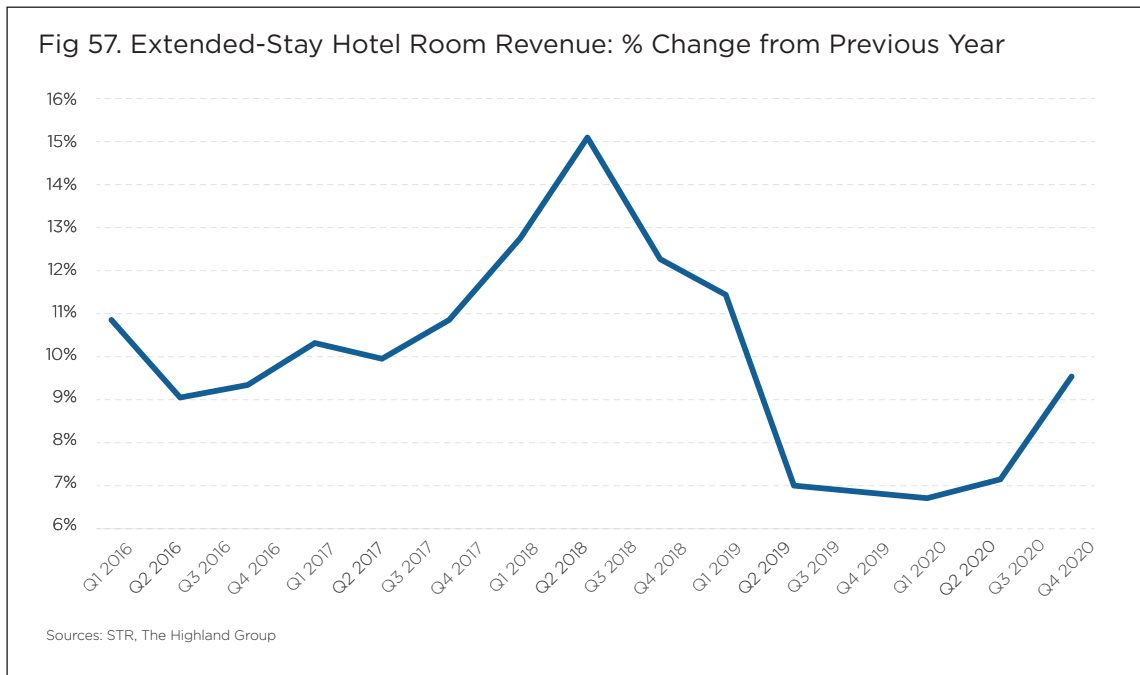
Source: The Highland Group

Despite high occupancy, like the overall hotel industry, extended-stay hotels have seen decelerating ADR growth since early 2018. The recent uptick in extended-stay stay hotel ADR is partly attributed to higher priced extended-stay hotels dominating the segment's supply growth.

Extended-stay and overall hotel RevPAR trends are highly correlated since mid-2018 with both reporting quarterly increases below 2% in 2019.



Following a boost in 2017, which was partly related to natural disasters in Q3 and Q4, the rate of increase in extended-stay room revenues decelerated and settled at about 7% starting in Q3 2018.



The uptick in room revenue growth in Q3 2019 is partly due to a wave of new room openings dominated by higher priced extended-stay hotels.

With average occupancy near record levels and abundant latent demand to help absorb pending supply growth, extended-stay hotels are in good shape to perform well during the cyclical slowdown which is widely expected over the near term.

**Fig 58. US Extended-Stay Hotel Recent History and Forecast**

Year-to-Date Through the 3rd Quarter				
Segment	2017(1)	2018(1)	2019(2)	2020(2)
<b>Room</b>	7.3%	5.9%	6 - 7%	5 - 7%
<b>Demand</b>	8.0%	6.3%	6 - 7%	5 - 7%
<b>Average</b>	3.9%	2.9%	1 - 2%	- 1% - +1%
<b>Occupancy</b>	0.6%	0.4%	- 0.5% -	- 1% - +1%
<b>RevPar</b>	4.5%	3.2%	1 - 2%	- 1% - +1%

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

Despite high occupancy, like the overall hotel industry, extended-stay hotels have seen decelerating ADR growth since early 2018.

## New serviced apartment supply

- The new, 95-key Residence Inn by Marriott St. Petersburg Tierra Verde has opened close to Fort DeSoto State Park and nine miles from downtown St. Petersburg. A 160-suite Residence Inn by Marriott has also opened in Walnut Creek, California.
- The Collective will open a sixth project in the US and fourth in New York City. The \$150 million project, at 292 North 8th Street, will feature 224 units, 97 of which will be reserved for students. The rest of the apartments will be studios for nightly and monthly stays.
- Extended Stay America has its first company owned hotel for 12 years. The Extended Stay America Gibsonton is the brand's 54th property in Florida, featuring 124 rooms, complimentary WiFi, free onsite parking, a gym, laundry room and a lobby area.
- WoodSpring Suites has opened WoodSpring Suites Pecos, the brand's 50th property in the Lone Star State, joining other recent openings in Texas, including WoodSpring Suites Dallas Plano Central Legacy Drive and WoodSpring Suites San Antonio Lackland.
- Canada's strong economy and booming international visitor numbers have prompted the global brands to focus on the country in their development pipelines for extended stay products. In 2019, Hilton opened a twin-tower, dual-branded Homewood Suites and Hilton Garden Inn in Ottawa and has a similar project under development in Montreal.
- Marriott International is also very established in Canada, with 255 hotels including the Residence Inn by Marriott and TownePlace Suites brands. The new Residence Inn by Marriott Calgary Downtown/Beltline District is the largest Residence Inn (in terms of rooms) in the world. The upscale Element brand is also a significant part of Marriott's development plans in Canada.



# Industry perspective

## Stay AKA

AKA is a globally-recognized, luxury long-stay brand, specializing in weekly and monthly stays. The portfolio is composed of 12 magnificent properties in prime metropolitan locations, including New York City, London, Los Angeles, Philadelphia, and Washington, D.C. AKA is a division of Korman Communities, a fourth-generation family business, entering its second century.

The AKA brand provides a best-in-class, personalized experience through its approach to service, hospitality, and design, and offers touch points developed with the long-stay resident in mind, including a dedicated resident services team, spacious, architect-designed furnished suites with fully accessorized kitchens, elevated dining offerings, and sophisticated services and amenities.

AKA caters its serviced residence offering to a new class of traveler, who is more elastic than the traditional business or leisure traveler, in their style of living. These travelers have a greater appreciation for high-design, unpretentious service, innovation in technology, flexibility, and anonymity – along with the desire to live like a local. They seek the space and privacy of a luxury residence, and the style and hospitality of a hotel. AKA offers the best of both worlds.

With approximately 100 suites per property, the AKA Team can get to know each resident and deliver a customized experience which suits the resident's needs. Many of the public spaces and amenities are designed for the exclusive use of residents and their guests, ensuring an intimate sense of community.

AKA's unsurpassed approach to distinctive service, design, and excellence for the long-stay traveler has led to several awards and accolades. Most notably, AKA was recognized by the Serviced Apartment Awards for "Best Extended Stay Brand".



RATES IN KEY CITIES

	STUDIO				ONE BEDROOM				TWO BEDROOM				YoY variance		
	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance	2017/18 rate	2019/20 rate		YoY variance			
	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency	US\$	Euro	%	Local currency	Local currency		US\$	Euro
<i>These rates are average rates and may vary per location, time of year, regional promotions and specific lengths of stay. Rates quoted are based on an average 4 star extended stay property and exclude taxes. Exchange rates used March 2013.</i>															
<b>USA/CANADA</b>															
<b>Boston (USD)</b>															
1-6 nights (nightly rate)	USD 170	USD 180		EUR 162	6%	USD 190	USD 200		EUR 180	5%	USD 212	USD 215		EUR 194	1%
7 nights + (weekly rate)	USD 970	USD 1,000		EUR 901	3%	USD 1,220	USD 1,235		EUR 1,113	1%	USD 1,400	USD 1,450		EUR 1,307	4%
One month + (monthly rate)	USD 3,650	USD 3,725		EUR 3,357	2%	USD 4,000	USD 4,100		EUR 3,695	3%	USD 5,000	USD 5,050		EUR 4,552	1%
3 month + (monthly rate)	USD 3,300	USD 3,400		EUR 3,064	3%	USD 3,750	USD 3,900		EUR 3,515	4%	USD 4,600	USD 4,650		EUR 4,191	1%
<b>New York (USD)</b>															
1-6 nights (nightly rate)	USD 250	USD 260		EUR 234	4%	USD 325	USD 335		EUR 302	3%	USD 410	USD 425		EUR 383	4%
7 nights + (weekly rate)	USD 1,530	USD 1,575		EUR 1,420	3%	USD 2,140	USD 2,200		EUR 1,983	3%	USD 3,010	USD 3,100		EUR 2,794	3%
One month + (monthly rate)	USD 4,100	USD 4,300		EUR 3,876	5%	USD 5,025	USD 5,100		EUR 4,597	1%	USD 5,300	USD 5,250		EUR 4,732	-1%
3 month + (monthly rate)	USD 3,875	USD 4,000		EUR 3,605	3%	USD 4,600	USD 4,700		EUR 4,236	2%	USD 5,000	USD 4,925		EUR 4,439	-2%
<b>Toronto (CAD)</b>															
1-6 nights (nightly rate)	CAD 169	CAD 172	USD 131	EUR 118	2%	CAD 190	CAD 200	USD 152	EUR 137	5%	CAD 251	CAD 255	USD 193	EUR 174	2%
7 nights + (weekly rate)	CAD 825	CAD 835	USD 634	EUR 571	1%	CAD 975	CAD 1,000	USD 759	EUR 684	3%	CAD 1,350	CAD 1,400	USD 1,062	EUR 957	4%
One month + (monthly rate)	CAD 3,100	CAD 3,200	USD 2,428	EUR 2,189	3%	CAD 3,600	CAD 3,600	USD 2,732	EUR 2,461	0%	CAD 4,300	CAD 4,200	USD 3,187	EUR 2,871	-2%
3 month + (monthly rate)	CAD 2,850	CAD 3,000	USD 2,276	EUR 2,052	5%	CAD 3,100	CAD 3,150	USD 2,390	EUR 2,153	2%	CAD 4,150	CAD 4,000	USD 3,035	EUR 2,734	-4%



# Report Conclusions

## 20 statistics and trends for 2020

1. Despite economic uncertainty, corporate use of serviced apartments continues to grow year on year.
2. Inventory has grown by 14.76% and locations by 17.47% since 2018/19.
3. Supply is growing in every global region with Asia, Europe and Africa seeing the biggest increases in inventory and reach.
4. Investment into the extended stay development pipeline is outstripping that of traditional hotels as new brands enter the market, re-invent themselves and branch out into home stay and co-living concepts.
5. Many of these new products are marketed on the basis that they are small, and therefore cheaper. But when kitchens are either downgraded to a microwave and small fridge, or removed altogether, they are no longer serviced apartments.
6. Operators are focussing innovation on the guest experience, although we are yet to see significant adoption of AI and other technologies in either amenities or distribution.
7. Despite, or perhaps because of the proliferation of brands and products, no extended stay brand has yet achieved the level of consumer awareness enjoyed by the major hotel brands like Hilton.
8. Business travel remains serviced apartments' core market; 67.74% of corporates have now used apartments, up 11% since the last GSAIR, although business travel usage remains unchanged in 51% of organisations.
9. Serviced apartment usage for assignment/project working is growing in 52% of corporates and for relocation in 30.77% of corporates.
10. Growing procurement maturity is evidenced by assignment-related bookings growing in 67.65% of TMC/RMCs; relocation bookings through TMCs/RMCs growing by 47.06% and for business travel purposes by 44.44%, although the growth rate across all three segments has slowed since 2016/17.
11. The growing bleisure market represents a significant opportunity for serviced apartment operators, providing they embrace the business potential of Airbnb rather than regard the brand as a threat.
12. Indirect channels are now the most popular way to book serviced apartments, with 53.85% booked via a TMC, specialist agent (e.g. The Apartment Service) or online booking tool. OBT usage has risen from 19.05% of bookings in 2016/17 to 42.3%.
13. Cost, price/quality comparison, location are the main reasons for choosing a serviced apartment over a hotel.
14. Guests' essential requirements are connectivity, cooking facilities and 24/7 support. Corporates quantify the benefits by traveller/assignee preference, total cost of stay and rate.
15. Travel-related wellness is a major focus for corporates, prompting serviced apartment operators to provide guests with the means to maintain healthy diet and exercise whilst staying away from home.
16. The changing workplace demographic have made a responsible business approach and company culture more important than ever. Employees want to be associated with a brand that reflects their values; accommodation choices are the ideal medium to prove it.
17. On average, corporates spend up to 10% of their annual accommodation budgets on serviced apartments. Most bookings achieve 10 - 15% discount on published rate.
18. Availability in required locations remains the biggest barrier to growing serviced apartment usage, although inconsistent quality standards and amenity standards are now even bigger concerns to corporates than two years ago.
19. Agencies also cite inconsistent commission levels and insufficient GDS inventory as barriers to increasing serviced apartment bookings.
20. Whilst operators see economy and greater competition (especially short term rental) as their biggest challenges, inconsistent planning controls and legislation are also limiting future expansion.

## List of charts and tables

Fig 1	<b>Global vacation rental market revenues</b>	Page 8
Fig 2	<b>Operator Performance vs Previous Year</b>	Page 12
Fig 3	<b>Use of short term rental providers</b>	Page 13
Fig 4	<b>How corporates book</b>	Page 14
Fig 5	<b>Booking channels - operator responses</b>	Page 14
Fig 6	<b>Hotel or serviced apartment - factors in order of importance to corporates</b>	Page 15
Fig 7	<b>What travellers &amp; assignees want in a serviced apartment</b>	Page 15
Fig 8	<b>Barriers to greater corporate use of serviced apartments</b>	Page 16
Fig 9	<b>Improvements that will drive greater use of serviced apartments</b>	Page 16
Fig 10	<b>Biggest challenges facing operators</b>	Page 17
Fig 11	<b>Key influences on operator decision making</b>	Page 17
Fig 12	<b>Global hotel industry overview</b>	Page 18
Fig 13	<b>Annual growth in average global hotel rates from 2010 to 2018</b>	Page 19
Fig 14	<b>Extended stay – global market size, status &amp; outlook</b>	Page 19
Fig 15	<b>Global Extended Stay Hotel Value (M USD) by Company</b>	Page 20
Fig 16	<b>Global hotel RevPAR % change</b>	Page 22
Fig 17	<b>Latam economic outlook 2020</b>	Page 22
Fig 18	<b>Serviced apartment supply &amp; demand</b>	Page 23
Fig 19	<b>Serviced apartment performance varies by country</b>	Page 23
Fig 20	<b>2019 ADR is driving performance across hotels and serviced apartments</b>	Page 24
Fig 21	<b>ADR very similar between hotels and 1-bedroom apartments</b>	Page 25
Fig 22	<b>Relationship evident between RevPAR, ALOS and Extended Stay</b>	Page 26
Fig 23	<b>A mixed picture for key UK markets, supply growth evident in many</b>	Page 27
Fig 24	<b>GDP Forecasts 2020</b>	Page 27
Fig 25	<b>GDP Forecasts 2020</b>	Page 27
Fig 26	<b>Global mobility diversification</b>	Page 31
Fig 27	<b>Global serviced apartments by units</b>	Page 38
Fig 28	<b>Global serviced apartments locations</b>	Page 38
Fig 29	<b>Global brands by location &amp; units</b>	Page 39
Fig 30	<b>Global serviced apartment operators by brand</b>	Page 40
Fig 31	<b>Operator online reputation scores</b>	Page 54
Fig 32	<b>Impact on depression and anxiety by volume of business travel per month</b>	Page 71
Fig 33	<b>UK employee absence reported by CIPD in 2016</b>	Page 73
Fig 34	<b>Spending on travel in Africa - 2017 vs 2028</b>	Page 83
Fig 35	<b>Hotel chain development pipeline for Africa (as at May 2019)</b>	Page 85
Fig 36	<b>Hotel supply/development - Africa vs Middle East</b>	Page 86
Fig 37	<b>Asia GDP 2014 – 2024 (US\$ billions)</b>	Page 89
Fig 38	<b>Asian business travel spends by country - 2005-2023</b>	Page 90
Fig 39	<b>Asia hotel rates growth 2020</b>	Page 91
Fig 40	<b>International visitors to Australia 2007- 2018 (millions)</b>	Page 95
Fig 41	<b>Spending on travel and tourism in Europe - 2017 and 2028</b>	Page 103
Fig 42	<b>European extended stay market size and growth rate 2014- 2019 (US\$m)</b>	Page 104
Fig 43	<b>European serviced apartment sector performance 2018 (Euros)</b>	Page 105
Fig 44	<b>Latam economic outlook 2020</b>	Page 113
Fig 45	<b>Spending on travel in Latin America - 2017 vs 2028</b>	Page 114
Fig 46	<b>Number of Keys and Share of Internationally Branded Supply, December 2019</b>	Page 120
Fig 47	<b>Number of Keys and Number of Properties by Market, December 2019</b>	Page 120
Fig 48	<b>Future Supply in GCC Market, December 2019</b>	Page 121
Fig 49	<b>Number of Keys and Number of Properties by Market, December 2019</b>	Page 122
Fig 50	<b>Serviced Apartment vs. Hotels KPIs, Full Year 2018</b>	Page 122
Fig 51	<b>Global Extended-Stay Market by Revenues</b>	Page 128
Fig 52	<b>US Extended-Stay Hotel Room Nights Sold (000's)</b>	Page 128
Fig 53	<b>US Accommodated Extended-Stay Room Nights by Type of Hotel 2019</b>	Page 129
Fig 54	<b>US Extended-Stay Hotel Average Occupancy</b>	Page 129
Fig 55	<b>US ADR % Change by Quarter</b>	Page 130
Fig 56	<b>US RevPAR % Change by Quarter</b>	Page 130
Fig 57	<b>US extended-Stay Hotel Room Revenue: % Change from Previous Year</b>	Page 131
Fig 58	<b>US Extended-Stay Hotel Recent History and Forecast</b>	Page 131

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