

[ITB Hospitality Day: discussion about residences and serviced apartments](#)

A lifestyle or real estate decision

Berlin (April 24, 2009). In the world of "shared ownership", there are many business models and ownership models, starting from timesharing and ending with condominiums. The most promising models for the hotel industry are "residences" that are able to generate strong synergies with (renowned) hotel brands. Residences are intended for people interested in real estate or lifestyle. People who do not follow this basic differentiation create a wrong concept of residences from the start. This was the conclusion of the highly interesting talk about residences during the fourth "ITB Hospitality Day" at the ITB Berlin.

At the beginning, Philip Bacon, Managing Director of the specialised division HVS Hospitality Services under the umbrella of the international consultancy HVS International, explained the differences of various ownership models and then concentrated on (hotel) branded residences and serviced apartments. The main difference between these two models is the real estate itself: generally, serviced apartments belong to one single owner and mainly attract guests who want to stay for several months. However, in the residence segment, every residence belongs to a different owner and a third party manages the real estate or the business. Generally speaking, residence "guests" live in their "own four walls" for several weeks and rent their unit during the rest of the time.

According to Manfred Schoenleben, the secret of success of a residence concept is the relationship between investor/developer, customer/buyer and hotel company. The Chairman of the Managing board of the consultancy TMC Partners has co-developed the residence concept for Kempinski-Hotels, among others...

Schoenleben pointed out the three-way partnership: initially, the buyer/customer is not involved in the development of a residence, but he is supposed to buy it on a long-term basis. The investor/developer "creates" the suitable brand unit for the potential buyer but has only short-term interests himself. "He buys, builds and sells again", says Schoenleben. How can these different expectations be brought into harmony - especially with the hotel company joining as the third party. The hotel company only wants to manage the residences and offers its hotel services; however, it is not willing to cooperate with 200 individual residence owners on a daily basis. According to the consultant, "it is important to change the owner's short-term interests into long-term interests," because such short-term interests were the reason for blatant real estate speculation in the years 2006/2007.

Four Seasons: highly selective and limiting

Finding the right developer is also a challenge for the hotel company, which plans to enlarge its brand by means of residences. Scott Woroch, Executive Vice President Worldwide Development at the luxury hotel chain Four Seasons, confirmed this. Moreover, he revealed that his group has to slow down the developers concerning the numbers of residences, as a rule. "We prefer to sell fewer residences at a higher price per square metre," he said...

Peng Sum Choe, CEO of the leading Asian serviced apartment company Frasers, pointed out this segment. "We have to ask ourselves beforehand, whether there is a market in the respective city for this segment or if it is only a game of funds of the individual owners," he said, describing the decisive approach of the Frasers' concept...

At the moment, Europe is at the top of Frasers' expansion list; however Schoenleben pointed out that the Asian understanding of serviced apartments has been undermined by the wrong usage of the term in Europe...

In addition, the participants of the discussion enlarged again upon the motivation of the customers in favour of residences: at Four Seasons or Kempinski Residences, a customer lives there because he is looking for a different lifestyle two to six weeks per year. If the customer returns the residence to the hotel's rent pool for the rest of the year, he expects rental income. Or the customer expects a rise in value of the real estate; in this case, he sees his residence as a long-term real estate and "second home".

"The buyer has to understand this," says Woroch. "The investor/developer too", adds Schoenleben and warned of wrong or too high promises made by developers. To own a luxury apartment, which generates a high profit and can be sold profitably - this simply does not exist. "Buying decisions involve many emotions," concludes Schoenleben. "Therefore, a concept has to make clear what the buyer wants." / map

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