

Serviced Apartment Summit declares sector has 'come of age'

Great to be part of this week's Serviced Apartment Summit Europe in London on 12/13 July, a global gathering of our sector, with the new Short-Term Rentalz conference running concurrently with the Summit giving an interesting further dimension to the event.

Organiser Piers Brown opened the event confirming the sector has now 'come of age'.

Some interesting highlights from the action-packed day of debate:

1. Occupancy: presentation by STR

- Overall occupancy for serviced apartment sector for UK overall for year to date is **77.9%** (-2.8% on 2015); ADR £132.04 (+1% on 2015); revpar £102.879 (-1.8%)
- In London demand has been slightly softer for the year to date after 3 very good years with occupancy also at 77.9% (-3.4% on 2015)
- However in rest of the UK good news for increase in revpar in Manchester (+5.1%, £79.66); similarly for Birmingham (+5.3% £68.42) and Edinburgh (+1.6%, £70.97); however Aberdeen facing a very challenging period due to the oil industry downturn - revpar is down 45% to £37.63
- In London, the highest occupancy is achieved on Tuesday & Wednesday nights and Sunday is the weakest
- Forecast for 2016 – expect London revpar to decline by 1.7% and occupancy by 1.4%; do expect some growth in Leeds, Edinburgh and Glasgow; a revised post-Brexit forecast will be issued in August.

2. Interesting insights from the round-table discussion about investment opportunities in Scotland & Germany :

- Glasgow is under-supplied for serviced apartments: represent less than 5% of total market currently (LJ Forecaster)
- Edinburgh: over 1,000 rooms added to the supply in the last year and a strong pipeline planned for the next 18 months
- Edinburgh achieves a stable revpar averaging 3% growth per year
- Aberdeen: very challenging market currently in view of its reliance on the oil industry (see STR data above)

Anett Gregorius, Boardinghouse Consulting, Berlin shared key figures about the German market:

- 25,000 serviced apartments = 1.5% of the hospitality industry
- Berlin, Munich and Frankfurt are the largest markets but Hamburg is set to expand quickly with a pipeline of 800+ units; Berlin tends to have more leisure business so more shorter stays but a lower revpar (20 to 25% less) and property is cheaper here, while Frankfurt's focus is on business travel but occupancy at weekends is weak, and reports the lowest revpar.
- Overall average length of stay is 32 nights for serviced apartments, but 4-6 nights for aparthotels.

Eric Jafari of SACO commented that foreign investors (not industry-specific) may look to Berlin and Munich as possible alternatives to London in this post-Brexit time when Germany may be perceived as a 'safe' investment haven.

However there was some discussion that securing the necessary credit to invest in property in Germany is very challenging with lenders requiring a credit lease and a strong credit rating, a management agreement isn't sufficient.

At the 'New kids on the block' seminar we heard from new entrants to the UK market – all ASAP operator members - Urban Stay, Quest & Portfolio Serviced Apartments. Andrew in particular praised the UK sector for being so collaborative, with a keen willingness amongst operators to knowledge share. **Urban Stay:** James Swift explained his business has grown from 2 to 33 units in 2 years and aim to reach 50 units by end 2016; and it's all down to the relationships he builds.

Quest: operate 10,000 units in Australia/New Zealand and are now looking to open in the UK but it'll be a different operating model to Australia. Looking at different options, may work with an existing operator, it's unlikely to be their franchise model.

Portfolio: niche operator in Stevenage/Welwyn/Hatfield and Carly Fitzpatrick confirmed they're looking to grow steadily and have found the slowness of the technology in the sector to be one of their biggest frustrations ie takes long time to get listed on key sites.

At the session on 'the blurred lines of distribution' we heard about Accor's significant new distribution platform – AccorHotels Group – to tackle the OTAs head on by operating a reduced commission level. It's broadening the content beyond its own inventory (13 brands) and is inviting independent hotels to join the platform with a goal of listing 10,000 properties in total by 2018 and of course it's recent acquisition of onefinestay gives it a foothold in the home rental arena.

And interesting in the same session to hear from new ASAP member Veeva where Chairman Carl Michel talked about the need to be 'out there', with his top tips being to distribute as broadly as possible and the importance of rich content which drives eyeballs to your properties; great photography essential but be careful not to over-promise or you'll risk creating unrealistic expectations.

Ed Roger's from Avvio commented that the customer is now going to 7 or 8 different websites before making a booking, making it essential for independent operators to be with many different distributors but to be clear to distinguish your offer.

And Patrick Smith of IFA Hotels Investments talked about how the internet has completely levelled the playing field so he can now find an apartment in central London very easily for his family of 6, and successfully rented a house in East Sussex for a group of 19!

Great to hear from the panel of travel buyers (PWC, Citi and UBS) that serviced apartment useage by their employees is on the increase, even for shorter stays. Airbnb has definitely helped raise awareness of this alternative way to stay but duty of care and security requirements mean they aren't currently offering it in their travel programmes.

Fascinating to hear the insights from the panel of final year hospitality students who gave their top tips to the sector when booking a serviced apartment:

- Location, price and free fast wifi are the key considerations, above the individual brand
- Once they've arrived in the apartment, prefer not to have to download a separate 'app' but to communicate via an existing channel eg facebook, to make it easy for them to ask a question or report a lightbulb is broken.

The final advice from the day came from leaders of other industries (Value Retail, Halo & Baxter Hoare Travel) where the top tips for businesses in these challenging times were:

- Reinvent yourself continuously, keep focussing on, and listening to, your customer
- Be consistent and dependable
- Be different
- Be mindful of speed to market: how easy are you to book?
- Duty of care is crucial

One powerful statistic to end:

- The short-term rental industry revenue is currently worth 100 billion US dollars, and is predicted to reach 170 billion US dollars by 2019.