

HOSPITALITY SUMMIT 2020 OUTCOMES



PARIS REAL ESTATE WEEK MINUTES OF THE CONFERENCES

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Written by the Real Estate & Sustainable Development
Chair students from ESSEC Business School



*Real Estate and
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OPENING KEYNOTE



DR. HOLGER SCHMIEDING
Chief Economist, Berenberg

The COVID-19 pandemic, a worldwide bad experience

■ In the U.S., the pandemic has not been taken seriously enough but the country has managed to take the number of people infected down while minimizing the damage on its economy.

■ In Europe and thanks to the medical progress, the death rate is now much lower than in April even if the number of people infected is growing

■ We identified three different responses to the COVID-19

– In the Eurozone, we distinguish a drop in consumption due to the lockdown which is compensated by a quick rebound.

– In the UK, the drop in consumption happened 8 days later, proportionally to the later lockdown establishment. We can then distinguish a consumption that grows back much more gradually than the Eurozone's consumption because of the difficulties of the UK to keep the number of deaths down.

– The US have not faced a plunge in their consumption and are now experiencing a gradual growth of their rate.

On track for a tick-shaped recovery

■ According to Dr. Schmieding: "We seem to be on track for a tick-shaped recovery. Shops and factories have already resumed, further business investment and fiscal stimulus will follow. The 4th stage will bring us back to pre-pandemic levels of economic activity by early 2022 for the likes of France, Germany and the US, while Italy and the UK will take another year, due to economic weakness and the impacts of Brexit respectively."

■ France has been the most resilient market in Europe thanks to its domestic market and travellers from Germany, Spain and Italy.



ROUNDTABLES

How to diversify cash-flow streams in hospitality assets?

Roundtable led by:
ARNOUD VINK, Head of Development at ACCOR HOTELS

■ Three ways to diversify cash-flow streams have been identified. Firstly, a hotel can widen its uses and optimize its occupation rate.

– In the current Covid era, expanding catering and working on the attractiveness of the restaurants are safe ways to increase revenue and minimize the loss involved by the pandemic. Accor's Hotel in Paris, Molitor, has, for instance, had a decent year thanks to its unique rooftop restaurant endowed with an incredible view.

– Many hotels have unexploited spaces that could easily be converted into coworking. Creating a global coworking system in hotels is an interesting solution to optimize revenue per square meter.

– Day use is a reliable solution to get revenue from rooms that would otherwise be empty.

– Car parks are another asset that bears potential for hotels. Accor has created a striking example with Zen Park, which gives locals the possibility to rent a car park.

■ Secondly, a hotel can find new customers and especially locals as they are not impacted by Covid-induced restrictions.

– Staycation -a mix of stay and vacation - can easily be developed. The term has been coined

by the startup that has invented that concept: cheap Sunday nights to attract locals. Sunday nights are indeed vacant nights for most hotels and it is a way to make locals discover hotels nearby. Main hotel brands could internally develop that innovation.

– Memberships, that is to say hotels that provide special services and even are only accessible by members only, is another subtle way to attract customers through a balanced and mastered exclusivity.

– A Sao Paulo hotel is now working with hospitals to create reductional programs and mix the best medical services with a pleasant stay. This initiative targets a yet ignored segment of the market.

– Accor works on a partnership with Zoom Technologies on renting its conference spaces to executives.

■ Finally, a hotel can think out of the box to create a unique cash-flow streams mix.

– The creation of unique assets is an efficient way to ensure regular cash-flows. Hotel Molitor gives locals the possibility to take a membership and gain access to its unique swimming pool and sport facility. This policy allowed it to stay open throughout the year, except for the confinement period.

– Hotels that are undergoing structural difficulties renting rooms could convert them into student housing. Cities in which the student housing market is tense are indeed an interesting business. These hotels could then slightly pivot to enhance their business model.

Co-branded hotels: the new frontier in experiential retail

Discussion table:

SYLVIE BERGERET, Chief Operating Officer, MKG Consulting

MARGAUX ALEXIS, Head of managed property development, Groupe Cardinal

PATRICK SANVILLE, President, FUNDOTEL

SANDRINE TALBOT, General Manager, France Drooms

■ The discussion started with the definition itself of co-branded hotels, two options were mentioned:

– Co-branded hotels with two different hotel brands: Accor has for instance different brands within the same group.

Fundotel has answered a request for proposal with another brand, however, there were issues about different ways of operating and divergent interests.

– Co-branded hotels with a hotel brand and another different sector brand. There are many possibilities, the most common is including a restoration brand or a specific chief cuisine and including a spa brand or a cosmetic brand. Another option that has been accelerated with the Covid crisis is including coworking spaces or fitness clubs open to new customers. Furthermore, an option can be to have two offers, a hotel and a residential part where the sqm have much more value and can benefit from the hotel services.

■ Cobranded hotels are already existing mainly in catering; however, the main reason until now was that the hotel did not have the required skills for that. Today, the reason behind co-branding is attractiveness, value creation and improving the hotel's image.

■ Cities are currently encouraging mixed used hotel projects presenting a diversified offer: hotels, residential hotels, students housing, co-living, coworking, senior residence... Cities are also calling for hotels projects that are open to the city and communicative with the surrounding, not closed and exclusive buildings. To achieve that some partnership with local associations can be helpful.

■ Cobranded hotels are offering new opportunities with a new attractiveness. Nevertheless, there is still a concern about some points:

- The choice of the brand that the hotel will be associated with. The choice must be strategic and depending on many criteria's: location, type of customers, the hotels range...
- The way of dividing the operational costs and different expenses
- The type of contract between the different brands: standard lease, management rentals...
- The way different spaces will be occupied and used between the hotel's customers and the external customers.

How the latest trends in hospitality contribute to the attractiveness of cities

Roundtable led by:

ALEXANDER SCHNEIDER, President, Nikki Beach Hotels & Resorts

■ The hotel market has split into two categories: The commodity section and the experiential section. The commodity section is basically assisting cities to absorb existing demand whereas the experiential products can actively bring new target groups into cities and destinations (e.g. Hotel Costes, Soho House, Nikki Beach, Aman Resorts, Anantara, etc.)



■ The luxury proportion of the hotel market has changed and will keep on changing as high net worth groups are focusing more on authenticity than on predefined international hotel standards.

■ Price is no longer the benchmark for 'the place to be'. The voice and the message of the brand attracts more clearly defined target segments especially in the lifestyle market. The 'one size fits all' products will see increasingly shrinking demand as clients chose their own niche.

■ Hotels become relevant in a destination when they achieve to blend into the neighbourhood and attract locals especially through food and beverage, culture and event driven activations. Hotels that are becoming beacons in their respective destination create a win-win situation for all parties involved, whereas the typical corporate hotel is purely adding supply to markets that are in many cases already crowded.

■ Brands that achieve a high level of global following (especially the ones with an opinion leading clientele) can assist destinations and cities to become internationally visible through their hotels and resorts and hence these products become a part of the city's success story and legacy.

■ The latest trends show that hotel brands with a strong internal F&B concept and offering usually create a crucial meaning within a destination's DNA in comparison to products that simply focus on the renting of hotel rooms, as they are able to curate their very own energy field and point of attraction. These are usually not

limited to the hotels' guests but cater to the entire destination.

■ The Covid impact has simply accelerated the above mentioned trends, as dense spaces with little character and redundant architecture have become synonymous with areas that people try to avoid. Instead, open spaces with airy character and signature features, which are visited by a target group that we like to identify ourselves with, have become safe havens in order for us to relax and unwind in these rather intense times.

Advantages and opportunities of conversion brands

Roundtable led by:
**ERIC VIALE, Managing Director
Southern Europe, IHG**

■ The Covid-19 crisis has impacted the everyday lives of billions of people globally, severely damaging economies and posing the biggest challenge our travel industry has ever faced. Discussions at the Hospitality Summit on advantages and opportunities of conversion brands indicated some caution from owners and investors which may lead to a higher threshold for hotel investments over time. In the current climate, conversion brands offer many advantages and opportunities, and there is clear historical evidence that conversion accelerates through crisis.

■ With key drivers such as RevPAR premium, lower distribution costs and operational costs savings, branded hotels overall are more profitable than equivalent independent hotels. Large hotel op-

erators behind conversion brands bring powerful systems, tools and expertise to the table which can offer individual hotels that are joining a branded network access to more resources where it matters most. The recognition of a well-known brand name, experienced commercial and marketing teams, international distribution channels and a large base of loyalty customers will help drive and increase commercial gains. In certain circumstances, joining a branded network might also provide access to third party financing which would not be accessible otherwise.

■ Conversions can present an opportunity for owners to access the market faster than through a new-build hotel, thus minimizing missed revenue opportunities and driving returns at speed. Moreover, conversion brands offer a chance to access a specific market segment (e.g. upscale or luxury) without hefty investments since conversion brands tend to be more flexible than traditional brands. This flexibility also allows owners to retain the existing charm of the hotel by preserving the history and heritage, while also having the reassurance and strength of a big brand.

■ Globally, there are approximately 60,000 independent hotels. France, Italy and Spain present the biggest market opportunity for re-brandings in Europe. InterContinental Hotels Group (IHG) has experienced an uplift in conversion activity during the first half of 2020. Approximately one quarter of IHG's global signings in this time period are conversions. IHG's new conversion brand voco is leading this trend towards conversions and continues to generate strong interest from owners.

What will change drastically thanks to 'holidayoffice' and what impact it will have on cities and resorts?

Roundtable led by:
GREGORY LANTER, Chief Development & Construction Officer, Club Med

■ The COVID19 period has been a catalyst for remote office spreading, as people had no choice! What we learnt is that no one can spend a year out of work, but a month working from the distance – why not?

■ As we know, kids have extensive holiday periods. They could spend their holidays in people's second home, in resorts or in camp sites, with their parents working.

■ That will need two major items to be taken care of – great kids facilities and services on the one side, and great connectivity on the other side.

■ Of course, everyone is not the target, but one or two weeks per year of 'workation' could bring some fresh air to the industry.

How new types of hospitality enhance real estate?

Moderator: **ADRIEN LANOTTE Senior Analyst, MKG Consulting.**

Participants:

MYRIAM MARIOTTE Journalist CFnews.

JAEBADIAH S. GARDNER CEO GARDNER GLOBAL, Inc.

BARNES Consulting

Moderator: What do you think of the concept of coliving? Is the need for mixed-use buildings still there?

■ There were studies about the transformation of residential buildings into luxury hotels or apartments. But the Covid-19 crisis made the owners consider it very risky.

■ Coliving can offer the home-ownership sense to people who cannot afford to own individual apartments.

Mixed-use buildings seem more than ever a practical solution. We can imagine a tower where the hotel occupies the middle and we keep the rest for the condos with separate services and access.

Moderator: From your experience is the middle east market ready for this kind of hotels?

■ Covid-19 accelerated this trend that was already there. Here in Paris we need 5 to 10 years to do it because of the regulations.

Moderator: Do you think investors are ready to invest in those transformation projects now?

■ No, our investors aren't ready for this kind of investment because of the high level of capex needed to switch residential to hotels. A halfway solution is to transform the residential into luxury apartments, which cost less and remain more attractive to customers. They are also waiting for the French law to adapt to this new trend.

Moderator: What are the problems and constraints that can appear in mixed-use buildings?

■ We have very few buildings of this type in France. The main problem will be traffic management, especially at rush hour in the case of offices mixed with other uses. We will also have a problem regarding the quality of the services offered as well as the cleanliness. In the case of a hotel / office building, we will have the question of who pays what.

Moderator: What do you think about coworking in hotel rooms?

■ We already have a first experience with the Accor group. It's a new trend that meets several needs. For hoteliers, the need to achieve occupancy rates despite the crisis. For users, the need to remote work away from home.

■ This is a very careful organization. A coworker who wants a space between 9 a.m. and 6 p.m. and a room occupant who wants to check-out at 2 p.m.

Moderator: what do you think about the new vacation-work trend?

■ It is a bedroom converted into an office while keeping the bed. The vacation-work trend is not only a response to the covid-19 crisis. In Japan this trend had started long before.

■ We need to upgrade the offer of offices in hotels, we can start this transformation in capitals and metropolitan areas. Investors need to focus on a new emerging market. middle class people who want to remote work away from homes.

They are not well equipped at home and they cannot afford a place in a coworking center.

Moderator: You mentioned upgrading tech offers in hotels, can you please elaborate?

■ Hotels must be equipped with a very good quality internet connection and they must offer a minimum of technical equipment in order to guarantee efficiency to their nomadic customers. On a less technical level, hotels must focus on a rich customer experience and significant added value.

Conclusions

■ Investors should focus on bringing synergies to the residential sector.

■ US condos (hotels/ offices) a trend that deserves to be watched or even duplicated.

■ Coliving is an opportunity for people who cannot afford to own individual apartments.

■ Luxury guests changed the way they travel: less focus on the hotel stars, more focus on the experience.

■ There is a gap in the middle income owner market when it comes to coworking options.

■ Remote work from hotels is the new “must watch” trend.

■ The tech offer in hotels needs to be upgraded so it can attract more customers.

■ This new offer must enhance the experience and bring efficiency.

How cities create the right conditions for hoteliers?

Roundtable led by:

**ESTELLE ISSA, Project Manager,
Essonne Développement**

■ The Essonne department has the particularity to bring together both urban and rural areas with the presence of – the International Orly airport, industrial companies, agricultural lands and production, technology hubs... A diversity of places that contribute to the richness of the territory.

■ It is important that hotel projects correspond to the clientele of the area. Hoteliers while deciding on where to establish their business, often look for dynamic and attractive areas to their targeted clientele. This is the reason why it seems important to develop shops and structures around the hotels. A lack of employment structures such as industries, companies and shops can represent a disincentive to hotelier establishment. Cities are starting to use marketing campaigns to emphasize their strengths. These campaigns can ease the attraction of new guests for already established hoteliers but also the attraction of new hotel projects.

■ The environment is also a large factor of attractiveness for hoteliers. Many cities, agglomerations and areas benefit from a historical heritage that can be used to attract guests. Where there is a lack thereof, territories have to build their attractiveness often through storytelling to become destinations for guests.

■ Tax incentives can also represent an attractive element for hoteliers. Since 2018, cities have the possibility to apply a location coefficient to certain areas in order to scale down the property tax.

■ The concept of a network/cooperation between local players such as shops, companies, municipalities, etc. also seem appealing to hoteliers. However, a direct cooperation between hoteliers can be challenging when they are competitors.

■ Finally, in the post-covid era, cities may have to communicate and capitalize on their wide-open spaces as they may become attractive for guests/visitors.

CLOSING CEO PANEL DISCUSSION

FRANCK GERVAIS, CEO Europe, Accor

PABLO NAKHLÉ CERRUTI, CEO, Viparis
PASCALE ROQUE, CEO, Tourisme de Aream

Moderated by:

VANGUÉLIS PANAYOTIS, CEO, MKG Consulting

The COVID-19 crisis, accelerator of change in the hospitality industry

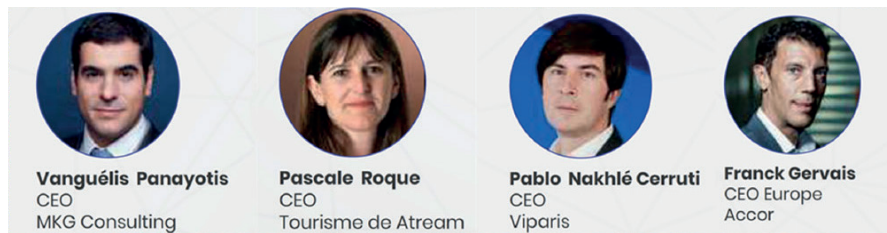
■ The crisis has been violent especially for the hospitality industry. Businesses have to become more hybrid and as we do not know how the situation will evolve, it is important to be agile.

■ The hospitality sector is a resilient industry. Hotels are becoming more and more social hubs. Lately we have seen a growth in the square footage dedicated to the F&B&E (Food & Beverage & Entertainment). The crisis has shown that hotels and hospitality business needed to change to change and adapt their offer, and, according to Franck Gervais, the best way to hear what guests want is to reopen hotels.

■ We also have seen during this crisis that hotels and hospitals could forces. In the future, hotels could continue to welcome patients which would create a win-win situation. Hotels would fill their rooms and increase their occupation rate while hospitals would not be as congested as they currently are and patient would be treated in a more pleasant and comfortable way.

A halftone recovery for 2020

■ Viparis managed around 99%



Vanguélis Panayotis
CEO
MKG Consulting

Pascale Roque
CEO
Tourisme de Aream

Pablo Nakhlé Cerruti
CEO
Viparis

Franck Gervais
CEO Europe
Accor

of Paris's offer regarding convention centers. Since the beginning of September, the activity has started again. If the main large events originally planned until the end of 2020 have been cancelled, there are still 150 to 160 events with around 3 000 to 4 000 visitors maintained. However, these events have seen their number of exhibitors decline by around 20% compared to previous editions. Fortunately, Viparis has seen a large number of demands from exhibitors for next year's events. For most of these exhibitors, conventions and large events represent the main part of their business.

■ Regarding the hotel industry, some hotels of the Accor Group, located on the coast of France, have experienced occupation rates of nearly 80% during the summer. With September, business is back. However, companies have no money to spend for the business trips of their employees. Leisure has been recovering faster than the corporate clientele.

■ Hoteliers must now push the demand by increasing their offer on a few domains that are important in the guests' minds: safety, sustainability, digital, social and experience.

■ Hoteliers must also push the government to help them keep their businesses open in this crisis

– Restaurants and bars have been pushing their employees to wear

masks at work in order to be able to reopen their businesses.

The hospitality industry facing a new type of competitor

■ Actors of the hospitality industry are now facing a new type of competitor: online video communication companies such as Zoom

– With this tool, people that used to come to Paris for business trips for example, can now work from their homes where they can dress how they like, eat when they like, etc.

– If the guests have a poor experience in Paris, they are now more likely to not come back and use video communication instead.

■ Hospitality businesses must adapt their offer to this new competitor. Hotels and convention centers offer now more digital and connected products (Wifi, Bluetooth, connected devices, etc.).

A forthcoming "green light" in the hospitality operations

■ For Pascale Roque, the market still believes in hospitality assets as investments. Aream manages a 4-million-euro portfolio from which half of it is composed of assets linked to tourism. For the company, tourism is a long term trend and it exists a strong positivity in tourism resilience and growth.

■ Regarding its operations, the hospitality industry should make a recovery in the coming year in France and the year 2022 should give similar results as 2019.