BRANDED RESIDENCES: AN OVERVIEW

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Foreword

Muriel Muirden
Executive Vice President &
Managing Director, Strategy at WATG

Arguably around for almost a century, the branded residence sector continues to intrigue developers, investors and real estate advisors.

Dynamic and still evolving, the sector offers buyers some degree of security, an element of prestige and a hassle-free holiday home. If executed correctly it offers developers attractive price premiums and accelerated sales velocity, whilst the hotel operator gets rewarded for the marketing muscle their brand brings to the development. Truly a win-win-win scenario.

It is therefore small wonder that, as the dust sheets are being pulled off long dormant resort projects around the world, it is the branded hotel/residence package that is often the phase one development, reigniting confidence and awareness.

The real growth potential, however, lies in the urban sector as mixed use developments and regeneration schemes look to capture the imagination and attention of űber high-end buyers in often congested luxury real estate markets.

Chris Graham, a property expert and resort real estate devotee, has grasped the nettle and collated and supplemented existing research into the sector and undertaken interviews with those researching, developing and selling branded residences. He presents in this report current thinking and direction in the sector and observes the rapid growth in hotel brand participation.

An interesting read and a strong starting point for future monitoring of the market.

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The Sherry-Netherland Hotel on New York's Fifth Avenue

Branded Residences: A Brief History

The branded residences concept is believed to have started in the 1920's at Sherry-Netherland Hotel on New York's Fifth Avenue, which operated successfully alongside its own cooperative serviced apartments. However, the branded residence market, such as we know it today, did not catch on as an established product within the hotel and resort market until the mid-1980's when Four Seasons successfully sold out its Boston hotel condominiums.

Seeing the potential, Four Seasons seized the opportunity and soon established a global presence, largely due to its purchase of the Asia-based Regent Hotels portfolio in 1992. Ritz-Carlton followed, choosing instead to focus initially on North America. Today, with over 50 locations between them, these two brands dominate the global branded residences market (although other major operators such as FRHI Hotels & Resorts are catching up).

Around the turn of the millennium, the success of this formula and its marked growth in popularity among wealthy buyers saw an increasing number of market entrants led by Starwood and Fairmont and soon followed by other leading hotel operators such as Kempinski, Aman, St. Regis, Hyatt Regency, Six Senses, Banyan Tree, W Hotels, Shangri-La, Taj, Viceroy and Mandarin Oriental.

Hotel Branded Residences: Market Participants

1	Edition	Mandarin Oriental	Shangri-La
Address	Fairmont	Mondrian	Sheraton
Aloft	Four Seasons	Montage	Six Senses
Aman	Gansevoort	Paramount	SLS
Amari	Golden Tulip	Park Hyatt	St. Regis
Anantara	Grand Hyatt	Plaza	Sukhothai
Andaz	Hyatt	Radisson Blu	Taj
Armani	Hyatt Place	Raffles	Thompson
Baccarat	Hyatt Regency	Regent	Trump
Baglioni	Intercontinental	Renaissance	Versace
Bulgari	JW Marriott	Ritz Carlton	Viceroy
Canyon Ranch Living	Kempinski	Rock Resorts	W
Chedi (GHM)	Kimpton	Rosewood	Waldorf-Astoria
Conrad	Le Meridien	Setai	Westin

Source: Dataloft/Savills 2015

The hotel branded residences market has developed significantly since the 1980's and remains most prevalent in the North American market, although emerging markets in the Middle and Far East are gaining ground. At present, the European market is relatively small but expanding.

According to Dan August Cordeiro at Maxmakers, a property development advisory firm, the number of hotels offering branded residences increased tenfold during the decade to 2012. The evidence suggests that the rate looks set to continue to rise in line with growing consumer demand (indeed the author is aware of several new market entrants not listed on the above chart at the time of going to press). Additionally Dr. Andrew Harrington at AHV Associates believes that "….Serviced Apartments (Europe) and Mixed Use Resorts (outside of USA) are amongst the most exciting areas for investment and will likely become mainstream in the next 5 years."

Javier Serrano at STR Global, a leading source of historical hotel performance, explains that the delay in serviced apartments and residences becoming mainstream is because the operational costs and implications involved were unknown and these were therefore not recognised as a profitable option: "Any property which was not purposely built as a hotel or hostel, or was managed by real estate companies, private owners or agencies and hotel branded companies, had limited access to this important information." Arlett Hoff, co-author of HVS Global Hospitality Services' report on branded residences, agrees: "There is a dearth of reliable, consistent and extensive operating data which can be used to benchmark the sector's performance."

Maria Pajares, MD of Mason Rose (a specialist hotel and luxury travel marketing and PR agency), remarks on the evolution in the industry: "Since we launched over 22 years ago we've witnessed sustained patterns of growth in branded residences, particularly in the luxury hotel sector where more and more brands are diversifying into residential developments."

Muriel Muirden, VP of Strategy at WATG (and a leading expert on branded residences), argues that the growth has been driven by several factors on both sides of the equation:

Supply Side (operators):

- A greater awareness among luxury hotel operators of the power - and value - of their brands.
- Brand owners have the opportunity for brand expansion and strong capital inflows from limited exposure/outgoings.
- The challenging economics of building new luxury hotels without some subsidy from residential real estate revenues.

Demand Side (buyers):

- Assurance of quality in construction, design, servicing and amenities.
- "Lock up and leave" capability/option.
- The 'brand kudos' or 'bragging rights' associated with a premium branded address.
- The potential for investment returns from a rental pool (notably in a resort context).
- An increase in the number of global UHNWIs who wish to live in, or use, a secure environment, for which branded residences tick many boxes. (Indeed according to Knight Frank's Wealth Report 2015, residential property is the most popular sector for UHNWI's to invest in, with 81% of wealth advisors saying their clients are becoming more interested in it).

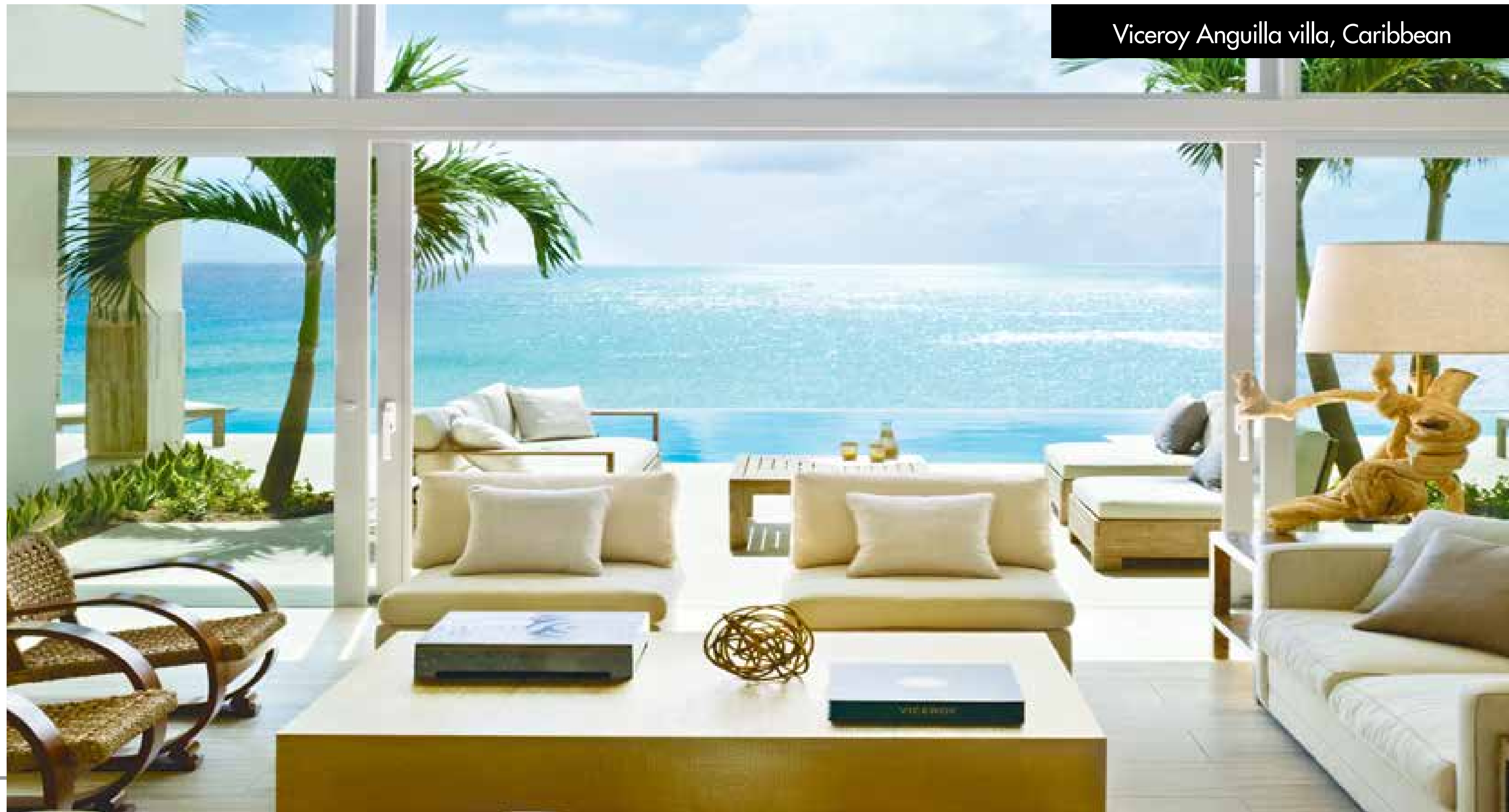
Serrano is in no doubt that the growth is driven by a drive to satisfy evolving consumer demand: "As both leisure and corporate travellers' length of stay are now rapidly changing, as accessibility to a wider range of supply options through diverse distribution channels - for example via the internet - has massively increased, and since transportation is more accessible and faster, operator brands are now focusing on offering different options to accommodate changing client needs. Hence the increasing interest in serviced apartments and branded residences." *

Whilst Hoff accepts that the strong growth in branded residences has been spurred by its attractiveness to both developers and investors, she highlights the following benefits to buyers that she believes underpin the demand-driven growth in the market:

- Innovation in terms of concept (i.e. a mix of hotel and residential).
- The convenience of onsite services.
- Design.
- Security (i.e. buying into a trusted brand).

Cushman & Wakefield's Head of Hospitality Richard Candey comments, "It would appear that hotel guests are becoming more familiar with the concept of branded residences and serviced apartments in preference to hotels. The expansion of sector brands is certainly helping to proliferate the product." The shift in preference among consumers stems from a desire for greater independence and flexibility from their accommodation, but with the same levels of service and convenience.

* Although not competing directly in the branded residences market, it is interesting to note that Small Luxury Hotels of The World™ has responded to a shift in its customers' requirements with the launch of its Private Residences offer. This comprises a handpicked collection of boutique hotels (up to 10 rooms) that provides the 'personal service of a small luxury hotel with the private space of your exclusive-use villa', along with five star services and facilities. "In 2014 we have already seen a 27% increase year on year in the number of exclusive-use hotels (under 10 rooms) wanting to join SLH," explains CEO Paul Kerr. "There is clearly a demand for this type of property."



Viceroy Anguilla villa, Caribbean

Raffles Residences Makati

Jumping on the Bandwagon

Not surprisingly, such strong growth in this sector has attracted the attention of fashionable brands in other markets, encouraging them to jump onto the bandwagon.

"We would expect developer and designer brands to emerge in competition to established hotel brands, notably those which are most experienced in pioneering new locations and applying global standards to local markets," says Savills Head of International Development Consultancy Daniel von Barloewen. These include:

- *Fashion and jewellery companies*: Luxury Brands such as Bulgari, Versace, Moschino and Armani have licensed their names (and design expertise) to developers. This segment is expanding into other sectors, e.g. the Porsche Design Tower with its luxury residences in Miami and Mercedes-Benz's 'Living @ Fraser' partnership offering branded serviced apartments in London and Singapore.

- *Developers*: Those with a track-record of distinctive and high profile projects behind them can become 'the brand' itself. Examples include Trump and Candy & Candy. (NB a good status to achieve, since it adds a healthy premium to the selling price of their own products that they don't have to pay out to a third party!)

- *Interior designers*: Commissioned to use their design skills to create distinctive bespoke interiors. A leading company in this sector is Yoo, with a portfolio of around 80 projects around the world and a stable of top designers including Anouska Hempel (a pioneer of the concept), Philippe Starck, Marcel Wanders, Jade Jagger and Kelly Hoppen (NB Kate Moss was recently announced as an interior designer at the Lakes by Yoo). Another example is Karma Royal Group,which uses celebrity designer Nicky Haslam for some of its interiors.

The important influence of "*Starchitects*" as a major USP is also noted. Examples are the Chedi Hotel & Residences in Andermatt designed by Jean-Michel Gathy of Denniston International, Daniel Libeskind's Zlota 44 in Warsaw, WATG's St. Regis Hotel & Residences in Singapore and the distinctive residences by Norman Foster and Frank Gehry at Battersea Power Station. (NB 8 Spruce Street in Lower Manhattan is even being marketed as "New York by Gehry").

The list will undoubtedly continue to grow: luxury hotel residences are now even offering cuisine by celebrity chefs, and eco/green credentials will be promoted more prominently. These all play an active role in shaping the design and décor of the residences, in order that the completed units accurately reflect their brands down to the finest detail and experientially convey their brand values. To ensure this, the brand owners provide detailed guidelines and design specifications to the developer that must (normally) be applied rigidly.

These companies license their brands to developers for a royalty fee (typically between 3-5% according to HVS, although some operators charge more) and there can be additional costs for related activities such as marketing. "The majority of operators show a general consensus that the license/royalty fee covers the use of the brand name and approval of marketing material," comments HVS' Hoff. "However, certain operators consider it their USP to offer additional sales and marketing services to third-party developers, which may be included in the license/royalty fee but, more likely, will come at an additional cost."

Extra services may include a dedicated in-house team to train and support developers, such as a marketing and sales support division. However, it is normally the developers' responsibility to promote and sell the real estate units, covering all of the promotional costs and fees, usually working with a real estate agent and specialist marketing company. An operator will generally assist in this process via their network and marketing channels (such as advertising in their house magazines, links/sections on their website etc).

Whilst marketing plays a pivotal role in the effective positioning, presentation and communication of any real estate project, this applies especially to branded residences since the buyers are among the most discerning and their expectations are high. Francesco Cefalu, VP of Development at Four Seasons, cites this within three key differentiators that he believes underpin successful branded residences projects:

i) The financial sustainability of the hotel itself.
ii) The overall financial solidity of the project, enabling it to weather a lower than expected pre-opening sales absorption rate.
iii) A clear and realistic understanding of target markets and a solid marketing strategy.

St Regis Hotel & Residences Singapore by WATG

Designed for Living

Branded residence developers and their designers continually aspire to raise the bar over their competition by delivering cutting-edge design and innovation blended with 5* hotel and concierge services, in the knowledge that this appeals strongly to HNW buyers - who, in turn, know that they can expect more for their investment with each passing year.

HNWIs have high expectations - and these are rising all the time. Indeed they are spending more time researching products and services than ever before - and this is in a time where the ability to research, question and compare has become easier than ever. As a recent article on Luxury Brand Experiences published by Luxury Society stated, *'They want cool, they want fun and they want experiences.'* As such, the quality and range continually evolves upwards.

However, many experts believe it is no longer simply about delivering good design and attractive FF&E (furniture, fixtures & equipment). "Gone are the days that the primary motivation for buying 'branded' was the status symbolism and the assured quality of the furniture, fixtures and equipment. There is now a myriad of top hotel brands all offering supreme quality FF&E, so the choice is much more about how the brand's values appeal to the decision-maker's emotions, intellect and soul," comments Lynn Villadolid, former Director of Six Senses Private Residences. "The experiences offered by the brand are now far more important in the consumer's eyes - the personalised service, the kids' programmes, the bespoke events centred on their favourite wine or cuisine, the wellness activities - rather than Grohe taps or Gaggenau kitchens."

Yoo's founder John Hitchcox spotted a gap in the market for design-led interiors around 15 years ago, when he launched into this sector: "Consumers are more home and design conscious than ever before," he observes. "They want to work in creative spaces and to holiday in beautiful hotels, and they want that design aesthetic to continue through their personal lives into their homes."

Hitchcox believes that this has led to the huge increase in branded (or 'design-led', as he prefers to call them) residences in recent years. "This can really be attributed to the growth of the design savvy consumer, the ever increasing importance of brand trust in our society and ultimately, developers recognising the importance of the home as a high-involvement purchase." Specifically Yoo targets developers as its principal market, citing its ability to "add value, visibility and velocity to any development."

Leontievsky Mys by YOO Inspired by Starck, St. Petersburg

Jungle Reserve villa at Soneva Fushi, Maldives

Regarding the evolving attitudes of developers towards design, Richard Candey at Cushman & Wakefield observes that they have generally become more flexible in terms of their design and accommodation layout requirements for branded residences and serviced apartments, which he believes can often result in a better, more efficient use of an existing building floorplan. "This can give them a distinct advantage in competing for period buildings against conventional hotels or indeed other uses."

Similarly, notes Candey, operators have also adapted. "They are becoming increasingly flexible in considering leases as a basis of expansion, which has opened up the number of potential landlord partners available to them. The hotel market, particularly international hotel management companies, has been reluctant to consider leases. Indeed the most common form of hotel leasing has been in the budget segment, which does not usually fit the environment of branded mixed-use schemes."

Savills Daniel von Barloewen adds that operators can capitalise on their expertise of the luxury market in advising developers on how best to bring the product into alignment with their brands.

Whilst it is evident that superior interior design is a major attraction for all parties, it can on occasion deter some wealthy buyers, as Villadolid points out: "Some HNWIs prefer surroundings designed to their own style and taste, not a cookie-cutter template, whether in the exterior or interior design or the layout of the rooms, which is exactly the same as in their neighbour's home. These don't clinch a sale as easily as being able to offer bespoke interiors to suit each buyer's tastes."

Private residences at Four Seasons Seychelles

All-Round Benefits

"Branded residences are more popular than ever among wealthy international buyers as a property investment that offers the best in prestige, convenience and innovative design," wrote UK property writer Zoe Dare Hall. "They come with a name that buyers trust, first class facilities and, crucially, they can be a good investment."

According to Hotelhomes.com, the global directory of hotel branded residences, the benefits to owners can be summarised as follows:

- *Trophy Status*: The kudos of owning a home in a prominent development like The Ritz Carlton or Four Seasons, with the prestige commonly associated with that brand. Often the most desirable properties in their respective areas.
- *Superior Services & Amenities*: 24/7 access to a variety of 5* hotel services and facilities.
- *Stronger Resale Values:* Branded residences are positioned to outperform the prices of the non-branded property market. The fact that they are limited in supply (and thereby more exclusive) helps to maintain property values.

Four Seasons recognises the 'trophy' characteristic amongst its buyers, noting that their brand attracts "… loyalists and trophy collectors who identify with the Four Seasons lifestyle", whilst WATG's Muriel Muirden confirms that their own research supports this, explaining that in general unit sizes of branded residences are larger, especially in comparison to European standards, reflecting the premium (trophy) positioning.

Robert Green, former GM at Abercrombie & Kent International Estates and now MD at Sphere Estates, agrees that branded residences are generally larger than their non-branded equivalents, with some offering what he too describes as 'trophy-style' properties of 1,000+ sq m. Conversely however, he sees a growing trend for smaller unit sizes, especially in urban locations: "Even allowing for the inbuilt premium, commercial pressure is on the developer to maintain a competitive price/m^2 to sell the units quickly, but I also think this reflects a decline in demand for excessive, oversized homes."

On the issue of unit sizing, von Barloewen advises that room sizes and the mix of room types should be driven by market fundamentals based on empirical research of the local residential market, rather than by the design team or the hotel operator's room size standards as, unlike serviced apartments, these products are ultimately for residential use.

Colliers International also regards 'trophy' status as an important consideration, achieved through recognisable elements such as high floors and views, quality of location, quality of design, the "Starchitect" effect, hotel services and facilities and brand exclusivity.

Benefits to buyers include:

- Prime locations
- Cutting-edge interior design, technology and architecture[1]
- Professional management
- Hassle-free ownership
- Premium/luxury lifestyle
- Owner benefits, e.g. residents' discount card, access to the operator's properties in other locations[2]
- Trust and credibility
- Like-minded neighbours[3]
- Stronger resale values
- Higher rental income
- 'Trophy' status

1. Marc Finney, Head of Hotels and Resorts Consulting at Colliers International, highlights the need to combine cutting-edge technology with good design and luxurious spaces. "Buyers are increasingly mixing work and pleasure. Technology generally is important, as is genuine luxury - but not just marble and brass rails." Of course providing these facilities doesn't come cheap: the furnishing, fixtures, fittings and fit out of both the units and the common parts must be of the highest quality and design. As a result, the costs associated with a branded residences development are inevitably higher.

2. Increasingly with international resort and hotel groups, owners can exchange usage of their residences with similar standard properties located elsewhere in the group's network through their loyalty programmes. As Charles Weston-Baker, Savills Director of Residential International, mentions, "Buying into a brand with many locations gives the owner flexibility to 'swap' with other equal quality properties, which removes potential boredom factor of always going to the same place."

3. John Hitchcox's philosophy came from a belief that the communal areas in any high-rise should also provide a stimulating environment for all who live there and that buyers in a particular building are likely to have common values, like members of a club. "I put our success down to our ability to craft design-led communities that offer a sense of place, where like-minded people choose to live - a sort of modern day village."

Alila villa, Koh Russey, Cambodia

Motivations

Inevitably the motivations for purchasers of branded residences cover a range of facets and will vary from buyer to buyer, but these can be summarised around two principal factors:

Confidence

For many buyers, the most important factor is the trust associated with buying into a reputable brand, since this offers reassurance in the delivery and quality of the development, as well as its ongoing management and potential resale value. Branded residences are considered a relatively safe investment since they are a physical asset associated with a respected and desirable brand. This is especially true when buying abroad, particularly in emerging destinations where a branded residence offers greater security to buyers.

This trust also guarantees consistency in terms of the quality of the offer and experience, whether you are in Beijing, Paris or New York. Phill Clark, Creative Director at You, the leading UK property marketing agency, comments, "The importance of a strong, consistent brand is paramount when talking to any target audience. Branding lends credibility, endorsement and identification and gives a buyer confidence in their investment, since it is based upon proven fundamentals, not merely promises." He adds that if an audience identifies with your brand then they are, in effect, willingly inviting you to interact with them.

Not surprisingly, John Hitchcox firmly believes that confidence extends into design. "Our projects offer purchasers the confidence that comes with recognisable design quality. The aesthetic is well considered and attention to detail is guaranteed with more consideration given to the design, finishes, furnishings and fixtures, with a better understanding of how that impacts how we feel and live in a space. Our brand is synonymous with this ethos."

Robert Green believes that ultimately it is the whole package offered by branded residences: "The concept has evolved from simply providing 5* services and facilities for wealthy, time-poor individuals to a greater focus on architecture, interior design and lifestyle."

There is no doubt that purchasers at the pinnacle of the market expect something special in terms of the tangible elements described above. Whilst buyers' priorities remain consistent in terms of location, design and access to world-class amenities, as previously mentioned, many feel that it is now much more about the intangible 'added value' associated with a brand. Four Seasons states that what appeals most to their (U)HNWI buyers is "…a distinguished and personalised service experience that a homeowner can't get anywhere else... which ultimately transcends into a lifestyle."

Buyer confidence is even more important when selling in less-established destinations, explains Joachim Wrang-Widén, senior VP at Christie's International Real Estate: "For locations that are not yet well-established, prospective buyers feel much more comfortable buying a property that carries a well-known brand. Without this brand association they will most likely need a good deal of reassurance." Leisure real estate specialist Paul MacSherry agrees: "Brands provide buyers with perceived insulation against risk."

So in summary, with branded residences buyers feel greater confidence about what they can expect in terms of location, comfort, convenience, security, peace of mind, design and the level of service they will receive - and increasingly they are influenced by individual emotional benefits associated with kudos and lifestyle.

From a developer perspective, adding a branded residential component to a project can accelerate capital return and improve the overall IRR, with revenues from residential sales helping to monetise land and infrastructure costs much faster.

What are a hotel operator's requirements when considering whether to include a real estate offering alongside their hotel? "The hotel component has to come before the real estate. If there is good tourism potential with a well-designed hotel, it will boost the real estate and in turn bring value to the overall development," comments Frederic Simon, CEO Asia at Commune Hotels & Resorts, an international management company with a portfolio of brands comprising Alila, Thompson, Joie de Vivre and tommie. "It will not work if the hotel development is dependent on sales of the branded residences to finance the project. The destination, design ethos and quality of the development are essential to the partnership."

Simon agrees that, when executed properly, there are many benefits to a hotel operator, not least the additional stock that offers an alternative to standard hotel accommodation. "The residential component offers us a diversified portfolio of multi-bedroom accommodation that is favoured especially by high-end travellers who desire the luxury of private space. These clientele become good brand ambassadors and repeat customers."

Viceroy's Goshow believes that it is the ultimate compliment to a hotel operator and a privilege to look after guests-turned-residents on an ongoing basis. "Residents demonstrate a commitment to our destinations and to our brand. They are the ultimate brand ambassadors."

Simon adds that the developer needs to incorporate the operator's core brand values in the design and development from the very start of the project. "To ensure a lasting partnership, above all we have to be effective asset managers and deliver the brand promise in terms of profitability. As in any long term partnership, success is built on mutual respect between the developer and the hotel operator and an understanding of the latter's brand ethos and core values."

Amanyara villa

On the other side of this equation is Paris-based investor CityStar, Commune's development partner in Alila Villas Koh Russey, a new island resort in Cambodia. "Working with Alila allows CityStar to ensure that the development meets the highest standards in terms of quality and design," comments CityStar's President Jean-Louis Charon. "Alila has consistently provided the most thorough and accurate technical support to reach a common objective. Our partnership with Alila also serves as the guarantee that our resort will provide the highest levels of service to clients."

Marc Finney, Head of Hotels and Resorts Consulting at Colliers International, considers that the cachet added by an association with a respected brand also delivers added value in terms of marketing momentum: "A trusted brand can set the market level for the properties quicker and more firmly than any campaign." However, he warns that this must come with an understanding that the focus should be all about the real estate sales. "Not all operators get this and try to confuse matters with irrelevant operational issues."

Four Seasons certainly recognises this point and actively promotes it as a major benefit to developers, being able (as market leader) to present empirical evidence that their brand actually drives lead generation, creates sales and marketing efficiencies and enhances absorption rates by lending credibility, endorsement and identification.

Correspondingly, buyers can expect that the building will not only be well-managed but also built and fitted to world-class standards, on the basis that leading international brands - fiercely protective of their reputations - would associate only with proven developers able to demonstrate an excellent track record. As such, they are in effect giving their stamp of approval by lending their name to the development.

In short, a prominent brand's involvement should offer a 'guarantee' that an off-plan property will be completed, fitted and furnished to the highest standards that are commensurate with that brand. Four Seasons states that the ability to identify with its brand 'gives added confidence in the delivery of the development, its ongoing property management and the sustained value of the real estate.'

Inevitably there have been exceptions, including the widely-reported Four Seasons' Barbados resort* and the recently resurrected Tiger Woods golf course with its surrounding residences planned for Dubailand, both of which were high profile casualties of the global property downturn. (*Arlett Hoff at HVS observed that following the onset of the global economic crisis many planned Caribbean projects were put on hold, so this was by no means unique).

"As a real estate investor, it is critically important to deliver an uncompromising product in terms of location, architecture, interior design, art, amenity and service. Partnering with an existing brand with a strong reputation and experience in delivering the highest levels of service has been shown to achieve significant premium pricing in the market, making it a very compelling economic option."

Paul Vollman, Managing Partner, Yorktown Partners LLP

Convenience

Wealthy individuals are typically cash rich and time poor, often with homes in several locations around the world. They prefer to be surrounded by personal effects in their own homes (or wouldn't they simply stay in a hotel?) and they certainly don't want to worry about maintenance and security when not in residence. Furthermore, when they are in residence, a 24/7 concierge service allows them to enjoy a hotel lifestyle in their own homes.

"Buyers remain driven by both investment and own use and, for the very best projects, usually a combination of these," observes James Price, formerly Head of International Residential Developments at Knight Frank, now VP Residential (EMEA) at Four Seasons. "At the upper end of the market buyers also demand unique qualities of the project itself; this could be through the architecture creating a statement building." He adds that whether these are resorts or serviced city centre residential buildings, ensuring that a project remains rooted in its local culture and design is also important.

Most offer a comprehensive range of integrated hotel-style services, which usually include 24-hour concierge and security, CCTV, secure underground parking, porters, communications and entertainment systems, cleaning, laundry and even shopping services. With the high demand for wellbeing, access to an on-site gym and/or health centre is now standard, with access to a spa and associated treatments, swimming pool, sauna and steam rooms; other premium facilities regularly include a golf simulator, screening room and even wine storage.

Christie's Joachim Wrang-Widén has noticed how buyers are focusing increasingly on a wide range of amenities as well as convenience. "Being able to "lock-up-and-go" - or at least have professional resident property managers look after the property - is important." The Address Magazine also highlights this point: "Hotel branded residences offer a sense of reliability, especially when purchasing homes in foreign countries, since buyers are assured the property will be taken care of, whether it is rented out or left vacant for occasional use".

Joanna Leverett, Head of International Residential Markets at Cluttons, agrees that buyers increasingly prefer this as it offers a hassle-free option, compared with the responsibilities - and challenges - of owning and maintaining a standalone overseas home, whilst Four Seasons promotes "worry-free living in well-appointed residences" to its potential homeowners.

W Singapore by WATG

Managed Rental

Owners can normally benefit from the option of renting out their properties through the hotel or operator's managed rental pool, but which usually restricts personal usage to defined periods amounting to a few weeks each year. However, given the cosmopolitan nature of owners and the fact that they may have several homes around the world, this is not seen as a hindrance. Furthermore, the income generated (which is shared with the operator) can more than cover the running costs of the property, indeed often generating an attractive surplus.

"There is a growing realisation that owning property abroad can be a hassle, so having it 'brand managed' solves a lot of these issues," observes Colliers Marc Finney. "There is also the expectation that the income from renting will cover most, if not all of the annual maintenance costs."

"Even HNWI's are attracted by rental pools as a means of covering running costs whilst getting, in effect, 'free' stays," adds Robert Green. "Increasingly buyers want some level of rental return, especially in resort locations where they tend to visit their homes less frequently." WATG's research supports this, finding that although it varies by destination, the percentage of resort branded residences entered into a rental pool has risen to between 70-80%.

It is worth emphasising that generally only properties furnished by the operators are permitted to participate in the rental pool, in order to ensure that there is consistency in terms of FF&E and interior design (i.e. that complements the brand style) and that high quality standards are maintained.

Horses for Courses

"It isn't enough for brands to trade on what the label used to stand for. They need to demonstrate their value in an ever-increasingly competitive marketplace. The challenge for today's luxury brands is a considerable one. Not only do they have to contend with being challenged by the customer they thought they knew, they are also having to deal with new audiences and their accompanying behaviours."

'10 Top Luxury Brand Experiences',
Luxury Society June 2015

Buyers of branded residences generally identify with a certain lifestyle and taste that are closely associated with that particular brand. As such, the perception of the operator's brand itself is a key influencing factor, since individual brands inevitably appeal to different demographic audiences.

For example, looking at a snapshot of competing brands in this sector:

- W Residences promote their brand as "vibrant, inspiring, iconic, innovative and influential", citing its "passion for fashion, music and design".

- Compare this to Mandarin Oriental's more 'genteel' brand offer, where "each hotel has its own individual charm with oriental touches that reflective Mandarin Oriental's heritage". For their residences they promote "the comforts of a private home combined with the unsurpassed amenities and legendary service of Mandarin Oriental" and their focus is on delivering service excellence and not merely meeting but exceeding guests' expectations.

YOO Nordelta, Buenos Aires

Higher Income Consumers' Top Luxury Brands

Rank	All Adults HHI: $75k+	Millennials (18-34) HHI: $75k+	Gen Xers (35-49) HHI: $75k+	Boomers (50-68) HHI: $75k+
1	Rolls Royce	Gucci	Mercedes Benz	Rolls Royce
2	Rolex	Lexus	BMW	Rolex
3	Mercedes Benz	Louis Vuitton	Lexus	Tiffany
4	Lexus	BMW	Rolex	Coach
5	BMW	Coach	Rolls Royce	Cadillac
6	Coach	Ferrari	Cartier	Cartier
7	Tiffany	Rolls Royce	Tiffany	Chanel
8	Gucci	Chanel	Coach	Mercedes Benz
9	Louis Vuitton	Rolex	Chanel	Gucci
10	Cartier	Mercedes Benz	Prada	Lamborghini

Source: Shullman Research Center. Based on a survey of 1,665 US adults; unprompted responses.

"Which brand is more exclusive? Bvlgari, Versace, Armani or Bugatti.... it all depends on personal choice."

Andrew Cleator, Luxhabitat

- Yoo, as an interior design-led brand, promotes their residences through the style and reputation of their impressive stable of designers, each bringing a unique identity to individual projects.

In other words, an operator's brand offers a distinct identity, style and market positioning that resonates (or not) with defined audiences; these are measured by individuals based upon a personal understanding, perception and experience of that brand.

John Hitchcox acknowledges this point with respect to each of Yoo's designers. "For example," he comments, "as well as being an accomplished designer, Jade Jagger's bohemian lifestyle and taste are well recognised and highly coveted. As such, there is an alignment there with people who buy schemes that Jade has been involved in; they are buying her design but also a slice of a lifestyle they aspire to."

Robert Green at Sphere Estates agrees: "Respected architects and interior designers certainly do add value, helping purchasers to identify with a development as well as the type of lifestyle it will deliver."

Commune Hotels & Resorts operates four different brands to serve a range of lifestyles and client's requirements, suited to both urban and tropical locations. "Most importantly, it is the destination and locality that dictates the project," says CEO Frederic Simon.

However, it is important for a developer to partner with a brand that will resonate with the desired target audiences and aligns with their lifestyle aspirations. It can be argued that those properties with a highly 'distinctive' or niche brand attached will never appeal to certain audience segments. As such, associating with a particular brand may risk a detrimental effect by reducing the size of the market by alienating some potential buying audiences to a greater degree than non-branded residences. Savills von Barloewen points out that a development may find itself hostage to fortune if, for example, the brand experiences a PR disaster, since this is likely to impact the desirability of the residences.

The chart above highlights the broad disparities in brand perception among affluent older and younger generations in the USA. For example, Lexus and BMW rank in the Top 5 brands among both Millennials and Gen Xers, yet neither of these makes it into the 50+ Boomers' Top 10.

Such inconsistency among consumer segments applies equally to brands associated with real estate developments. As such, developers must ensure that their chosen partner brand reflects the demographic profile and aspirations of their intended audience.

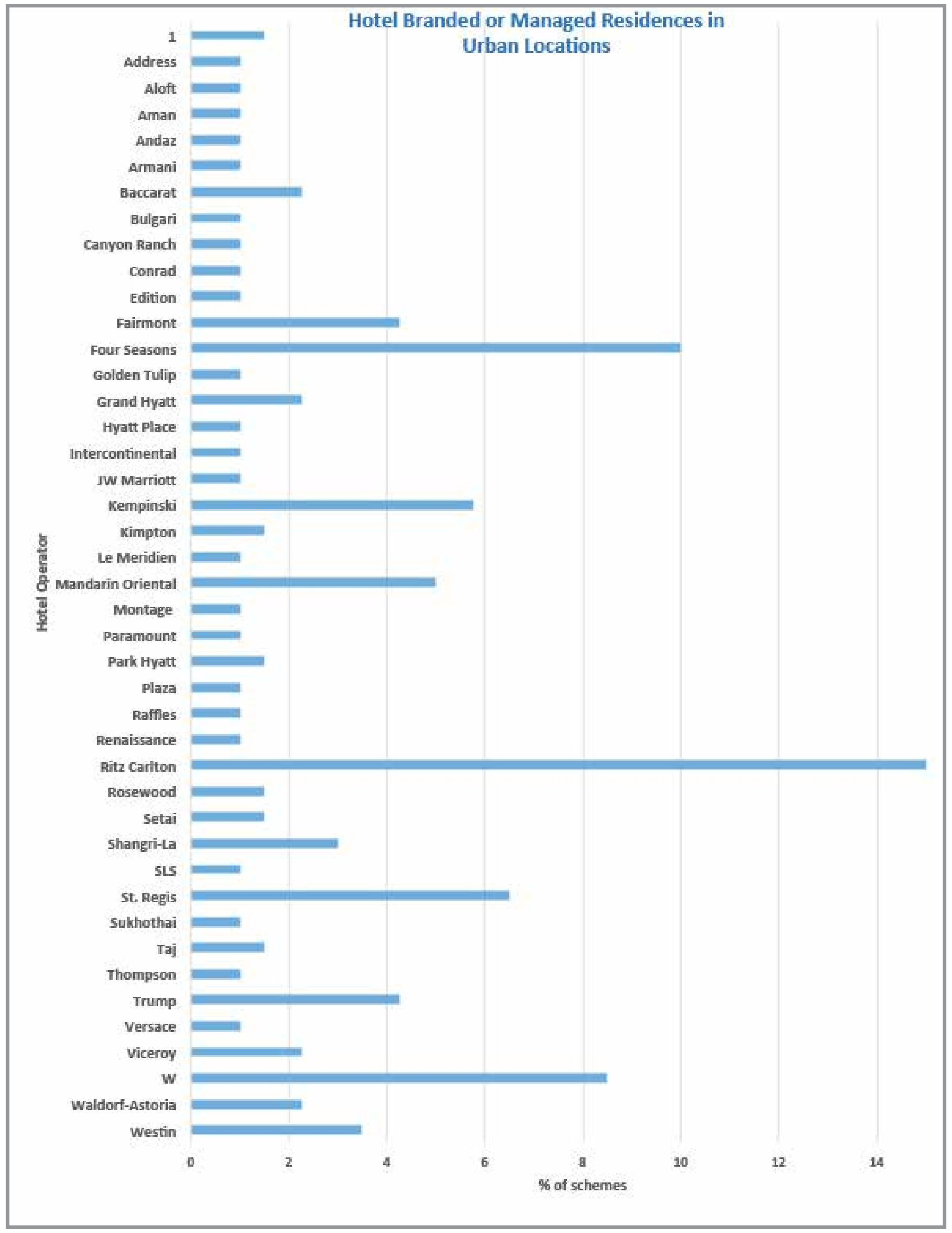
Urban vs Resort

Today the majority of branded residences are located in major cities. For example, within the Four Seasons portfolio approximately 60% are urban versus 40% in resort locations, Robert Green points out that Ritz Carlton's branded urban products are expected to represent two thirds of its inventory in the future.

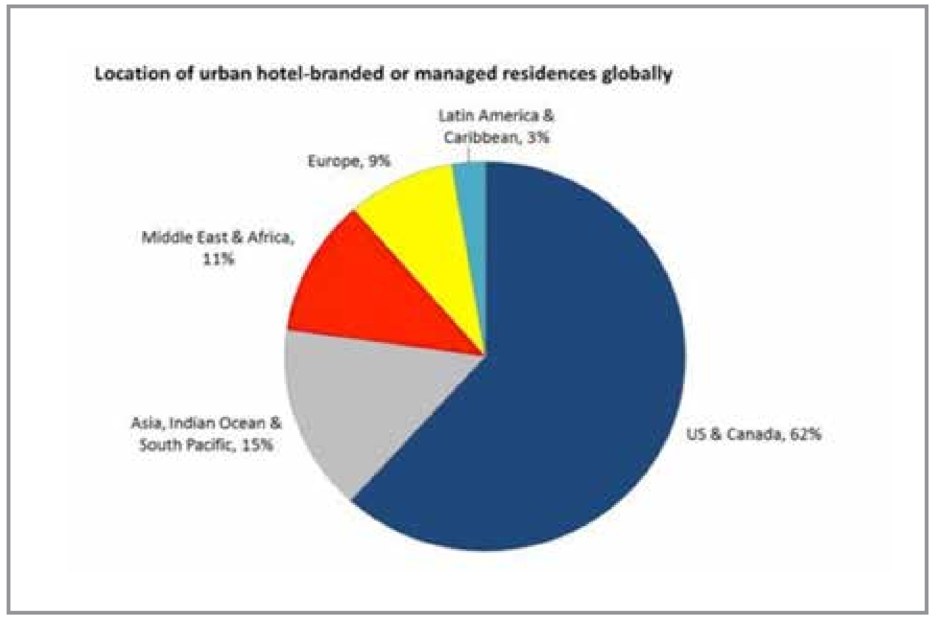
"Our research found that operator appetite is increasingly greater for urban rather than resort locations," echoes WATG's Muriel Muirden. This is largely thought to be a reaction to basic demand patterns of the recent past, she explains. "Primary/secondary residences in core urban locations have shown increased attention from HNWIs of late, due to their perceived 'safe haven' investment credentials. The operators are doing deals where the development is taking place. Going forward, as resort demand - and therefore development - returns, branded residences will also be expected to feature."

C9 Hotelworks' recent research found that combined hotel and residential projects in the Far East are shifting from resort to urban locations. "The historic pattern of hotel and real estate marriages has moved away from the beach and leisure destinations and is gaining traction in urban city offerings," comments MD Bill Barnett.

Whilst many experts believe that this trend will continue, not everyone agrees: Francesco Cefalu reports that in future it is resort developments that will represent a higher percentage of Four Seasons' new

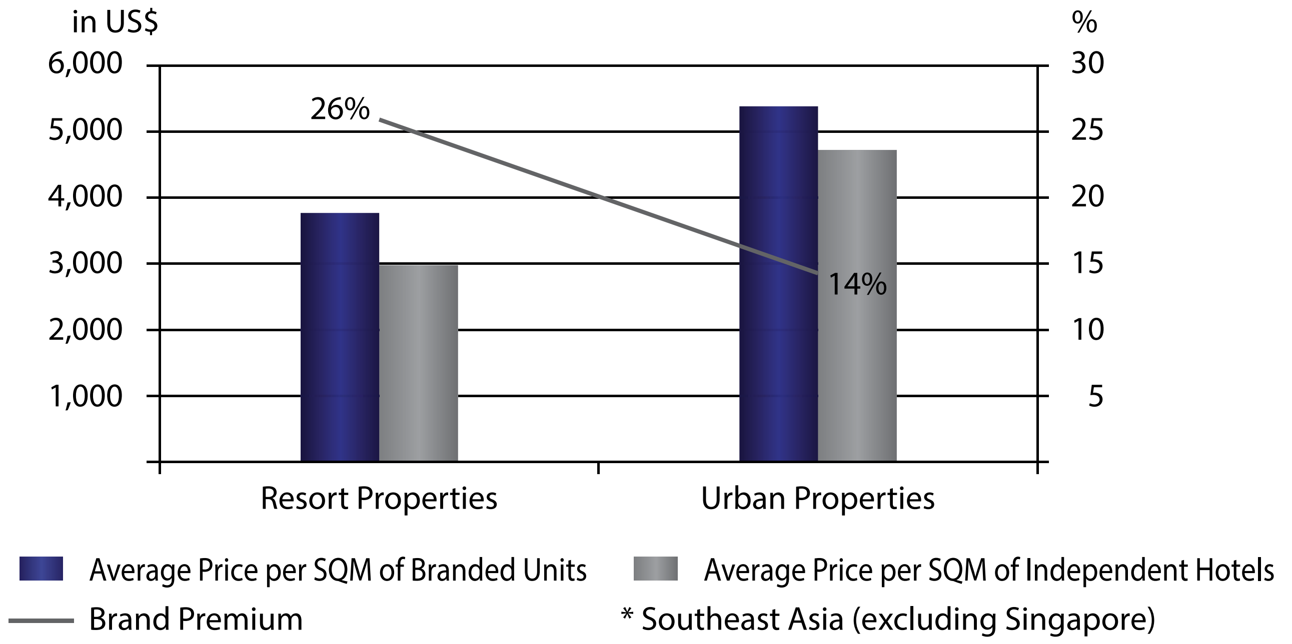


Source HotelHomes.com/Savills



Source: Savills

Branded vs. Independent Hotel Residences*



Source C9 Hotelworks Market Research

projects, adding that around two-thirds of their global projects in the pipeline have a residential component. "Moving forward, it is our ambition to maintain and reinforce our position as a global market leader in the branded luxury residential segment."

"Prime urban branded developments have greater appeal because they are perceived as less risky," observes Robert Green. However, in emerging locations it could become a double-edged sword: "Some investors will view market-entry in the early stages as advantageous to benefit from value-increase as the market develops," says Joachim Wrang-Widén at Christie's. "However the risk is then trying to sell a comparatively older asset in a market that has subsequently developed and where newer - possibly better - products are, relatively speaking, at a similar price level."

In line with the explosive demand in emerging markets for luxury branded items, the concept of branded residences is an effective way to sell top-end real estate in these expanding markets. Savills anticipates that branded residences will continue to have significant and growing importance for newly wealthy buyers and in emerging economies. "They also have a significant and ongoing place in resorts," adds von Barloewen.

According to recent research by C9 Hotelworks, the hotel branded residences market in Southeast Asia has topped US$16 billion and is growing, with c.120 projects representing over 28,000 for sale across seven countries (NB Thailand leads the way with branded residence accounting for 37% of total projects). The research highlights a 'refocus' by global hotel chains, which recognises that there is 'an essential need to partner with property developers in creating hotel residence offerings in order to spur pipeline growth'. Correspondingly, driven by escalating land prices, more developers are embracing mixed-use projects, often adding commercial, sporting and tourism attractions to offer broader lifestyle offerings.

With almost 40% of the Viceroy Hotel portfolio involving mixed use developments (both urban and resort), the organisation actively embraces opportunities to operate residences alongside hotel rooms. "There is a distinct synergy that unfolds when we have traditional hotel rooms alongside residences," observes Viceroy's Kristie Goshow. "The resulting experience in each product, whether room or residence, is better, more intuitive, more sensational, had the counterpart never been there."

HVS reports that operators generally do not operate standalone residential products (i.e. not immediately adjacent to one of its hotels), nor is this a major consideration for the future. However, with the confidence of the market leader Four Seasons is introducing standalone residential projects, typically located in vibrant urban markets with strong demand characteristics. "We are exploring standalone branded residential


One Hyde Park by Candy & Candy

projects in major urban centers where we already have an existing hotel," comments Cefalu, citing Four Seasons' first foray into the London branded residential market with its new project at 10 Trinity Square, comprising 45 luxury branded residences. "These are designed to offer a differentiated homeownership experience with a full range of amenities and services within the context of an efficient building operation."

Starwood Capital recently acquired 650 London apartments. Cody Bradshaw, Head of European Hotels at Starwood Capital Group, said: "We are excited to establish ourselves as a leading player in the extended-stay hotel/serviced apartment market, which we believe is one of the most promising and under-supplied real estate sectors in London today.''

Location continues to be a prime factor. Savills research has shown that the success of branded residential development, in particular in established first-world cities such as London and New York, is down to a combination of factors, of which location is the primary one. "The potential in prime city urban locations is significant, although the location and supply and demand characteristics play a greater role here in London," comments von Barloewen.

WATG's research found that operators are unanimous that there is now a focus on exceptional sites in prime locations, rather than in secondary or tertiary destinations.

"North America remains the stalwart of the branded residence sector, with the big players heavily embedded and seeking new opportunities," observes Muriel Muirden. "The land use came to prominence just in time to ride the coat tails of the Asian development boom, where brand power resonates strongly." Muirden points out that, as a positive development climate returns to Western Europe, branded residences in both an urban and resort context are expected to finally start gaining traction, having been unrepresented for so long. She also predicts continuing growth in Asia, highlighting the region as a testing ground for pioneering iterations of the concept with regards to scale, business models and levels of servicing/ supporting amenities.

Although the sector focus is currently on prime urban locations, we cannot ignore the number of thriving ultra-luxury branded resort real estate in far-flung locations like the Maldives, Caribbean or Seychelles. The question therefore is, why do HNWIs choose to invest in a far-away home at a high brand premium, probably visited only a couple of times per year and often requiring upfront cash payments, combined with the risk of drastic changes in weather and unstable politics?

"Well, simply because they can," says Lynn Villadolid. "There are now 1,645 billionaires in the world, growing at 14% per annum. Such immense wealth has rendered their spending virtually untouchable by changes in share prices, interest rates or currencies. Let's face it, if money was no object such that we would worry about spending US$5-20M on a faraway holiday home, who wouldn't want to spend time in the familiar comfort of their own homes enjoying temperate weather, snorkeling with turtles and dolphins, feeling sublime white sand under our feet, sipping Nespresso served by a discreet butler while hearing the lapping of the waves and being tanned under a magnificent sun? I know I would."

Colliers' Marc Finney is rather less romantic: "People drop their guard when they are on holiday and can make irrational decisions."

A Brand Premium for a Premium Brand

What is clear is that, whether in an urban or resort location, branded properties sell at a considerable premium over comparable non-branded residential real estate products.

"In an urban location these properties are often apartments on the top two or three floors of the hotel, whilst in a resort context these units are, in most cases, detached villas," explains Muirden. "In both instances they are sold at a premium to other comparable residential real estate products on the market."

In addition to the numerous benefits associated with branded residences discussed above, a strong brand:

- Enhances sales velocity by as much as 30%.
- Maintains resale values.
- Delivers higher rental returns as a result of fewer voids in rental periods.

As such, the significant price premium can easily be justified to both developer and purchaser, with neither requiring too much convincing of the benefits - and this in turn has led to the popularity of this formula. "The growth in branded residences has been spurred by its attractiveness to both developers and investors," comments HVS' Arlett Hoff. "Compared with unbranded residential properties it is proven that developers of branded residences can demand premiums in cities around the world by simply having a brand affiliation."

James Price is in no doubt that leading brands today can add value and assist greatly in the marketability of new projects. "However," he adds, "they must offer tangible benefits for the residents." In 2012 Knight Frank research found that luxury branded residences around the world commanded an average uplift of over 30% compared with non-branded schemes. Most experts still agree with this benchmark figure, as the following soundbites confirm:

- "Branded properties normally sell at between 20-30% more than non-branded equivalents, even if they are only just round the corner from each other." Joanna Leverett, Cluttons
- "Operators have indicated that typically a price premium can be expected over identical non branded products of between 20-35%." Muriel Muirden, WATG
- "Anything between 20-30% normally, but occasionally they can completely re-set the benchmark for a location." Marc Finney, Colliers
- "The level of the premium varies from market to market. It also depends on what the brand is and how importantly it is valued. A good example is Burj Khalifa in Dubai, where an Armani residence trades with a premium of up to 30% compared to a similar sized apartment in the tower that does not carry the Armani brand." Joachim Wrang-Widén, Christies' International Real Estate
- "A globally recognized 5* brand such as Four Seasons, Ritz Carlton, or Aman have proven consistently in all economic circumstances, both regionally and internationally, that there is a 25-50% premium over prevailing market values." Robin Paterson, Sotheby's International Real Estate

Leverett adds that these developments also tend to see a similar premium for rentals and on resale, so buyers can feel confident that their purchase of a branded residence will hold its value. "Absolutely," echoes Joachim Wrang-Widén at Christie's. "Branded residences also achieve higher liquidity on the resale market a few years down the line."

Muriel Muirden argues that a unique combination of a world-class hotel brand with a top global destination can, in special cases, add even higher premiums, citing the example of the (currently dormant) Four Seasons at Clearwater Bay on Barbados's much sought-after Platinum Coast, where off-plan prices were considerably higher than comparable luxury homes further up the coast, often in better locations. Indeed as reported in The Address Magazine: "Branded residences yield a premium estimated to range between 20% and 40% over similar unbranded residential developments and, in exceptional cases, as much as 50-100% more, it becomes clear why this is one of the fastest growing asset classes."

Never short of surprises, the real estate market continually raises the bar to new levels and there are some extreme cases that demonstrate the substantial premium that the 'right' mix of branding, design, facilities and location can deliver:

- Palazzo Versace and D1 in Dubai are neighbouring developments on Dubai Creek, yet apartments at Palazzo Versace (branded) achieved an uplift of over 100% against comparable D1 (unbranded) apartments next door.

- The branded residences at The Ritz Carlton Dorado Beach in Puerto Rico sold at up to 250% above the average psf price of non-branded units in the same development.

So will the premium on branded residences continue to thrive? Most experts believe it will - not least, as Lynn Villadolid points out, because financial resale values have traditionally been at least up to 1.5x higher than the non-branded alternative over a medium term (c.5 years) or longer holding period. To illustrate this, Wrang-Widén reports that The Armani Penthouses in Dubai were selling at more than 50% higher than when they were launched five years previously.

However, Villadolid warns that the premium between branded and non-branded homes is narrowing. "The supply of non-branded alternatives with top quality FF&E and bespoke services on offer, and the advent of mediums like Airbnb (or such equivalent for UHNWs), have started to erode this premium and will continue to do so."

London

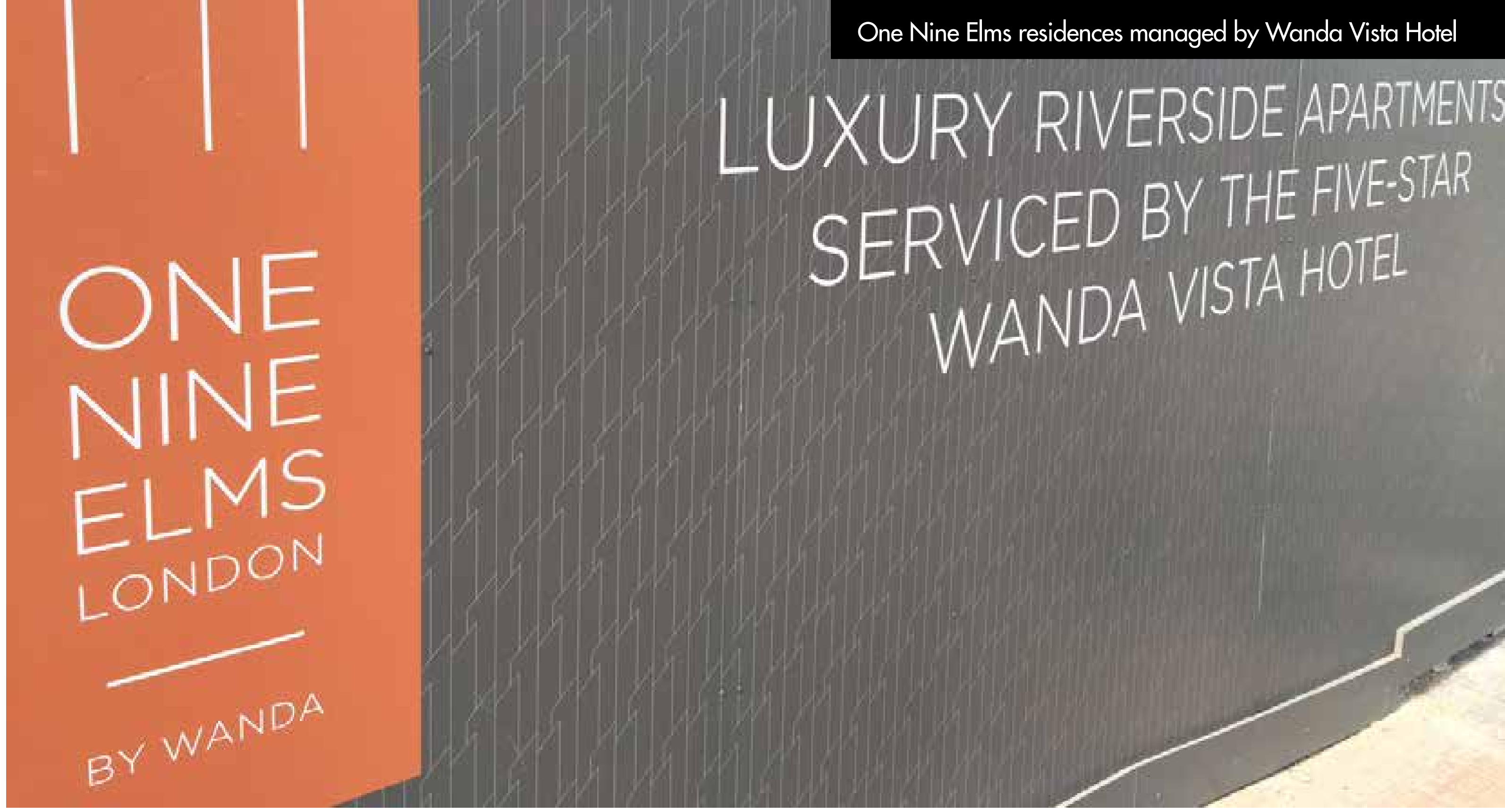
London continues to rank top in Knight Frank's 2015 global cities survey. Yet in spite of being one of the world's most desirable, vibrant and active real estate markets, there are only around a dozen branded residences here. However, these include some of the capital's most famous landmarks such as One Hyde Park (Mandarin Oriental), The Shard (Shangri-La) and The Knightsbridge (Bulgari). Other developments include The Residences at W Hotel (Starwood Hotels) in Leicester Square and Marconi House (ME Hotels) in The Strand.

According to Knight Frank's report on branded developments, the average uplift in London on those properties they researched was just over 11%. With similar characteristics to the London market, the average premium in New York* was only slightly higher at 12.4%. (* It is worth noting that Colliers researched branded vs unbranded high-end residences in NYC's financial district and found that between 2007-2013 the premium averaged 29%). At the top end of the scale was Dubai at almost 60%, followed closely by Berlin and then Cape Town, both over 50%.

The reason for the low uplift in London is most likely due to a combination of the already very high prices for super-premium real estate in the UK's capital and strong buyer demand, leaving little room - or requirement - for an established brand along with the significant premium that needs to be added to the price. Although an extreme example, this is clearly illustrated by the chart on the facing page.

Location	Property	Developer	Price (psm)	Completion*
Dubai	Kempinski Residences	Emerald Palace Group	$10,230	2012
Moscow	Knightsbridge	Restravracia N	$22,650	2015
Manhattan	One 57	Extell Development	$69,970	2014
Hong Kong	One West Kowloon	Cheung Kong	$17,690	2014
Monaco	Tour Odeon	Groupe Mrazocco	$65,000	2014
London	One Hyde Park	Candy & Candy	$113,000	2011

Source: A&K International Estates



One Nine Elms residences managed by Wanda Vista Hotel

"I think the reason is simply a question of both opportunity and brand positioning," comments Savills Charles Weston-Baker. "New development deals in London are in great demand and usually require paying a very full price for the opportunity and branding is not essential, due to the strong end-user demand." He observes that where branded residences have occurred in London, the brand is usually brought in to "add value" by giving a distinctive design style (e.g. Bulgari) or comfort to attract a specific international target audience, or simply to provide convenient proximity for servicing (such as co-located One Hyde Park/Mandarin Oriental).

STR Global's Javier Serrano believes that there are several reasons why London has so few branded residences, but he describes 'the most remarkable ones' as follows:

a) Both operators and customers have not yet understood how operational and cost-effective serviced apartments/branded residences potentially are.

b) Not long ago supply was limited to the corporate traveller segment.

c) The UK and London especially have predominantly always had independent owners and operators.

However, we expect to see increasing numbers of branded residences popping up over the next few years. This is already in evidence at the Nine Elms regeneration with Wanda and Versace branded/serviced residences - good examples of using a brand to elevate the offer in a non-prime area where margins better allow this. Furthermore, the top end of the London property market in 2015 was lacklustre; research reveals that sales above £1 million stalled, so developers will increasingly need to consider ways to add value in order to attract buyers.

Kay & Co's recent study finds more 5-star apartments will be completed in 2015 and 2016 than in the 10 previous years combined. These ultra-prime developments were historically clustered in Knightsbridge, Mayfair and Belgravia but have been spreading into developing hotspots such as Fitzrovia, Bayswater and Marylebone. "A new prime London region is emerging," observes MD Martin Bikhit.

In their report 'Sleeping in London', Mayfair-based agent Wetherells believes that the emergence of branded residences is arguably the most "game changing" development in the London luxury property and hospitality market. Their report forecasts that it is set to become a major niche sector, predicting that the success of existing projects indicates that the format could be expanded to 3 and 4* hotels and thereby linked to lower priced residences. This trend is being seen in other cities such as Dubai, where the Movenpick Hotel residences at Laguna Tower is one of few non-luxury branded residential developments in the city.

Spotlight on FRHI

FRHI HOTELS & RESORTS operates three leading global hospitality brands - Fairmont, Raffles and Swissôtel, focusing exclusively on the upper-upscale through ultra-luxury segments. The company has been a pioneer in the luxury branded residences sector, often among the first to arrive in new markets (e.g. Vancouver, San Francisco, Manila, early in China, Jakarta, Makkah, Jeddah, Dubai and Istanbul).

Preparations for FRHI's first foray into branded residences began in the late 90s and culminated in the launch of a ground breaking project in Acapulco, Mexico under the Fairmont Heritage Place private residences club brand; today there are 10 FHP projects operating worldwide. Whole ownership residences were introduced in 2006, with 8 such projects already operational today and another 30 in the development pipeline. Generally these are presented as lifestyle/owner usage focused offerings, not primarily as an investment product.

The company's typical branded residences model assumes a mixed-use development in which the residences are co-located with a hotel asset. It stresses the importance of effective development planning, to ensure hotel services and facilities are appropriately leveraged to maximize the residential experience, while design safeguards privacy and exclusivity. As Jeff Tisdall, VP Residential Development, explains: "The co-location model serves a number of objectives - notably enhancing the economics of hotel ownership, but also by creating a value proposition for Residential purchasers that simply would not be viable otherwise. As important as the bricks and mortar, it's our suite of hotel and residential services that really differentiate our offerings."

FRHI sees constant innovation as a key to its success in this sector. As Jeff Tisdall comments: "Purchasers of branded residences are typically participating at the very highest end of their respective residential markets. Consistently we see that they seek out leading edge design and first-of-a-kind features and benefits".

To find out what their target customers (i.e. from source markets) really want, their approach is research led. "We listen to the market. Today we are managing relationships with more than 2700 residence owners worldwide, and their feedback has helped us immensely. In addition to expert interviews and feasibility studies, we also encourage focus groups as a means of identifying and prioritising buyer requirements for each project. This enables us to get close to our customer and develop facilities that anticipate consumer needs in a very fast a moving market segment."


Fairmont Heritage Place Ghirardelli Square


Fairmont Heritage Place Mayakoba

Collaboration is another key element that FRHI emphasises; the company feels it is critical to leverage the insights of all project stakeholders - the marketing agency/consultancy, sales team and, most obviously, development partners. "Key elements of our residential offering are designed to appeal broadly to HNW and UHNW buyers, across varying markets and geographies - a good example being our Global Residential Benefits Program which we find holds universal appeal with prospective purchasers," comments Tisdall, "but our product design process is open and collaborative and that helps us ensure we adapt properly to local contexts."

Tisdall notes that FRHI's developments' partners are often key to this process. "Our typical partner is a leading developer in the markets in which they operate - often having developed several successful residential projects before introducing a first-of-its-kind branded residence. At FRHI, our role is to integrate our services, brands and insights - with the unique qualities our partners bring to the table - to create truly innovative residential environments." He adds that this sort of partnering is often essential when entering new or emerging markets.

With three distinctive mixed-use solutions to offer, it is crucial for FRHI to help its developers select the brand that is best suited to market characteristics, thereby delivering optimal returns. "We assess very carefully whether its Fairmont, Raffles or Swissôtel that is best positioned to unlock value."

Furthermore, FRHI places a lot of emphasis on alignment and vision. "At the end of the day it's a partnership - we need to understand what makes a branded residential development successful from the perspective of our partner, and ensure we align ourselves with those objectives. And, of course, it's very helpful to work with groups who also understand the value of a global luxury brand and are committed to bringing those attributes to life in a residential context."

FRHI does not generally pursue standalone residential development opportunities (i.e. where residences are not co-located with one of their hotels) but as Jeff Tisdall comments, "Co-location is certainly integral to our typical model - but at the same time we are willing to explore standalone in certain strategic markets." He adds that the viability of standalone branded residences needs to be examined carefully - and that a key is to find a way of recreating the economy of scale that would otherwise be provided by integrating hotel and residential operations. Optimistically he adds, "With the right partner and strategy, a standalone development in London would be very interesting."

Conclusions

There is little doubt that the concept of branded residences is now a mainstream part of the real estate sector. Furthermore, it is predicted to continue to grow in terms of the number of market participants (from operators to designers to financiers), the range and quality (i.e. star rating) of branded units offered for sale, and exciting new destinations across the globe.

"Overall we believe there is strong potential for the right brands to perform well and to continue to command significant residential price premiums, although in our opinion there is a risk of this window of opportunity lasting only a couple of decades," says Daniel von Barloewen at Savills. "Notwithstanding this, the potential returns and improved rate of sales for developers and improved non-hotel room revenue can be high and therefore eminently worthwhile, particularly in high quality resort locations and emerging markets."

"Whereas the concept of branded residences is growing from a significantly lower level in Europe, it is undoubtedly gaining traction, particularly considering the upturn in the cycle," adds HVS' Arlett Hoff. Additionally, we are seeing unprecedented levels of branded residences (currently around 120 active projects) across Far Eastern markets, and the evidence is that the formula is expanding rapidly in other emerging markets.

In conclusion, as with any sector, a successful real estate development must be driven by satisfying (even exceeding) customers' evolving requirements and desires. Increasingly, these have been shifting with growing impetus towards the convenience, security and confidence offered by branded residences - and, from the evidence presented in this report, this trend looks set to continue.

"… Condominium hotels are often considered attractive to developers, lodging operators and unit owners alike. In markets where traditional construction lending was limited, the presale of units had allowed developers to obtain construction financing, aligning themselves with a hotel operator to gain pricing premiums on unit sales. Lodging operators benefited from new inventory under management and potentially earning a licensing fee on the sale of the units. Unit owners often purchased units assuming that values would continue to appreciate and that the income generated from their revenue split would cover their costs of ownership."

EY, Global Hospitality Insights,
Top Thoughts for 2015

'Experiential luxury is growing faster than personal goods luxury and designer homes are a natural bridge between these two worlds: is there any greater experiential product than one you actually live in?'

Mario Ortelli, Senior Research Analyst
at Sanford C Bernstein.

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About the Author

With a career spanning over 30 years in sales and strategic marketing, Chris Graham gained his real estate experience first as Group Marketing Director at Hamptons International, then as Managing Director of Graham Associates, a London based branding and marketing consultancy that specialises in international real estate.

In 2009 Graham Associates joined You Group, a central London agency with billings of £40 million pa and one of the UK's top property marketing specialists. The group also works with leading brands including Rolls-Royce plc, Harry Winston, Audemars Puiget, Franck Muller, Ansell, Ricoh, Lyons, Chipotle, Gala Bingo, Air Canada and ANA.

Chris and his team work closely with leading real estate agents and developer clients based around the world, for whom they prepare marketing strategies, create sales collateral and manage lead generation campaigns. Many of these projects over the past decade have involved a branded residences component, exposing them to the benefits and growth potential of this exciting sector of the market.

A Fellow of the Chartered Institute of Marketing and regular industry commentator, Chris has won several awards including three *Best Development Marketing* awards, *Best Property Website, Best Estate Agency Marketing* and the *OPP Gold Award for Marketing Excellence.*

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GLOBAL MARKETING SOLUTIONS

A member of you agency group

77 St Martins Lane
London WC2N 4AA

Tel: 020 7420 3550
Email: chris@gagms.com
www.gagms.com

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