

BRANDED RESIDENCES: AN OVERVIEW

FIFTH EDITION



GRAHAM ASSOCIATES

GLOBAL MARKETING SOLUTIONS

“Chris Graham’s reports are the most comprehensive publications on this fast-growing sector, covering a wide range of topical issues and considerations. He has painstakingly assembled expert opinions from a wide range of industry leaders to discuss many key aspects. A must-read for any real estate developer or investor looking to do a branded residential or mixed-use project.”

Daniel von Barloewen, Regional Vice President, Accor One Living (EMEA & India)

“It is rare to see a publication that analyses the market, reflects the market norms, and ensures its readers understand the technical issues that need to be addressed to achieve a healthy balance between branded residence operators and owners. From its first edition this report has been ahead of the game. Essential reading.”

Felicity Jones, Partner, Watson Farley & Williams LLP

“The ideal guide to branded residences - essential reading for anyone wanting an independent view.”

Richard Bursby, Partner, Taylor Wessing LLP

“Chris Graham’s report has stood the test of time as one of the go-to references for branded residences. It is a ‘must-read’ for anybody who wants to understand more about the sector.”

Riyan Itani, Founder, Global Branded Residences Consultancy

“Chris Graham is a master at corralling the trends within the branded residential sector, and his reports represent a go-to reference for anyone new to the concept or wishing to keep their finger on the market’s pulse.”

Ben Martin, Principal, HKS Advisory

“Recommended reading for anyone wishing to get a comprehensive summary of the key issues to consider when researching the branded residence sector.”

Philip Bacon, Director of Planning & Development, Horwath HTL

“A really good and comprehensive report. I recommend it to many clients and industry colleagues.”

Tea Ros, Managing Director, Strategic Hotel Consulting

“Renowned as a go-to expert for those embarking on the development of branded residences, Chris’ insights go far beyond the realm of marketing. He has proven to be a highly valuable collaborator on global projects with WATG over the years and his early-stage involvement helps to frame the storytelling and market positioning of a concept from the outset.”

Rob Sykes, Associate VP & Director of Strategy, WATG

About the Author

With a successful sales and marketing career spanning over 35 years, Chris Graham entered the real estate sector in 2000 as Group Marketing Director at Hamptons International real estate sales agency. In 2008 he founded Graham Associates, a London based marketing consultancy that specialises in luxury global residential real estate and resort developments. In 2009, the company became an affiliate partner of YOU Agency.

Over the years, Chris has picked up several prestigious industry awards including:

- 6 x Best Development Marketing (International Property Awards)
- Gold Award for Excellence - Best Marketing (Overseas Property Professional Awards)
- TITAN Platinum Award – Property, Strategic Program
- Best Property Website (International Property Awards)
- Best Estate Agency Marketing (International Property Awards)
- Chartered Institute of Marketing’s Excellence Awards (Finalist, Digital Media and Hotels & Leisure)

Many of the projects Chris has worked on over the past two decades have involved a branded residential component, highlighting first-hand the multi-faceted benefits driving the sector.

In 2015, Chris was inspired to publish the first of five (to date) editions of these reports, which was the first ever in-depth study of the sector, and which today still remains the most comprehensive.

Foreword

Covid-19 could have been a brick wall for the sector, but hindsight shows it was little more than a road bump. It forced people to re-evaluate their lives, notably where and how they choose to live. Consequently, ticking many of their revised lifestyle priority boxes, branded residences experienced a ‘flight to quality’ and performed well through the pandemic.

By now it is established that a professionally packaged, well-presented and suitably branded scheme can attract strong buyer interest, achieving premium prices and faster sales than comparable unbranded projects. The proven success of this ‘triple-win’ formula (i.e. that benefits buyers, operators and developers) has driven exponential growth over the past decade, which shows no signs of abating.

However, the days of ‘build it and they will buy’ are long gone. As more brands join the party and branded residences increasingly become ‘standard’, competition gets tougher. And with ever-rising expectations, today’s affluent buyers are highly informed, spoiled for choice, and bombarded with luxury home offers in almost every corner of the world.

So, faced with a plethora of choice, HNW buyers need to understand how one brand will benefit their lifestyle and investment ambitions over another. As discussed in my previous reports, the importance of differentiation cannot be understated and, in this edition, industry experts again share their views.

There are innumerable elements to consider when planning, designing, building, and marketing a branded development, and misjudging any of these can severely dent your objectives. As such, you should look at research as an investment rather than a cost: seeking expert advice from experienced professionals helps to significantly ‘de-risk’ a project by planning for unforeseen eventualities and, crucially, ensuring that it is designed to resonate with the target audience. This point was strongly emphasised by leading brand operators (see p 10).

I hope you enjoy reading this report. If you have any questions, observations, or would like to discuss a project, please contact me.

Finally, my sincere thanks to all those who have so generously contributed their insights, data, wisdom, and experiences.

Chris Graham, Report Author
Managing Director, Graham Associates



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Branded Residences: A “Win-Win-Win” Formula

It is generally accepted that the first branded residential development appeared in the 1920’s on New York’s Fifth Avenue, where the Sherry-Netherland Hotel operated successfully alongside its own cooperative serviced apartments. This was followed in 1929 with the opening of The Carlyle Hotel and private residences in nearby Madison Avenue. Thereafter, the branded residence concept as we know it today did not catch on for several decades until, in the mid-1980’s, Four Seasons sold out its hotel condominiums in Boston. The first international scheme followed in 1988, when 30 branded villas were launched for sale at Amanpuri Resort in Thailand.

Recognising the enormous potential, Four Seasons seized the opportunity to expand its portfolio across North America; in 1992, the company established an international presence through its purchase of Asia-based Regent Hotels. A relative latecomer, Ritz-Carlton only entered the market in 2000 with the launch of its Washington DC residences. Today, with over 100 completed projects between them and a further 46 in the pipeline, these two individual brands continue to dominate the global branded residences market – although others are gaining ground (as a group Accor has 37 open projects and a pipeline of 105 scheduled to open over the next few years).

The turn of the millennium saw a flurry of market entrants, led by Starwood and Fairmont and quickly followed by several others. Since then, the global branded residences market has grown exponentially,

including non-hospitality brands (which today represent 1-in-5 schemes).

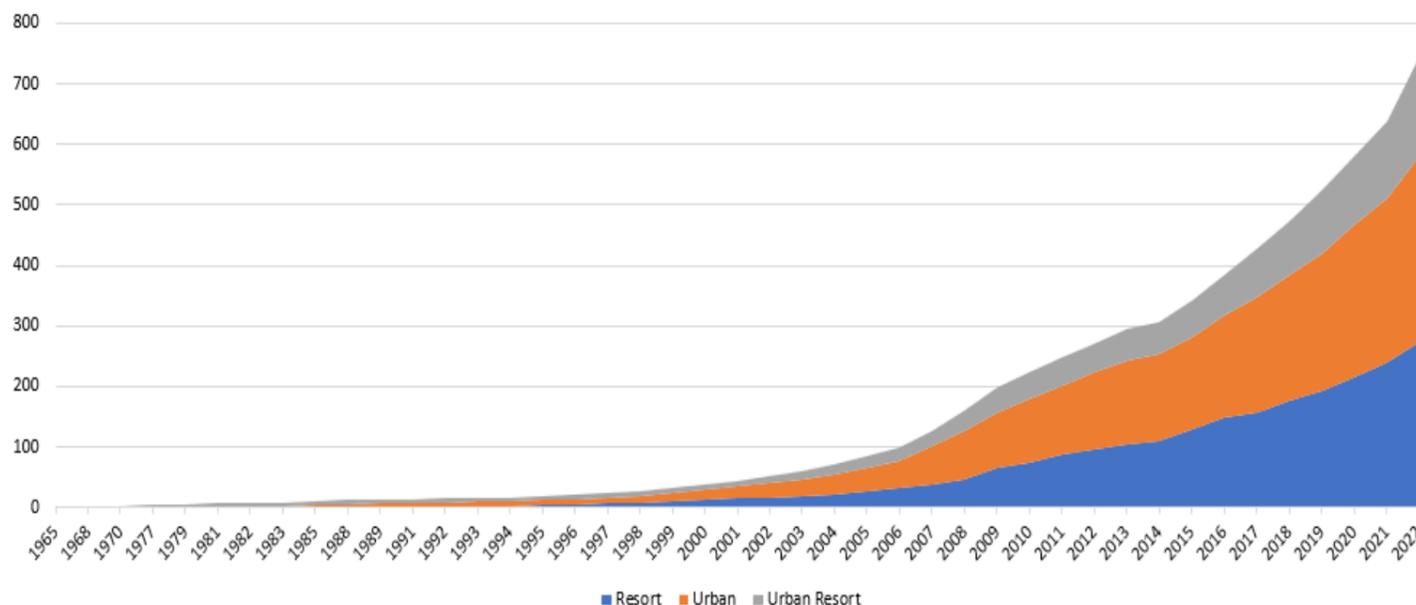
The proven success of this “win-win-win” formula (i.e. that offers manifest benefits to buyers, brands and developers) attracted the attention of many others and the resulting market growth over the past two decades has been astonishing:

- During the decade 2002-2012, the number of participating hotels increased tenfold (Maxmakers).
- In the decade 2012-2022 the sector has grown by over 150%, which is forecast to almost double by 2027 (Savills).

What is surprising is that it took so long to become a mainstream model. Javier Serrano at STR Global, the respected source of historical hotel performance, explains that the delay in serviced apartments and branded residences becoming an established concept is because the operational costs and implications involved were unknown, and as such these were not widely 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.”

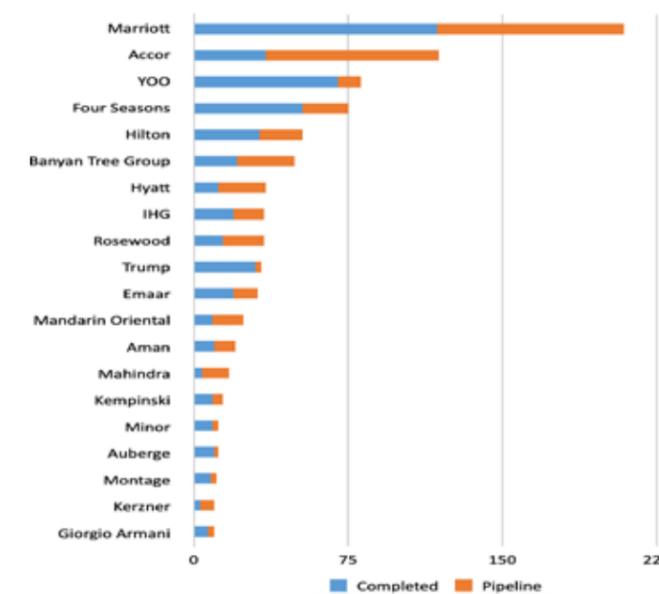
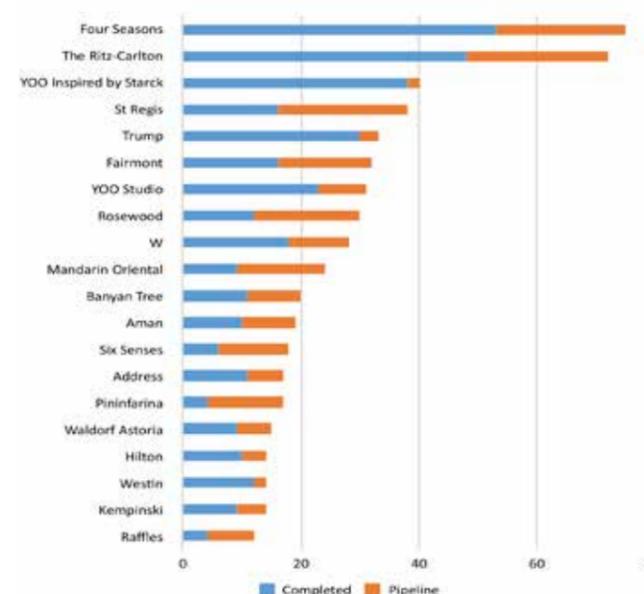
Arlett Hoff, co-author of HVS Global’s early paper on branded residences, agrees that there was a scarcity of reliable and consistent operating data which could be used to benchmark the sector’s performance.

Evolution of Branded Residences



Source: Savills

Sector Leaders: Individual Brands & Parent Groups



Source: Savills

In the first edition of this report, Muriel Muirden, former EVP Strategy at WATG and renowned pioneer of the sector, surmised that growth has been driven by a few key factors on both sides of the equation, all of which remain as relevant today (we will study these - and others - in more depth in the ensuing chapters):

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.
- 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).
- “Lock up and leave” capability/option.
- 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.

“The elements that will continue to drive growth in the sector include a deeper understanding of disparate local markets, buyer preferences, and the harmony of brand and place. This will propel developers - and brands - forward.” Gulf News, Dec 2022



Sherry-Netherland, NYC, home of the world’s first branded residences

Sector snapshot

- 100,000+ branded units across 640 projects worldwide.
- Over 1,100 schemes forecast by 2027
- Hotel brands dominate (80%).
- 55% are in the luxury segment; premium to midscale brands account for 25%.
- Marriott is the largest operator, followed by Accor. YOO is the leading non-hospitality brand.
- Non-hospitality brands now account for c.20% of schemes
- Dubai ranks #1 city, followed by Miami, New York, and London.
- The average price premium (branded vs unbranded) hovers consistently around 30% over the past decade.

(Sources: Savills)

Jumping on the B@ndwagon

"You need to be able to replicate the same levels of service excellence..... making it a seamless experience for the brand-loyal consumer. The sweet spot is where integrity of product meets integrity of brand experience."

'Meta-Luxury: Brands and the Culture of Excellence'

The sector remains dominated by hotel brands (80% of all schemes) but, not surprisingly, such strong growth attracts the attention of fashionable brands in other sectors, encouraging them to "jump on the b@ndwagon".

For luxury consumer brands, hospitality presents an opportunity for profitable brand extension, enabling the company to capitalise on its dedicated fanbase from whom it can generate an attractive - and significant - additional revenue stream. As in any market it is ultimately driven by demand and, with the right brand and offer, this model is proven to deliver significant attractions to all parties.

For buyers, a brand that resonates with a specific audience offers an immersive lifestyle environment that reflects that brand and its core values. It's a case of 'if you love it, you can now live it'.

"Given the proven success of the model, it is no surprise that developer and designer brands are increasingly competing with established hospitality brands, notably those luxury brands that are experienced in pioneering new locations and applying global standards to local markets," comments Daniel von Barloewen, Regional Vice President at Accor One Living. Adelina Wong Ettelson at Mandarin Oriental agrees: "It is a natural evolution and a way for brands to tap into their loyal customer base and expand their portfolio. As long as the brand extension is relevant and offers something unique, it is a chance for customers to associate themselves with the brand prestige that comes with ownership."

Non-hospitality brands and collaborations

Talk about a diversified sector:

- **Automotive:** Examples include Aston Martin Residences, Porsche Design Tower and Bentley Residences, all in Miami, Pininfarina, Bugatti Villas (Dubai), and Tonino Lamborghini Residences in Dubai, Egypt, Sao Paulo and China.
- **Fashion and jewellery:** High-end consumer brands such as Bvlgari, Versace, Missoni, Fendi, Ferre, Baccarat, Diesel, Moschino, Elie Saab, Dolce&Gabbana and Armani have licensed their names (and design expertise) to developers. The

sector experienced another first in 2019 when Dubai-based developer DAMAC purchased the Cavalli brand.

- **Developers:** Companies with a track-record of distinctive high-profile projects behind them can become established as 'the brand'. Examples include Candy & Candy, Related, Trump, Berkeley Group, Emaar and Aldar. This is a good status to achieve as it can add a healthy premium to selling prices, without having to pay license fees / royalties to a third party.
- **Interior designers:** A leader in this sector is YOO, with a stable of top designers that includes Philippe Starck and Kelly Hoppen. Others include LightArt, 1508, Yabu Pushelberg, HBA, Tristan Auer, Pierre Yves Rochon and Goddard Littlefair, although it is a sizeable list of talent.
- **Architects:** The influence of "Starchitects" as a major USP is now well established. Examples include César Pelli, Renzo Piano, Norman Foster, Frank Gehry, Moshe Safdie, Jean-Michel Gathy, Daniel Libeskind, and no list could be complete without the late Zaha Hadid. Having a prominent practice like WATG, HKS, SAOTA or Gensler in your team certainly strengthens the offer.
- **Landscape designers:** With the increased focus on engagement with nature and the environment, the importance of resort landscape architects should not be overlooked in creating beautiful public spaces.
- **Ambassadors:** Mandarin Oriental uses this to good effect with high-profile celebrity "Fans" that feature in its advertising. Another example is Kerzner's SIRO, which has an ambassador program ('Team SIRO') that includes professional boxer Ramla Ali, football team A.C. Milan, and British Olympic swimmer Adam Peaty; each plays an advisory role, from bespoke training programs to nutrition and wellbeing.

We are seeing *media/entertainment* companies including Walt Disney and Fashion TV (in India and Dubai), while publisher Condé Nast is offering branded residences linked to its high-end titles, as well as ELLE and Sports Illustrated, and Miami's hedonistic E11even nightclub launched a branded residential project which has sold very well. ORA (also in Miami) is collaborating with exclusive members' only club Casa Tua. Pop singer Pharrell Williams reportedly threw his hat into the residences ring (a Happy Home?), along with Lenny Kravitz. And let's not forget Aldar's Louvre apartments in Abu Dhabi. There seems to be no boundaries as to what is possible!

Now *restaurants* have been getting in on the act, such as Cipriani (Mr C), Nobu (Nobu Residences in Toronto is one of the fastest selling branded developments in the past decade) Casa Tua, Major Food Group, and Hard Rock.

Indeed, a new breed of luxury residences with celebrated restaurants attached further enhances the brand offer. Examples include Four Seasons and Mandarin Oriental (both with 28 Michelin stars); The Palm Jumeirah has Michelin star chefs Heston Blumenthal and José Andrés; The Edition in Bodrum hosts Diego Muñoz (formerly of the world's most celebrated Michelin-starred restaurants El Bulli and Mugaritz), while Ritz-Carlton's Abama in Tenerife offers two Michelin-starred restaurants. With culinary experiences ranking high choice among HNWs (Savills research), expect to see more celebrity chefs adding flavour to the lifestyle offer. "Offering globally renowned chefs and world-class restaurants within luxury residences creates a level of exclusivity for purchasers that cannot be found elsewhere," says Knight Frank's Erin van Tuil.

Hospitality brands are starting to adopt *fashion collaborations*, e.g. Dior spa in the Cheval Blanc Paris, Net-A-Porter teaming up with luxury rental platform Plum Guide, and The Standard Ibiza with Onia swimwear and Craig Green bathrobes. And reportedly Jimmy Choo has partnered with Four Seasons in Madrid.

Other notable brand affiliations include *Spas* (e.g. ESPA, Elemis, Shiseido, Caudalie, Guerlain, Clinique La Prairie, Givenchy) and *Concierge* services (e.g. Quintessentially, One Concierge, Velocity Black).

"It's not drag and drop. Guests who know us in New York will recognize us wholeheartedly at our properties in Ibiza and Bangkok, but they'll see a different design, different nightlife programming, and the food might be different."

Amber Asher, CEO, The Standard International

Non-hospitality brands

Although hotel brands dominate the sector by a ratio of 8:1, there is little doubt that non-hospitality brands will continue to grow.

Putting a brand onto a building doesn't guarantee success. The performance of a niche sector brand such as FILA, Elle, or Hello Kitty in real estate would depend on the depth of appeal among wealthy homebuyers in a specific market (NB I would assume that these brands will have conducted extensive market research among their customer bases before embarking down this route).

The million-dollar question is how much appeal will fashion and lifestyle brands enjoy with prospective homeowners; they may be avid fans of a brand, but will they really want to be immersed in it 24/7?

Whereas hospitality brands emphasise proven experience in delivering services, non-hotel brands focus on integrating core elements of their brand via design and experiences. As such, translating a lifestyle or sports brand successfully into a living environment requires some creative mastery to ensure that the staff, environment, and experiences adhere closely to the brand's values at every touch point.

Inevitably, each of these considerations plays an active role in shaping the design and décor of a branded scheme, since the completed residences and surroundings must accurately reflect the chosen brand and convey its values, down to the finest detail.

To ensure this happens, a brand partner provides comprehensive design guidelines to the developer that (normally) must be applied (which can present challenges for architects and developers). This is always the case with established hotel brands, although increasingly they are taking a more flexible approach, assessing each scheme on a case-by-case basis.



License Fees

With mixed-use branded projects, companies license their brands to developers in return for fees. Riyan Itani, former Head of Development Consultancy at Savills and founder of Global Branded Residences consultancy, helps to shed some light on this complex area.

Fees payable to the brand/Operator can vary greatly and will depend on several factors:

1. The prevailing market norms in the given country
2. The scale of the gross development value (GDV) of the project
3. The strategic importance of the development/location to the expansion plan of the Operator

and include the following:

Royalty fees

These vary depending on location and the GDV of a project (the higher the GDV generally the lower the fee):

- Luxury hotel brands charge from 3.5% - 6%.
- Upper Upscale hotel brands charge 2.5% - 5%
- Non-hotel brands typically charge 1% - 4%

If in a prime sought-after city location, brands may well agree lower fees in order to have a 'flagship' property there.

Brand Commitment or Advance or Sales & Marketing Advisory fee

Most operators require an upfront payment upon signing of the contracts and at certain milestones. These are sometimes in addition, or sometimes

recoverable from/credited against royalty fees from future sales. The royalty fee can range between USD\$250k and USD\$500k+.

The rationale for these fees is that, after the contract has been signed but before the first sales occur, the Owner/Developer will be receiving ongoing marketing and operational support. This requires considerable time spent by the Operator's teams.

"The brand is being used publicly, without any fees having been paid," explains Itani, pointing out that the brand is the Operator's equity so in many ways a valuable source of income. "In the event the project stalls or is cancelled, without an upfront payment the Operator would be left 'high and dry' with no remuneration, despite the time invested by its project teams, as well as its brand being used by the Owner."

Residential Management fee

On deals where the hotel operator will be fully managing the residences (including governance matters), the Home Owners Association (or Owner, depending on the local legal framework) will pay the Operator a fee for managing the residences.

The management fee will also cover accounting, development of training programs, and marketing and PR promotion, as well as a variety of other corporate support functions.

The management fee is typically paid for through a service charge levied to each owner, fairly calculated to ensure proportionality to the unit size/type.



Hyde, Panama City, Wanders&YOO

Operators have various ways of calculating the residential management fee, but generally it is based on (often the highest of):

- a) 12%-15% share of the HOA annual budget, or
- b) a fixed fee (e.g. \$300k), or
- c) a fixed charge of, say, \$2.5k per unit (increasing annually at an agreed percentage, or inflation rate).

For example, if the annual running costs are \$1.5m

- a) The share of the HOA annual fees would be \$180k-\$225k.
- b) The fixed fee would be \$300k.
- c) Based on a 'per unit' formula, if there are 100 residences at \$2,500 each then the first year's fee would be \$250k.

"As ever, other fees and costs may apply depending on the type of brand, their level of involvement in the project and the specificities of the individual scheme."

The above is an illustration; fixed fees are not capped but commensurate to the number of units in a specific project. "Given the high operating costs there is a minimum amount required, as otherwise it may not be financially viable to manage the residences," comments Itani. "Also, it is important to note that the management fee is typically calculated based on the total number of residences, not just those that have been sold up to the point that the residences open."

Design Review fee / Technical Services fee

Most major operators have in-house Design teams covering a range of disciplines including project

management, architecture, interior design, QS, Fire Life Safety (FLS), MEP, IT, and F&B, to ensure that these all meet the required brand standards. The Owner will be required to pay a fee to the Operator for work undertaken by this Design Team, which is typically phased across the course of construction in line with certain milestones.

Their level of involvement depends on whether the project is managed or franchised; "They will always have to at least review and approve all the work done by the Developer/Owner's design team to ensure compliance with their brand standards, and conduct inspections during the course of construction up to completion, in order for the "Authority to Open" to be granted by the Operator," explains Itani.

Residential Trademark Licence fee (Franchised/'White Label')

On deals where the residences will be under franchised management with which the actual residential management and governance will be delivered by an (unbranded) third-party manager*, the Operators will charge a Residential Trademark Licence Fee. This is where the building and HOA are branded, but standard and a la carte services are provided by independent staff wearing the Operator's branding. (*See TPO section)

Above all, we recommend that developers should negotiate these fees very carefully – and even get professional assistance to do so – to ensure that they and the Operator are mutually aligned from the outset to avoid unwelcome surprises further down the line!



Four Seasons Private Residences, Los Angeles

A summary of the key findings from interviews with leading branded hospitality operators

A selection of senior executives at leading companies active in the branded residences sector was invited to provide expert insights on a range of topical issues. Each responsible for global development within their organisations, and with considerable experience of delivering successful projects, collectively they represent over 50 residential brands.

When is the optimum stage for a developer to engage with potential brand partners?

The simple answer is as early as possible. Most brands elaborate further, adding the importance of having at least secured exclusivity on the land, with a clear understanding of what can be built there. Whilst there is a preference for some concept development and design to have been undertaken, this should not be too evolved as there may be specific requirements from the brand which, if too late to change, may preclude it from moving forward.

Also highlighted are the importance of

- Commissioning an independent market feasibility and development consultancy report.

- Having a funding strategy in place.
- Alignment between the brand and the developer's objectives and 'sharing a vision'.

Several mentioned the developer's experience in delivering similar projects, which is a recurrent sentiment expressed throughout the interviews.

"Ideally after they've commissioned a market feasibility & development consultancy report, had an architect prepare initial designs, and a funding strategy in place."

How long does it take from initial discussion with a developer to completing contracts?

Two dominant themes are highlighted that can influence the process and timeline: the experience of the developer, and that of the developer's appointed advisors - notably their legal counsel.

"Complexities of projects can vary significantly, as will the resource, experience, and familiarity of the developer with the operator."

It is therefore strongly recommended to appoint consultants and advisors who are familiar with the branded residential process, with demonstrable

experience under their belts. Otherwise, a developer may find that they are paying generous fees for them to learn 'on the job', which will inevitably take longer and usually disrupts the desired timeline.

Furthermore, there is a greater likelihood that, through inexperience, something important may be missed or incorrectly presented, which could have serious (and costly) repercussions further down the track.

"The biggest factor is typically the level of experience of the developer, their consultants and legal representatives."

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24		
					"Average deal is c.6 months from inquiry to signing, but others have taken 12+ months."																				
		"Typically 90 days to negotiate an LOI and c.120-270 days to negotiate definitive agreements."																							
		"After initial terms and exclusivity have been agreed, it takes around 3-6 months."																							
		"From initial discussion to contract it's usually 1-6 months, then 2-3 months of legal."																							
												"Seldom takes less than 12 months and can take up to 24 months."													
												"Agreements can be completed in under a year, but 1-2 years is typical."													
		"A typical deal will take a few months."																							

Your top criteria when evaluating a potential project to partner with?



"Developer reputation and proven ability to deliver to required brand standards."

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

With a plethora of brands to choose from, and with the branded residences model now firmly established in global markets, developers have become much savvier – and more demanding.

"There's a change in how developers evaluate their brand options, with a more qualitative component as they seek brands that resonate with their own philosophy and with the target demographic," sums up the general sentiment.

"Developers want to understand the support they will receive behind the scenes."

Developers now expect the brand to 'roll up its sleeves' and do more than just provide marketing standards, review collateral, and 'police' the use of the brand (which was the status quo only a few years ago).

Rather, they want to know how it will proactively support their team, provide insights based upon experience and expertise, and ultimately assist the developer in selling the residences quickly and at the highest price. Examples mentioned include leveraging the brand's hotel and loyalty networks, greater assistance with marketing, and more consultative services around programming.

In short, it seems to boil down to greater collaboration; developers want to feel that their chosen brand partner is 'in the trenches' with them and is genuinely thinking about their project, versus providing standardised, generic input.

"Developers are seeking insights and expertise based on real estate successes that the brand has achieved. In addition, they are looking for collaboration on how best to set up projects and execute to yield the most optimal pricing and velocity."

In this post-Covid environment, are you seeing any noteworthy new trends?

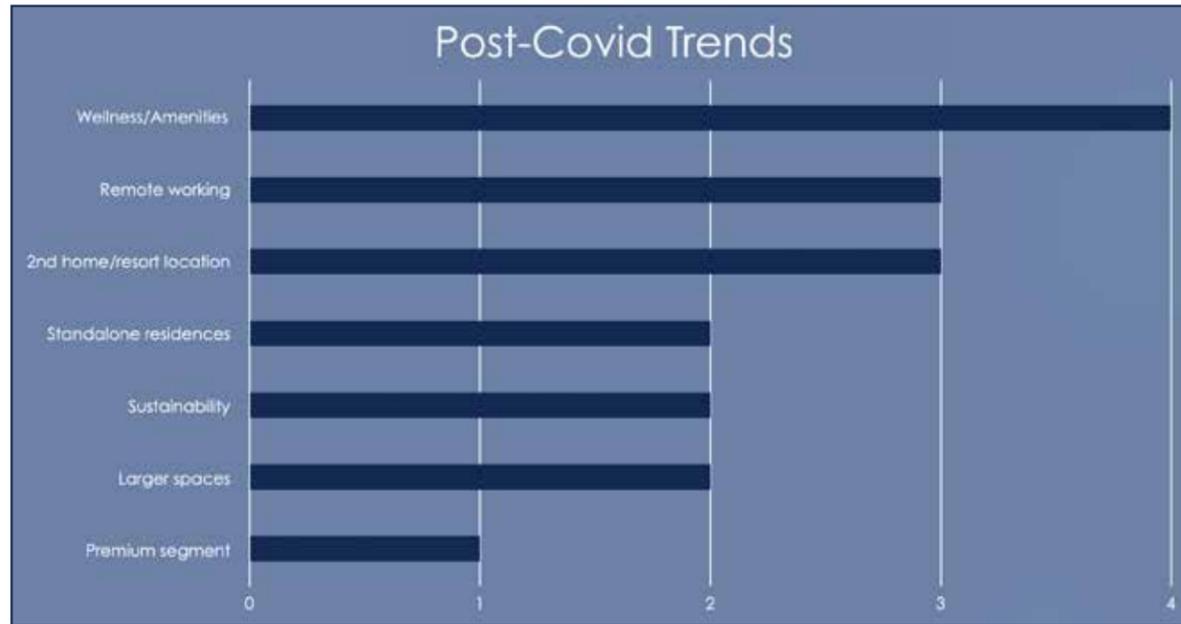
The pandemic changed the way we live, placing further demands on homes to accommodate office, wellness, and entertainment needs. This has emphasised the appeal of – and demand for – branded residences.

As such, it is no surprise that the majority of responses highlight the requirement for more space and access to facilities that enable comfortable

remote working (either primary or secondary home), as well as wellness and leisure amenities.

It is perhaps surprising that sustainability was not mentioned more, and only one respondent commented on the emergence of premium/upscale projects.

"Buyers want larger spaces, home offices, walkable neighbourhoods, and wellness amenities."



Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

The consensus is that non-hospitality brands typically only offer enhanced design, which is just one component of the package (but of course, one would expect a hospitality brand to say this!).

long-term proposition beyond the brand and carefully contemplate the operating models, which hospitality brands are well placed to deliver."

"Focus beyond when the developer has exited; a buyer's priority for is long-term investment."

However, a key tenet that has driven the success of the branded model is looking after guests and homeowners, and these leading hospitality brands are well proven at this; it is at the heart of what they do, and their ability to do it well has underpinned their popularity and growth.

Your Top 3 tips for developers?

Unsurprisingly, most of the responses echo the key points already highlighted above, of which the top 3 are:

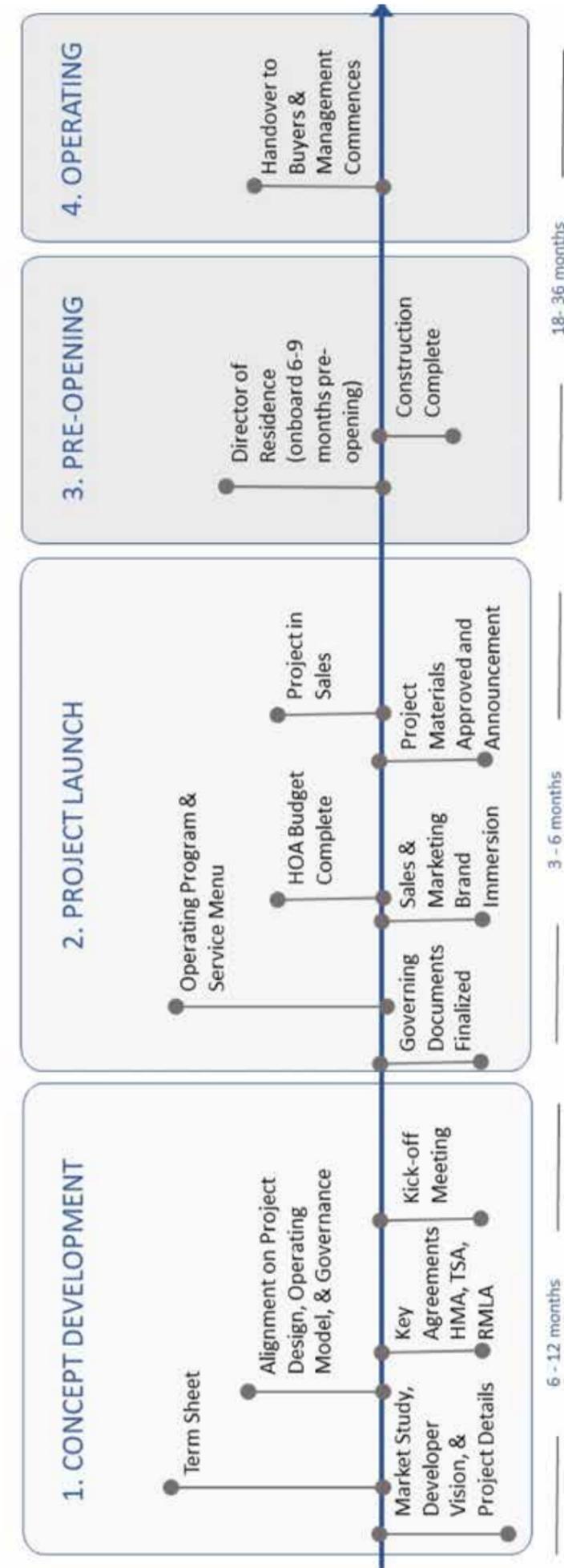
1. Engage early with the selected brand(s).
2. Do your research and appoint industry experts to advise.
3. Work collaboratively.

A close fourth revolves around the importance of good marketing.

"The hotel is an extension of the residential experience, and vice versa. It's hard to replicate that fit with a non-hotel brand without first illustrating how it comes to life."

It is essential to maintain a consistently high level of service over an extended period (decades), and this appeals to most buyers as hospitality brands provide confidence that they are in safe hands for the long haul: "Developers need to consider the

Branded Residential Development Engagement Process



* Assumes a typical 2.25 – 5 year development process
 ** Assumptions include that entitlements, financing, and initial design process begins prior to brand engagement. Entitlements and financing may overlap through to project in sales extending the timeline. Brand engagement on design begins at signing of TSA.

Third-Party Operators (TPOs)

HVS Research found that, over the past decade, the number of hotels in their recent study that are operated by TPOs increased by c.40%, and they expect this to grow by a further 5% by 2025. Jon Critchley at HVS HWE provides some useful insights.

Increasingly branded operators are moving from the operational management of hotels to focus on brand development and distribution, which has led to a rise in the use of franchising; in exchange for paying a franchise fee, a property owner can use the franchisor's brand name, IP, reservation system, and operational support tools. In turn, this has fuelled the rise in TPOs.

Also referred to as 'White Label' operators, TPOs are independent and unaffiliated with the property owner or the brand. Offering greater flexibility along with other benefits (see below), they can often be more aligned with an owner's objectives, thereby driving higher profits.

Originating in the USA, TPOs have become mainstream among franchised hotels (e.g. the market leader Aimbridge Hospitality manages over 1,500 hotels there). In Europe, historically these have been more popular among small to mid-sized hotels, particularly those offering limited service and extended stays.

However, as the concept matures, more experienced TPOs are increasingly being sought for large corporate and luxury hotels, including those operating under a licensing agreement with an established hotel brand. And this accelerating trend appears to be going global, as C9 Hotelworks' Bill Barnett in Thailand reports a notable shift in conversions migrating to franchises.

"We're increasing our franchise base in Europe in particular and finding more and more opportunities on franchising in some other markets."

Mark Hoplamazian, Hyatt Hotels CEO

Some of the key benefits include:

- Branded operating contracts typically include strict provisions, especially with regard to termination fees. Conversely, the approach of most TPOs is more owner-friendly, especially when it comes to a break of the contract; for example, in the event of a change of ownership, many agreements provide owners with a right to terminate at a relatively low cost.
- Unlike brand managers, typically TPOs will only engage in brand initiatives that genuinely improve

the hotel's profitability, not those designed to bolster the brand.

- Whereas brand managers will always adhere to brand standards, TPO managers will frequently challenge the brands and push back when these are deemed excessively costly.
- HMAs have consistently demonstrated that owners and branded management companies can have conflicting expectations with regard to their respective responsibilities and objectives. Whilst both brand managers and TPOs seek to maximise revenue and profitability, TPOs tend to be more focused (and often incentivised) on the value of the owner's investment.
- Brand-managed properties typically require a term of 20-30 years, typical agreements with TPOs tend to range from 5-10 years (and in some cases even shorter).

Third-party hotel managers are lining up for a period of faster growth, as a shift towards franchise and away from management contracts accelerates. Owners are increasingly seeking greater control over the performance of their hotel assets, while big brand groups are looking towards a more pure franchise model for their businesses. Hotel Analyst

"There is huge opportunity across all hospitality sectors for TPOs," concludes Jon Critchley. "We expect to see further growth of this model over the next decade as investors become increasingly convinced of the benefits of separating ownership, branding, and management, under terms which are flexible and value accretive."



The Residences at The St. Regis Costa Mujeres Resort

Spotlight on Marriott

Since launching its first branded residences in 2000, Marriott has amassed an impressive 23% global market share of the branded residential sector. Dana Jacobsohn, Chief Development Officer, U.S. Luxury Brands and Global Mixed-Use Development, discusses how the company supports developers throughout the process - and beyond - to ensure an optimum outcome for all parties.

When is the optimum stage for a developer to engage with potential brand partners?

We prefer that real estate developers engage our dedicated residential development team as early as possible—ideally once a potential site has been selected and is under the developer's control. However, if a developer is still in the process of identifying markets and potential sites, as a first step toward collaboration we will provide guidance and feedback in the early stages. Once the criteria for site selection is met, the timing is then right to determine the appropriate brand and programming for both the market and the location.

How long does it take from initial discussion with a developer to completing contracts?

A typical deal will take a few months, but our dedicated residential development team can work as quickly as needed to execute the developer's vision if the project is a great fit for our brands. Our goal is to make the process seamless, with a focus on long-term success.

Your top criteria when evaluating a potential project to partner with?

1. Site (control, entitlements, views, and accessibility)
2. Residential demand and pricing in line with the requested brand
3. Developer experience in the premium and/or luxury residential space
4. Existing supply and competition in the market
5. Ability to secure financing to construct and complete the project

In this post-Covid environment, are you seeing any noteworthy new trends?

We continue to see increased residential demand for second homes in locations that allow Owners and their families to vacation and work remotely. Buyers across our brands are seeking larger interior and outdoor spaces, offices within their homes, walkable neighborhoods, and exceptional wellness amenities such as yoga studios, mindfulness gardens, and Himalayan Salt Saunas.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

We know that expectations are strong, and our partners are very pleased with the Development,

Operations, and Sales & Marketing support provided by our seasoned residential team throughout the lifecycle of a project. We have refined our Owner recognition program (for developers and buyers) and we continuously strive to create and elevate best-in-class marketing opportunities and customer acquisition strategies to drive consumer preference. For example, we generate strong leads through our dedicated website and HEREIN Magazine, a new lifestyle publication developed exclusively for our branded residences. We also leverage data through customized targeting to reach high-net-worth Marriott Bonvoy loyalists who we know have a propensity for our brands.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Quite simply, the lifestyle delivered by our dedicated residential team resonates with both buyers and developers. Our Owners love - and expect - bespoke design complemented by exquisite, personalized service, and our track record as the largest branded residential operator with the longest tenure gives us enormous credibility in the market.

Your Top 3 tips for developers?

1. Visit existing co-located and standalone projects in our portfolio; immerse yourself in the incredible amenities and facilities, and talk to existing Owners about their experiences.
2. Partner with a strong brand, which will support pricing, sales velocity, and securing financing.
3. Collaborate early with the brand team to select approved architects and interior design firms capable of delivering an on-strategy project.



The Ritz-Carlton Residences, Hanoi

Buyer 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. They come with a name that buyers trust, first class facilities and, crucially, they can be a good investment."

Zoe Dare Hall, real estate writer

A few years ago, Hotelhomes.com summarised the benefits of branded residences as follows:

- **Trophy Status:** The kudos of owning a home in a prominent development like 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 non-branded property. The fact that they are (normally) limited in supply - and thereby more exclusive - helps to enhance property values.

Today, with the possible exception of the last point about limited supply, these still underpin the list of benefits, but as the market has matured it has evolved to satisfy buyers' ever-changing aspirations.

Benefits to buyers include:

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

The first point is an interesting one, since this was ranked (intentionally or otherwise) at the top of the list: Colliers International also sees the 'trophy' status as an important factor, while Four Seasons certainly recognises the 'trophy' characteristic amongst its buyers, stating that its brand attracts "... loyalists and trophy collectors who identify with the Four Seasons lifestyle".

WATG's research finds that unit sizes of branded residences are generally larger than their non-branded equivalents, reflecting this 'trophy' positioning; examples include Six Senses Ibiza, which has villas of c.1,200 sq m each, and 1 Hotels' Elounda Hills in Crete with trophy villas of up to 907 sq m.

On the issue of size, Daniel von Barloewen, Regional Vice President at Accor One Living, emphasises 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 decided by the hotel operator's room size standards or their developer's design team: "Unlike hotel rooms and serviced apartments, these products are ultimately for long-term residential use."

The list of benefits are discussed throughout this report.

1. Marc Finney 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 associated costs 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 loyalty programmes. As Charles Weston-Baker, former Director of Residential International at Savills, 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. YOO's John Hitchcox believes that the communal areas should 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."

Spotlight on Four Seasons

A pioneer of branded residences, Four Seasons has redefined the meaning of luxury living since opening its first residential project in 1985. Today the company is still renowned for its dedication to the highest standards of service across hotels, resorts, residential and more. James Price, VP Residential Development, Marketing & Sales, explains how they work with developers to ensure the optimum results.

When is the optimum stage for a developer to engage with potential brand partners?

Before design concepts have been developed; meaningful conversations can start once a developer has a concrete opportunity and an outline vision. That said, we are often approached with opportunities and then bring in development partners. Location, scale, and a shared vision with the developer are the primary elements we look for at the outset.

How long does it take from initial discussion with a developer to completing contracts?

Whilst agreements can be completed in under a year, 1- 2 years is typical, and some can take even longer. Complexities of projects can vary significantly, and the resource, experience and familiarity of the developer with the operator will also have a wide variance.

Your top criteria when evaluating a potential project to partner with?

1. Shared vision (based on quality of offering)
2. Appeal of the opportunity (with a realistic timeline)
3. Track record
4. Financial strength
5. Experience of project team

In this post-Covid environment, are you seeing any noteworthy new trends?

Location wise, we're seeing an increase in demand for 'second home' locations where people can spend more time, balancing this with their primary (often urban) homes, so branded and serviced residential communities are likely to feature increasingly.

Within home design, we're seeing a reflection of the 'work from home' ethos, requiring more spacious accommodation with an emphasis on private work zones. Additionally, it is critical to have a great (and well-spaced) amenity program; however, although there seems to be demand for more and more facilities, which means higher service charges, a key question is 'what are residents prepared to pay for?'

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

We try to lead that conversation from the outset, impressing upon our development partners that we are there to support and provide insight, experience

and expertise - not just simply to 'police' the use of the brand! Developers very quickly recognise when you are genuinely thinking about them and their unique project, versus providing standardised and generic input.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

The leading hotel brands provide a very clear value proposition, which is all about providing excellent levels of service and really understanding what HNWI's value. Looking after people (whether guests or homeowners) is at the heart of what we do; of course, creating beautiful design and experiences is a huge part of the appeal, but the proven service culture offered by established hospitality brands is what appeals to buyers in the long term. The developers in turn rely on this to drive optimal pace and price in their sales.

Your Top 3 tips for developers?

1. Engage with the operator sooner than later; the best operators have been managing resort and residential homes for decades, so offer huge experience on what works best for people and where you can really add value.
2. Think about what the brand will bring to your project, and if that will hold true for owners for years to come, i.e. what are the tangible benefits the brand will bring to someone living in that property; put yourself in the shoes of the buyer and ask "what am I really getting here?"
3. Do the research and be realistic; understanding the market dynamics of the location is critical and, while some brands may promise higher price premiums, the numbers must be robust and based on expert consultation.



Four Seasons Private Residences, One Dalton Street, Boston

Motivations

Brands give reassurance in terms of quality, design, maintenance and management. They give a level of protection and comfort against risk, since a respected brand's involvement gives confidence to buyers, e.g. that an off-plan property will be completed, fitted and furnished to the high standards commensurate with that brand. Inevitably, the motivations for investing in a branded residence span a broad range of criteria and vary from buyer to buyer, which the author has distilled down into two principal factors: **confidence** and **convenience**.

1. Confidence

For many real estate purchasers the most important factor is trust, especially when buying off-plan; they seek assurance in terms of the delivery and quality of the development, as well as its ongoing management, rental potential and resale value.

On the assumption that top international luxury brands - all fiercely protective of their reputations - would surely associate only with proven developers with an excellent track record, buyers can more confidently expect that the building will be delivered, built, fitted, managed and maintained to the world-class standards that are synonymous with that brand.

"The right branding will give consumers confidence that the development will be of a certain quality that they can relate to, and standards of service and amenities that they require or desire," says Adam MacLennan of PKF hotelexperts.

Ritz-Carlton President Hervé Humler commented that affluent customers choose its branded residences because of the assurance that their homes will be managed in the same exceptional way as their hotels, while Four Seasons claims that it 'gives added confidence in the delivery of the development, its ongoing property management and the sustained value of the real estate.'

Trust also guarantees consistency in terms of the quality of the service, facilities and experiences, whether in Beijing, Dubai, Paris or New York. Gary Grant, MD at YOU Agency comments, "The importance of a strong, consistent brand is paramount when talking to a sophisticated 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."

In effect, the brand is giving its 'stamp of approval' by licensing its name to a development.

Branded residences are also considered a relatively safe investment, again in part because they are a physical asset that is associated with a respected and desirable brand. "Buyers remain driven by both investment and personal use and, for the very best projects, usually a combination of these," observes Four Seasons' James Price.

Branded residences expert Riyan Itani points out that investors increasingly have to hunt for



Atara, Autograph Collection Residences

growth: "Branded product are perceived as a 'safer bet' as buyers focus on best-in-class." This certainly proved to be the case during the Covid-19 crisis, when branded residences performed well due to a 'flight to quality' among purchasers, with sales in many projects even outstripping pre-pandemic levels (see p.64 'Luxury Real Estate in a Post-Pandemic World').

Branded developments command a premium on rentals and resales, so buyers can feel more confident that their purchase of a branded residence will deliver increased income and sustain its value.

"With a branded residence, there's a lot more confidence because you know the ownership of the hotel and the strength of the brand."
Eric Johnson, Four Seasons Nevis.

Confidence and trust are especially important when buying abroad, particularly in emerging destinations, as a brand association offers greater security to buyers. This is especially true when buying abroad, particularly in emerging destinations where a brand association offers greater security to buyers. "Buyer confidence is even more important in less-established destinations," explains Joachim Wrang-Widén 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."

The Address magazine also highlighted 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".

Marc Finney, Head of Hotels & Resorts Consulting at Colliers International, adds that the confidence and cachet added by associating 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." Four Seasons was the first brand to recognise this, actively promoting it as a major benefit to its developers, being able to present empirical evidence that its brand supports lead generation, generates sales and enhances absorption rates by lending the project credibility, endorsement, and identification.

Not surprisingly, YOO's John Hitchcox 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."

James Price at Four Seasons also recognises the importance of design: "At the upper end of the market buyers demand unique qualities of the project itself; this could be through the architecture creating a statement building. Whether these are resorts or serviced city centre residential buildings, it is important to ensure that a project remains rooted in its local culture and design."

In summary, buyers of branded residence can have more confidence about what they can expect in terms of location, comfort, amenities, security, peace of mind, design and the level of service they will receive - and the emotional benefits associated with the kudos of owning a 'trophy' home.



SO/ Uptown Residences Dubai

2. 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, a 24/7 concierge service allows them to enjoy a hotel lifestyle in their own homes.

There is no doubt that buyers prefer the hassle-free option, minimising the responsibilities and challenges of owning and maintaining an overseas home. "Being able to 'lock-up-and-go' - or at least have professional property managers look after the property - is important," remarks Christie's Joachim Wrang-Widén. Indeed, Four Seasons promotes 'worry-free living' to its potential homeowners.

Most schemes offer owners a comprehensive range of integrated hotel-style services (and, increasingly, experiences), which include 24-hour concierge and security, transport, secure parking, porters, communications and entertainment systems, cleaning, babysitting, in-home dining, laundry and even shopping and fridge-stocking services. Smart homes are becoming universal. The list continues to grow.

With an elevated focus on wellbeing, access to an on-site gym and/or fitness centre has become standard, often with a spa, swimming pool, sauna and steam rooms. Other premium amenities frequently include a golf simulator, cinema, entertaining areas, residents' lounge/library, wine storage, business facilities and meeting rooms. Since Covid-19, personal security, hygiene, access to private outside areas and home working spaces have become essential considerations.

However, it is crucial to consider carefully the list of amenities that will most appeal to your audience: they will not want to pay high service charges for facilities that they will not use, so this could work against you.

"Buyers seek brands that appeal to them on a very personal level, yet also want to be assured the operator has long track record of delivering hospitality services to private residences." Jeff Tisdall, Accor

Operators & Brands

When executed properly, there are many benefits to a hotel operator, notably the additional mix of inventory to add to 'standard' hotel accommodation, as well as the potential to earn sizable revenues from (ongoing) fees. Branded residences can also offer greater financial security for hoteliers, says Riyan Itani: "The reliance on more stable income through sales, rental and management fees, for developers and brands alike, has meant that increasing numbers of luxury hotel developments now include a residential component."

As mentioned above, this has been highlighted in the hospitality sector which was especially hard hit by Covid-19, while branded residences enjoyed a 'flight to quality' during the pandemic.

Success is not simply based upon assuming an appeal for buyers that will automatically follow a link with the hotel brand. "The residences need to be carefully planned in tandem with the hotel development," cautions Four Seasons' James Price. "This relates to all aspects including design and space planning, back of house infrastructure, services and residences designed around local residential market requirements and buyers/homeowners rather than for hotel guests, amenity mix etc. A mixed-use project requires a holistic approach and perspective throughout."

Frederic Simon at Commune Hotels & Resorts, agrees that a developer must incorporate the operator's brand values in the design from the very start. "The destination, design ethos and quality of the development are essential to the partnership."

So what are an operator's motivations when considering whether to include real estate alongside a hotel? In its 2020 report Savills lists the following:

- Income generation from licensing fees
- Additional rental product
- Deeper customer relationships
- Can help with planning requirements (where single use may not be granted).

However, operators need to be aware of a developer's (often conflicting) perspectives. "Real estate developers are mostly focused on maximising saleable space, whereas hotel-type developers in resort markets understand the need to sacrifice some space for aspect, green and inherently lower-density," observes C9 Hotelworks' Bill Barnett.

Investors & Developers

Adding a branded residential component can accelerate capital return and improve the overall IRR, with revenues from residential sales helping to monetise land and infrastructure costs much faster. As Steven Pan, Chairman of Silk Hotel Group, observed; "The development of a luxury hotel is a long-term investment; using the brand as an anchor, we can deliver exceptional products and provide immediate capital return through residential sales."

Furthermore, it provides access to the brand's loyal customer base and marketing channels.

Above all, it is crucial to ensure that parties are aligned in their respective objectives and ambitions: "As in any long-term partnership," concludes Frederic Simon, "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." Wise words.

Spotlight on Hilton

Hilton has been sharpening its focus on branded residences as a driver to global growth. With over 30 open properties and a pipeline of over 20 (many under the Waldorf Astoria brand), Global Head of Residential Programs Jonathan Wingo offers his insights.

When is the optimum stage for a developer to engage with potential brand partners?

Sooner is always better. We prefer a collaborative approach and see the best results when the brand has an opportunity to immerse the project team (architect, interior designer, landscape architect, etc.) in the brand positioning, programming and standards

How long does it take from initial discussion with a developer to completing contracts?

This varies greatly depending on several factors. We've executed deals in less than 30 days and others have taken more than 12 months. I don't have empirical data on this. The biggest factor is typically the level of experience of the developer, their consultants and legal representation.

Your top criteria when evaluating a potential project to partner with?

1. Credibility, experience and reputation of the developer
2. Site location
3. Alignment of project vision and positioning with the brand
4. Financial wherewithal
5. Agreement on commercial terms

In this post-Covid environment, are you seeing any noteworthy new trends?

In line with our 2023 Hilton Trends report, we have noted greater demand for wellness and remote working spaces, both in-residence and shared, plus increased interest in standalone private residences.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

I've been working on branded residential products for over 15 years and the questions we get asked feel pretty much the same.

What's changed is that the brands are now providing more of what developers have been asking for, primarily more consultative services around the programming, and greater assistance with marketing their project.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Hospitality brands offer the greatest value and the greatest enhancements to a buyer's lifestyle, whereas non-hospitality brands typically only offer enhanced design, which is just one piece of what a branded residence can offer.

Hilton brings over 100 years of hospitality experience to each resident's home, which includes exceptional design that's highly functional, along with all the services that we deliver at our hotels and are renowned for. Hospitality brands can also offer an owner benefits package that's beyond what design or luxury retail brands can offer to high-net-worth individuals, especially those who travel frequently.

Your Top 3 tips for developers?

1. Assemble a competent and experienced team.
2. Encourage teams to embrace the brand that has been selected to work collaboratively.
3. Communicate well and frequently, avoiding work isolation and then submitting materials/plans with short deadlines.



5 from C9: Top Trends in Asia

Bill Barnett is Managing Director of Asia-based hospitality and real estate consulting group C9 Hotelworks. He is considered a leading expert in branded residences and has worked across every market in the region over the past 35 years. He is the author of four real estate themed books and a frequent speaker at industry events. Here, he offers his expert insights on five topical trends.

How are international hotel brands changing in their attitudes toward branded residences?

Typically, the hotel development group in a chain is more open-minded to mixed-use and hospitality-led projects. On the operations side of things - where legacy of demands is only from sole ownership entities - the addition of large-sets of individual unit owners to service has a negative image, so reluctance and caution are key elements. However, reality bites for these hotel brands when they see 20-30%+ of new projects emerging with a residential real estate component; these are listed companies which need to deliver year-on-year growth, so it's becoming more and more mainstream by the day.

We are also seeing development teams employ dedicated branded residence business leaders, along with more interaction with operations, chain loyalty programs, and technical services.

Perhaps the biggest shift is how chains are now looking to tap into ongoing brand licensing fees for resales, and a recurring contractual relationship with individual unit buyers. Given that significant license fees were paid based on the initial sale, some would say this is double-dipping; however, from an operator's view this recurring income model is highly attractive, and their pitch is that resales benefit from the same price premium due to their brand, so surely shouldn't they also benefit? My view is this will eventually evolve to become the industry standard as the sector continues to mature.

In your experience, what is a missing gap between property developers and hotel chains? What key areas of improvement are needed?

Let me lead off with sustainable environmental design as this ends up impacting both property buyer and management for a lifetime. Most hotel operators have no brand standards for sustainability, that's a fact.

In cases where the branded residences are operating as a hotel, it's interesting to note that energy cost is one of the top two operating expenses items. If a

developer wants to promote high rental yields, they have to find a way to lower energy expenses not only through technology but also design, materials, and planning. In Asia we see so many hotel residences with double height west facing windows, and infinity pools that run 24/7. Intelligent use of environmental standards by both hotel operators and developers simply has to be improved.

What are the most significant post-pandemic branded residence trends you are seeing in Asia?

One of the most prolific trends is a surge in multi-generational travel, among both immediate family and groups of friends. This has pushed up demand for larger accommodation, which is a natural fit for branded residences that offer multiple bedrooms.

Secondly, we're seeing a major shift in travel behavior borne from COVID-19 along with the widespread adoption of the work-from-home culture. Many companies are hosting off-site gatherings and strategic planning sessions, preferring clustered multi-accommodation and informal 'non-hotel-like' meeting spaces over typical hotel conference facilities.

Thirdly, travelers are combining work and leisure in the same trip. Looking back to 2019 and the preceding build-up period, in reaction to the massive growth in numbers travelling from emerging markets and a global escalation of mass tourism, long stay accommodation such as serviced apartments was forced to compete in the transient, short-term accommodation market, largely focused on tourists. Given the larger floor areas of serviced apartments and a relative rate-mismatch by budget-conscious tourists, yields for hotel developers in these projects declined. Fast forward to today's post-pandemic environment and serviced apartments have regained their attractiveness to become one of the hottest accommodation asset classes out there.

In short, combining a work-from-anywhere routine, longer average stays, and a demand for larger spaces, and serviced apartments and branded residences fit this like a glove.

How has COVID-19 most impacted hospitality-led residences?

I come from a hospitality background, but I have no blinders on the shortcomings of hotel operators! For the most part, it is not a cutting-edge, innovative industry. You have to look no further to a non-hotel start-up than Airbnb, which took touchless systems in rental units to heart.



Four Seasons Private Residences, Bahrain Bay

The learnings are a natural fit for hospitality operators: online engagement, premium rates underpinned by user review, creation of Superhosts versus ridiculous welcome drinks, bored desk clerks, and unanswered calls to housekeeping who have gone home for the night.

But the single most important COVID-19 effect has been a mass exodus of staff from the hospitality industry. This is a global problem and there is no end in sight. It's a crisis for hotels across Asia and, while there are skyrocketing pipelines of new projects, there is no pipeline of people lining up for service jobs - qualified or not. The east is now the new west and COVID-19 just accelerated what was going to happen anyway.

However, for branded residences, a great advantage is the parallel to the Airbnb limited-service model and technology. Due to this single factor I'd expect that, over the next decade, mixed-use hospitality-led residences will offer a far more effective operating model and ROI versus cookie cutter, labor intense hotels.

Looking forward to the next 12-14 months, what do you think will be the hottest topics for the sector?

Investors have lowered their temperature horizons at the moment, and real estate with its 'bricks and sticks' fundamental is only going to gain momentum. It's a very exciting time. Technology and innovation are thriving, 3D printing, and AI are going to come into every aspect of branded real estate. But I believe we can rule out crypto at the moment.

My other market read is that we are back at the beginning of a new cycle, and that's a strong fundamental. We are seeing end-users buying, which is a solid base to grow from. Urban flight, work-from-home demand, and shifting populations are going to create even more traction for vacation properties and second or third homes.

In conclusion, branded residences are the right product at the right place in this economic cycle, so I'm fairly optimistic there is an expansive bit of blue sky ahead in the next few years.

Spotlight on ACCOR

Accor has been on a global roll these past few years, and its joint venture with Ennismore presents an impressive portfolio totalling 22 residential brands (16 in my last report). With its strong pipeline of new projects, Savills now ranks Accor 2nd (up from 5th in 2021). Chief Business Officer Jeff Tisdall introduces the new Accor One Living platform and discusses his team's 360° support for developers.

When is the optimum stage for a developer to engage with potential brand partners?

Our collaboration with partners really starts from the initial planning phases and is an important element of our 360-degree, turnkey support.

With 22 residential brand collections available covering luxury, ultra-luxe, premium and lifestyle segments, we have the ability to explore projects from a variety of perspectives.

Working closely with our partners from the outset helps us align brand recommendations with needs of targeted homeowners and, in turn, enable a customized service offering and design that is right for the market.

How long does it take from initial discussion with a developer to completing contracts?

This can vary significantly across projects and really depends on the needs of each partner. Often there is an immediate alignment and consensus, enabling the commercial framework to be formalized within a matter of months.

In other instances, we spend more time upfront exploring various scenarios with partners, to help them confirm the right strategy and brand direction. What is important for our partners is that we are able to respond to their timing needs and enable them to move efficiently through their decision-making processes.

Your top criteria when evaluating a potential project to partner with?

1. Will the proposed brand and associated service offering play an essential role in enabling our partner to achieve their residential business objectives?
2. In a mixed-use context, will the hotel serve to elevate the residential experience and, at the same time, will the branded residences lend synergies to the hotel investment?
3. Confidence in underlying market demand.
4. Proven partner, with a strong mixed-use track record.
5. Location, of course!

Based on over two decades of experience, Accor sees the delivery of end-to-end solutions for hospitality and real estate investment partners as a key differentiator in the industry. "Creating synergy between hospitality products enhances the financial performance of a mixed-use project, while enabling a significantly elevated living experience for Residents," explains Chief Business Officer Jeff Tisdall.



The OWO Residences by Raffles (Image: Grain London)



SLS Dubai Residences

ResIn this post-Covid environment, are you seeing any noteworthy new trends?

The mega trend we see coming out of the pandemic is remote work and related hybrid variations. This has driven demand for residential locations outside of city centres, and for second homes that offer turnkey services that enable homeowners to transition seamlessly between their properties.

Branded residences with rich service offerings, and dedicated teams who support with pre-arrival and post-departure services, are exceptionally well placed to address these new market requirements. Of course, the impact is far ranging. We see a need in some schemes to add a second home office, co-working facilities are increasingly a feature of residential common area facilities, and generally there is demand for flexible, multi-use spaces. No doubt, these market dynamics are contributing to the strong demand we are seeing in standalone branded residences, which is increasingly a focus for Accor One Living.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

Developers today understand they have real choice and, in a world of increasing consumer segmentation, they seek brands that truly resonate with their target market. In this respect, Accor One Living is exceptionally well positioned to support them.

In addition to seeking bespoke brand solutions, developers want partners with a proven ability to bring these experiences to life during the operating phase. It is not enough to 'brand it'; you need to be willing and able to embrace residential operations, customize services for a private residential setting,

and ultimately recognize homeowners as best customers of the brand they are buying into. This demand for turnkey solutions is really the inspiration behind Accor One Living.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Buyers continue to be attracted by brands that innovate, address unmet needs, and deliver on promises. For successful brands like Raffles, Fairmont and SLS, it is not about bringing a 'hotel experience' to homeownership, but rather the successful translation of that brand into a private residential setting.

Design must enable a service offering and experience that is not only 'on brand' but tailored to the preferences of buyers. With more than two decades experience of managing exclusive homeowner communities, our partners and their buyers have a lot of confidence we will not only get this right, but – crucially – continue to do so for years to come.

Your Top 3 tips for developers?

1. Getting really clear on needs and preferences of the target market for residences is essential. Knowing how purchasers will use their home drives design, residential amenities, customization of service offering and owner benefits.
2. Engage early on with the Hotel Operator. Mixed-use projects are exciting and there is a tremendous amount of value to unlock, but doing so requires careful planning and extensive collaboration.
3. Make sure your brand partner is committed to every phase of your project, and has the team to deliver on this commitment.

Accor One Living

Accor recently announced their industry-first Accor One Living platform, which is designed to facilitate the effective integration of innovative hospitality solutions into mixed-used developments.

Spanning the entire life cycle of each project, a dedicated team of experienced professionals provide comprehensive support to third-party developers, investment partners and homeowner communities, encompassing development and operational aspects of its branded residences and related mixed-use components:

Planning phase: The team works with partners to ensure design, services and benefits meet the needs of the project's targeted homebuyers.

Sales and marketing phase: Helping partners to define and communicate the lifestyle and experiences associated with its brands, services, and residences.

Operating phase: Ongoing support to help hotels to be more profitable and enable a premium residential experience for homeowners.

A Brand Premium for a Premium Brand

Branded properties normally sell at a considerable premium over comparable non-branded residential real estate products.

“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,” commented Arlette Hoff in HVS’s early paper on branded residences.

In 2012, Knight Frank reported that global luxury branded residences commanded an average price premium of 30% compared with non-branded schemes. Remarkably, despite the numerous developments in the sector, this still remains the benchmark figure today (latest research by Savills puts it at 31%). Other experts concur with this level:

- “Hotel residences affiliated with international brands have demonstrated premiums in selling prices by 25%-35%.” Bill Barnett, C9 Hotelworks
- “Anything between 20-30% normally, but occasionally they can completely re-set the benchmark for a location.” Marc Finney, Colliers
- “Operators have indicated that typically a price premium can be expected over identical non-branded products of between 20-35%.” Muriel Muirden, former EVP Strategy, WATG
- “A globally recognised 5* brand has proven consistently to deliver a 25-50% premium over prevailing market values.” Robin Paterson, former Chairman of Sotheby’s International Realty UK

Not surprisingly, there are many examples where “a dream” mix of brand, design, facilities, and location has delivered an even more substantial premium. “The level of the premium varies from market to market. It also depends on what the brand is and how importantly it is valued,” commented Christies Joachim Wrang-Widén. Indeed, the 1st edition of this report cited The Address Magazine quoting an average price premium of 20%-40% over comparable unbranded developments, also observing that in exceptional cases this could be as much as 50%-100%.

“The only way to challenge and surpass the ceiling of a market is to disrupt the status quo of quality and service, in the knowledge and belief that the buyers are looking for something truly special, international standard and uncompromising to be delivered,” observes branded residences expert Riyan Itani. “We’ve seen it happen around the world many times - One Hyde Park in London), Porto Montenegro, PDG111 in Barcelona, W Algarve, and many others that have totally changed the game, achieving pricing levels that in some cases are double those of the local market.”

Caveat Emptor

Whilst the average global price premium on a branded residence is around one-third higher than a comparable non-branded home, this figure should be viewed judiciously as it varies significantly according to location and other influencing factors such as operator/brand, design and amenities.

Latest research from Savills finds the following average global price premiums over non-branded stock:

- Emerging markets = 54%
- Resorts = 32%
- Major cities = 24%

However, this should be treated with great caution and it is inadvisable to apply these global averages to your sales price projections. Getting this wrong can prove very costly; every project must be evaluated and assessed on the basis of its individual merits to accurately determine the appropriate selling prices. For example, in 2020 Savills reported that the premium in London was less than 10%, whilst in New York some branded homes were actually trading at a discount; as such, a developer launching a project in a major city who is expecting a 24% premium based on this average data, will be very disappointed!

This variation doesn’t only apply to the above 3 categories - it applies within individual destinations. This point is illustrated perfectly by the Dubai market, which presents a robust case study as there are 71 branded residence schemes and a further 42 under construction (Source: Morgan’s International Realty). As their chart opposite demonstrates, the premium can vary enormously by location, even within the same city.

Brand Benefits

In addition to the many benefits associated with branded residences (discussed above), a brand can:

- Enhance sales velocity by as much as 30%.
- Maintain resale values.
- Deliver higher rental returns as a result of fewer voids in rental periods.

As such, the price premium can be easily justified to both developer and purchaser, with neither requiring too much convincing of the benefits. Jay Parker, CEO at Douglas Elliman commented: “Our buyers recognize the value of hotel-branded residences, which typically retain their value and prove to be an excellent investment opportunity over non-branded condominiums.” A brand can also improve sales velocity; Rod Taylor, former Head of International Residential Sales at Savills, commented, “If you have two developments sitting side by side and one has a recognisable global brand, it sells a bit faster and at a premium.” Accor’s Daniel von Barloewen

agrees: “Branded residences typically sell faster than unbranded, and for significant price premiums.”

As mentioned above, branded developments also tend to command a premium on rentals and resales, so buyers can feel assured that purchases will better maintain their value. “Absolutely,” agrees Christies’ Joachim Wrang-Widén. “Branded residences also achieve higher liquidity on the resale market a few years down the line.” Indeed, resale values have traditionally been higher than the non-branded alternative over a medium term or longer; however, the premium between branded and non-branded homes is narrowing and the significant increase in branded competition and supply will inevitably put further pressure on premiums, especially in well-supplied markets.

Interestingly, industry guru Bill Barnett of C9 Hotelworks predicts that the brands will increasingly look to cash in on this and demand a commission (royalty fee) on resales of homes that are associated with that brand.

“Luxury goods are the only area in which it is possible to make luxury margins.” Bernard Arnault, CEO, LVMH

Urban Premiums

The highest premiums are generally seen in emerging markets, where owning a branded residence is seen as a sign of success and status (a “Trophy” home), as well as a secure investment (also they are typically more attractive for rental by overseas visitors and expats). Lower premiums tend to be more prevalent in mature luxury markets where stock is very high quality and location is a major factor.

So why are there lower price premiums in some major cities? This is most likely due to a combination of very high prices for super-premium real estate

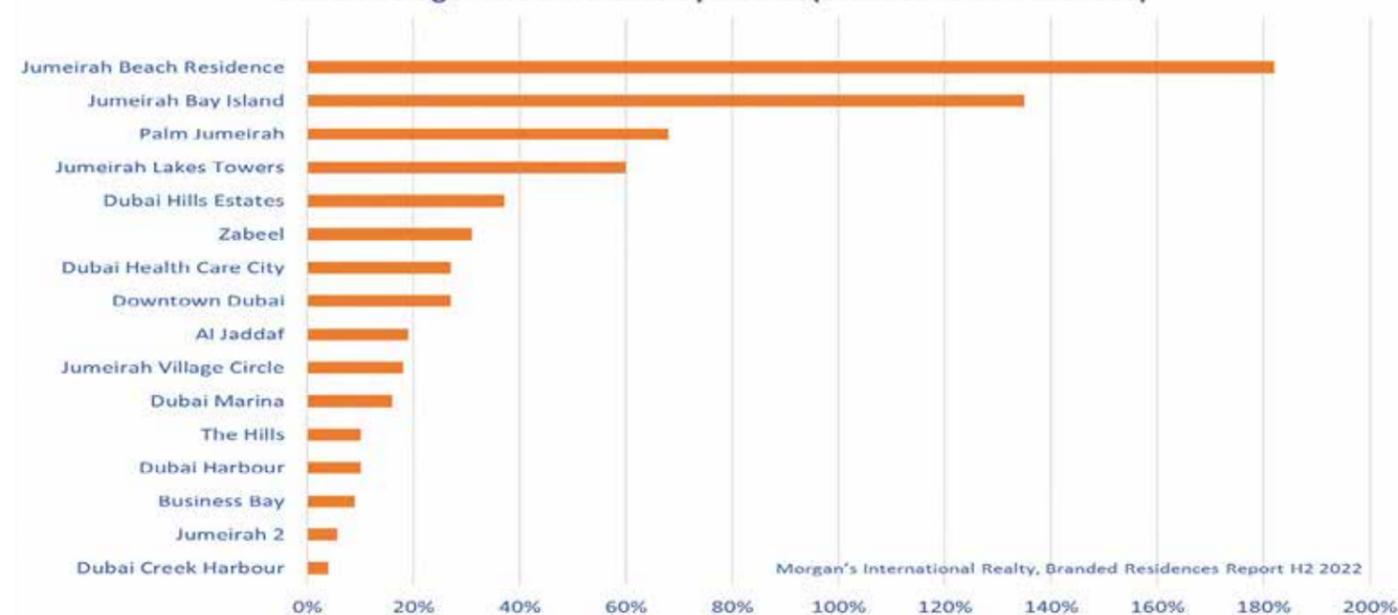
already being achieved, driven by strong buyer demand, leaving little room - or requirement - for a 3rd party brand along with the price premium that needs to be added. Location is also a major factor. “I think it has simply been a question of both opportunity and brand positioning,” comments real estate veteran Charles Weston-Baker. “New development deals in major cities like London and New York are in great demand and therefore require a very full price for the opportunity; as such, supported by strong end-user demand, branding has not been necessary.”

Additionally, brands can be used to elevate real estate in secondary locations, such as in London’s Vauxhall and at Athens’ Ellinikon regeneration areas.

Romain Semmel at Vertell Asset Management agrees that this sentiment is by no means limited to major cities, observing that this is evident in golf and mountain resorts: “A brand is not as significant as it would be if you were in Paris or London, where you have much more competition around you. If you drive innovation, renovate your property, you will stand out. So, the pull of the brand is less evident and potentially what you will gain in additional revenue, you will lose in franchise fees.”

James Price at Four Seasons is in no doubt that the leading brands today add enormous value and support the marketability of new projects. However, he concedes that for the added premium buyers pay, “they must be seen to offer tangible benefits for the residents.” Sales Director Charlie Walsh at Raffles OWO agrees, warning that the premium charged for these benefits must be easily justified to buyers: “In mature markets especially, wealthy buyers still need to understand the true added-value they will receive for paying a price premium.”

Dubai Average Price Difference by District (Branded vs Non-Branded)



Key Drivers of Premium

When compared against similar prime residential developments, Colliers International found that a premium is highly correlated with brand positioning, services and amenities and has created the segmented pyramid shown below.

"The price premium for branded residences can be significant," observes Marc Finney, Head of Hotels & Resorts at Colliers. "We have found the extent of the premium relates to several factors combined, including the hotel brand, design, location, range of services and exclusivity of the experience for residents."

In determining the premium level, Colliers assesses the combination of influencing factors to calculate the price premium on a branded development, such as (inter alia):

- Brand positioning – The more prestigious an operator brand, the higher the premium.
- Range of hotel services and facilities offered.
- Rental pool with a proven operator, to appeal to the investor market.
- Exclusivity, service and benefits to residents – creating an 'experience' premium.
- Location and neighbourhood.
- Quality of design and the "Starchitect" effect.
- High floors and views – units on higher floors achieve a premium over similar residences on lower floors.

The Influence of Brands on Destinations

Well-known brands can have a positive impact on a destination. This is particularly true in emerging locations as, when a leading luxury brand chooses to 'plant its flag' in a particular area or region, this can significantly elevate the perception of that location in the marketplace.

This in turn creates a robust platform on which to build a premium tourism offering and attract other brands as well as wealthier visitors – and, since there is a strong correlation between repeat visitors to a destination and their propensity to purchase a property, it follows that attracting more wealthy visitors should lead to more people buying property there.

However, HNWIs rarely purchase a property without having a good understanding of the local environment; they therefore need to be aware – and convinced – of the benefits, attractions, security (financial and personal) and lifestyle, especially when compared against other destinations on their shortlists.

"Occasionally brands can completely re-set the benchmark for a location." Marc Finney, Colliers

Aligning with the Right Brand

"When a developer is choosing which hotel operator would be the best fit, whilst he can expect some guidance from the major operators, there is no substitute for good old-fashioned research. Take time to understand the philosophy and positioning of each of your shortlisted brands to ensure that their values and strengths align with yours. This way, everybody is on the same page from the get-go."

Ben Martin, HKS

A study by Shullman Research Centre a few years ago highlighted wide disparities in brand perception among affluent older and younger generations in the USA; not unexpectedly, such inconsistency among consumer segments applies equally to real estate, so it is essential to understand who your target buyers will be, and what motivates them, in order to ensure that your choice of brand and your offer are fully aligned with their aspirations.

As such, choosing 'the right' brand partner can be crucial to a development's success. The branded residential element is such a fundamentally important part to the project, it is essential to give this equal consideration when choosing the optimum hotel/operator brand partner for your development.

Above all, the selected brand must appeal to target buyers, justify the projected price premiums, and help to deliver strong sales absorption rates.

Buyers of branded residences identify with the lifestyle and design that are associated with the brand. Developers must therefore ensure that their chosen brand partner reflects the demographic profile and aspirations of their intended purchaser audiences, resonating and aligning with their lifestyle preferences. In other words, perceptions is a key influencing factor, since individual brands inevitably appeal to different demographic audiences:

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 reflect 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".
- **YOO**, as an interior design-led brand, promotes their residences through the style and reputation of their impressive stable of celebrity designers, each bringing a unique identity to individual projects.
- **Sofitel** promises the opportunity to live 'the French way', **Sofitel Legend** offers 'a more traditional sense of luxury with gestures of romance and history,' while **SO/** is 'an energetic lifestyle brand featuring avant-garde design, capturing the essence of each destination.
- **Aman** is all about privacy and creating sanctuaries, **Janu** 'thrives on connecting guests through a social, energetic, and playful environment'

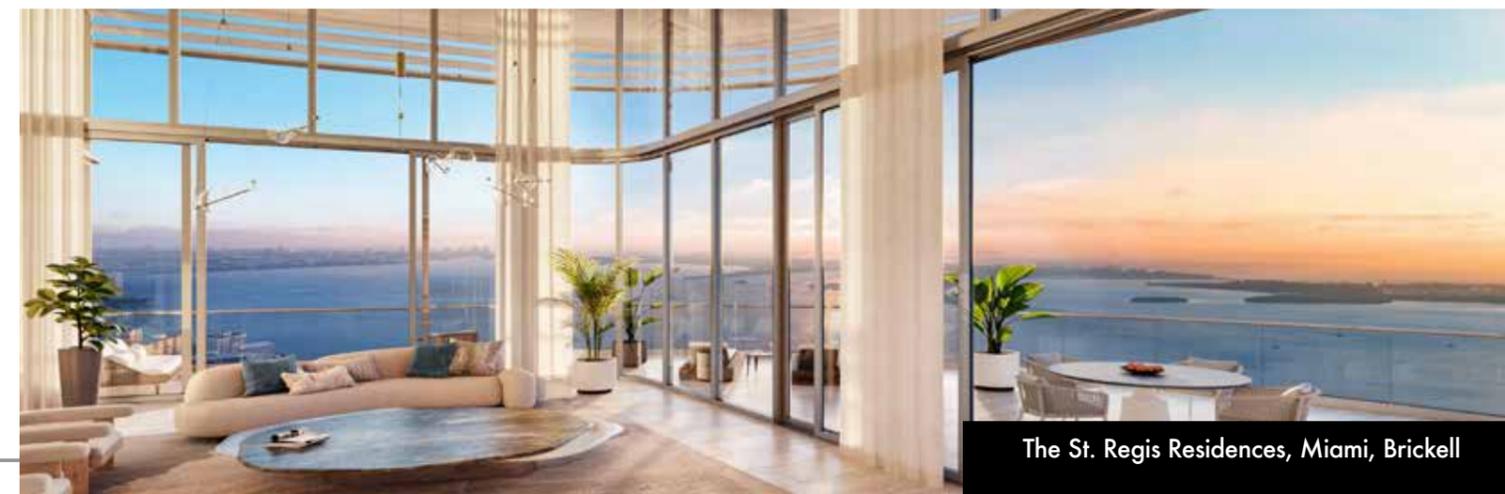
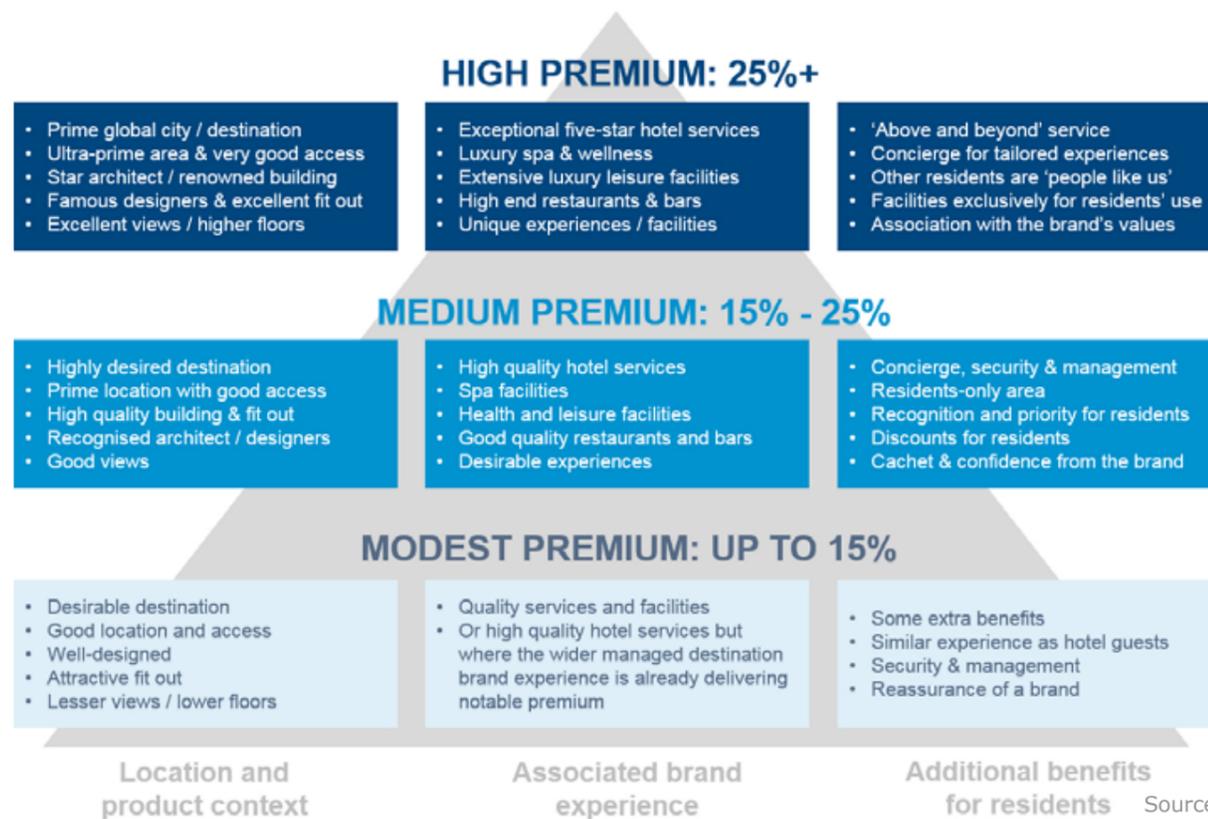
And so on. However, with more and more brands entering the marketplace it is inevitable that some will be less widely known, in which case it becomes vital to 'educate' audiences by explaining clearly the benefits associated with that brand and how it differs from competitors down the road (cue marketing teams).

It can be argued that developments partnering with a niche brand that has a highly distinctive style will never appeal to some audience segments. As such, partnering with such a brand can risk reducing the size of the buying market by alienating potential audiences. This applies especially to non-hotel brands, as these cannot demonstrate a proven track record of delivering hospitality excellence, but instead rely on public perception and aspiration for that brand, which has most likely been created on the High Street and fashion catwalks.

"The right hotel brand will deliver a valuable short-cut for developers, particularly for off-plan developments, but it must be able to retain its promise in real estate. It can also greatly help create the context for buyers - it's just got to be the right brand for them."

Paul MacSherry, Luxury Real Estate Consultant

Branded Residences - Drivers of Premium Factors commanding price premium above unbranded residential product



The St. Regis Residences, Miami, Brickell

Choosing 'The Right' Brand

The choice of brand has a significant influence on a project's performance, so selecting the most suitable brand should always involve thorough diligence to deliver the best match. Getting it wrong can prove extremely costly. Tea Ros at Zurich-based Strategic Hotel Consulting offers some insights on guiding developers through a process that helps to ensure the right boxes get ticked.

It is not unusual to hear developers choosing brands on an emotional basis ("I had a great holiday with this brand", "my wife says they run the best spas", etc), which can lead to uninformed decisions. When it comes to operator selection, the key is to stay objective. This means keeping personal preferences in check, to ensure that the operator that ultimately is selected best fits with the project.

With the branded residence marketplace becoming increasingly crowded, convoluted and confusing, it is the job of consultants to implement a clear, step-by-step selection process to create some method in the madness.

First, an initial list of candidate operators is formed, which requires a clear understanding of each brand and its DNA as well as an in-depth concept, positioning and vision for the project. These candidates are then presented to the developer with a detailed rationale for their inclusion. Once these are agreed, a project brief is shared with the chosen operators inviting their interest and offers. After many calls, meetings and discussions during which the offers are each refined, it is time to rank them - which is when things get interesting!

12 developers were asked about their brand selection process:

Branded Residences Development	How many brands did you consider?	How many made it onto your shortlist?	What are the main reasons for your final brand selection?
Eagle Hills, UAE - Mandarin Oriental Muscat	Many	3	Legendary service, Unsurpassed amenities, Unique lifestyle
Masterise, Vietnam - JW Marriot & Marriott	Many	3	Value for targeted customers
Ombria, Portugal - Viceroy	20	5	Sophisticated, Intuitive, Proud
Westcourt, India - Four Seasons	7	3	Seasoned operator, well-developed offering, experienced team
Brisen Group, Vienna - Mandarin Oriental	6	2	The team's commitment, speed, professionalism, track record
La Zagaleta, Spain - Six Senses	6	3	Rooted in Nature/Sustainable, Experiential, Avant-garde concepts
Sapphire Residences, Sri Lanka - YOO Inspired by Starck	5	2	Reputation as the world's best designer
Toro Bahia, Jamaica - St Regis	5	1	People, People, People; it's the team that made the difference
Limassol, Cyprus - Ritz-Carlton	4	2	Legacy, Lifestyle, Moments
Botanika Costa Rica - Curio Collection by Hilton	4	2	Size, Flexibility, Local pipeline
Jnan Amar, Morocco - Ritz-Carlton	4	2	Luxury brand, reputation for personal and impeccable service
Cas en Bas, St Lucia - Hyatt	4	2	Enthusiastic management team, strong brand, global footprint

We employ a "competitiveness matrix", which ranks operators against defined criteria using a points system. Obviously the most important element is the commercial terms, which therefore accounts for approximately 60% of the total points. Other crucial factors include local / regional presence, brand awareness, buyer demand, experience of managing key components (e.g. spa), technical capabilities and marketing track-record. We listen closely to the developer (our client) and also include aspects that are important to them; for example, some prefer more personal relationships with smaller operators. In these instances, we rank topics such as operator stability (i.e. likelihood of acquisition/merger).

"Every project has its own specific challenges. When helping developers find a suitable brand and management company for their hotels and residences, make sure that all parties' interests are aligned, and that each is confident that the other will deliver on its promises. Any number of things can get in the way of a successful project and relationship, not least the integrity, personality, energy and enthusiasm of the people on each side of the deal."

Adam MacLennan, PKF hotelexperts

Based on the final ratings, operators with the highest scores are shortlisted and detailed discussions follow, involving extensive meetings with both parties. At this point it is time for the operators to impress and demonstrate why they are the most suitable partner.

The process and competitiveness matrix bring the right operators in front of the developer - but the final decision always has some emotional aspects. Above all, for things to work out in the long run both parties must have a good feeling about each other with mutual interests, trust and respect.

Who Owns What?

Luxury	Premium	Midscale	Economy	Extended stay / Other
Marriott Luxury, Premium, Select, All-Inclusive & Extended	Marriott, Sheraton, Delta, Westin Hotels & Resorts, Le Meridien, Renaissance, Autograph Collection, Tribute Portfolio, Design Hotels, Gaylord	Courtyard by Marriott, Springhill Suites, Four Points by Sheraton, Fairfield by Marriott, Protea, AC, Aloft, Moxy	Greet, Adagio Access, Ibis, Ibis Styles, Ibis Budget, Breakfree, HotelF1, Greet, Jo&JOE	Residence Inn, Towneplace Suites, Marriott Vacation Club, Marriott Executive Apartments, Element by Westin, Homes & Villas
Accor Classic, Collections, Resorts (plus Ennismore Lifestyle Collective brands)	Mantis, Mgallery, Handwritten Collection, Mondrian, Pullman, Movenpick, Swissotel, Angsana, 21C, Art Series, Peppers, Gleneagles, 25 Hours, Hyde, Grand Mercure, Morgans Originals, The Sebel	Novotel, Mercure, Mantra, Adagio, Mama Shelter, Tribe, The Hoxton	Onefinestay, Accor One Living, WOJO, Working From_	Hyatt Residence Club. Inclusive Collection includes Hyatt Ziva, Hyatt Zilara, Zoetry, Secrets, Breathless, Dreamscape, Vivid, Alua, Sunscape, Mr. & Mrs. Smith
Hyatt Luxury, Premium, Midscale, All-Inclusive & Extended Stay	Hyatt Centric, Hyatt Regency, Caption by Hyatt (NB lifestyle), Joie de Vivre, Destination; Dream Hotel Group (By Dream and Un-scripted).	Hyatt Place, Hyatt House, Hyatt Studios	Hilton Grand Vacations (home ownership club), Embassy Suites, Homewood Suites, Home2 Suites, Project H3	Hilton Grand Vacations (home ownership club), Embassy Suites, Homewood Suites, Home2 Suites, Project H3
Hilton Luxury, Upscale, Upper Midscale, Midscale, Extended	Curio Collection, Hilton Hotels & Resorts, Canopy	DoubleTree, Hampton, Spark by Hilton, Hilton Garden Inn, MOTTO, Signia Hilton, Tempo, Tapestry Collection, Tru	Crowne Plaza, EVEN Hotels, VOCCO, Holiday Inn Hotels & Resorts, Holiday Inn Express, Avid	Atwell Suites, Staybridge Suites, Holiday Inn Club Vacations, Candlewood Suites
Intercontinental Hotels Group (IHG) Luxury and Lifestyle, Premium, Essentials & Suites	InterContinental, Kimpton, Indigo, Vignette Collection	Crowne Plaza, EVEN Hotels, VOCCO, Holiday Inn Hotels & Resorts, Holiday Inn Express, Avid	Crowne Plaza, EVEN Hotels, VOCCO, Holiday Inn Hotels & Resorts, Holiday Inn Express, Avid	Atwell Suites, Staybridge Suites, Holiday Inn Club Vacations, Candlewood Suites



One&Only Private Residences Mandarin, Mexico

When things don't go to plan...

A development may find itself hostage to fortune for many reasons, notably if its associated brand partner experiences a PR crisis, since this is very likely to impact desirability and therefore performance. Think Kanye West and Adidas.

Whilst established brands may be robust enough to weather a storm (that very often passes), negative PR and public sentiment can very quickly damage its status and reputation and therefore hit sales and values - and the stronger the negative sentiment, the harder the impact and speed of recovery; as such, access to effective PR support can be invaluable to enable you to respond proactively. This applies especially to developments that are associated with a high-profile individual; it pays not to forget that we are all subject to human frailties!

Mandarin Oriental, which uses celebrity endorsement very effectively, recognises that for any brand-collaboration to be successful, the personal reputation of the celebrity is crucial: 'Credibility is defined here as the celebrities' perceived expertise and trustworthiness.'

In severe situations this may even necessitate rebranding, which is a highly disruptive and complex process (especially dealing with numerous individual residence owners). There may be a myriad of reasons for this, driven by any of the parties involved. "Quite often it is the brand that initiates termination because the developer has not built the residences to its standards or has not provided the necessary facilities to allow the brand to meet its service standards," says Katrina Craig of Hotel Solutions Partnership. "The starting point is to scrutinise the signed agreements and determine if the brand has met all the specified performance tests. If any are not met, there may be grounds for renegotiation or even termination." (See also 'Loss of the Brand' below).

These tests could be commercial (e.g. an operator managing a residential rental programme missing revenue targets) or qualitative (e.g. the property and the service not achieving a minimum rating from a panel of residents, or on TripAdvisor).

"Usually there is a 'cure', where a brand foregoes fees or guarantees meeting forecasted targets for a specified period," adds Craig. "Alternatively, if the brand is part of a 'family' with multiple brands, instead of terminating the contract entirely it may be possible to re-brand the property with an affiliated brand that may have a better fit with the property."

Fluctuating Fortunes

A good example of a brand's change in 'value' in the court of public opinion is The Trump Organisation.

In the months preceding the US election in 2016, a study commissioned by Yahoo! Finance found that the price premium on Trump branded residences had fallen.

After Mr Trump was elected President, enthusiasm for the brand faded further as he enacted controversial policies, notably a travel ban on several predominantly Muslim nations. A press article ('Muslim Business World to Trump: 'You're Fired!') reported strongly negative sentiments towards Trump projects.

Closer to home, between 2016-2020 prices in NYC's nine Trump developments fell 25% (CityRealty) and several condo boards voted to remove Trump's name, while nationally Trump-branded condo prices fell 17% (Redfin).

But it's not all bad; reportedly the organisation is looking at further deals in India, home to the largest portfolio of Trump properties outside North, and Oman.

Spotlight on Kerzner

The late Sol Kerzner, industry pioneer and founder of South Africa's largest hotel groups, opened Sun City resort in 1979 - the first of many international landmark resorts. Today Kerzner International's global portfolio includes Atlantis Resorts and Private Residences, One&Only Resorts and Private Homes, SIRO Hotels, Resorts and Branded Residences, and Rare Finds. Jonathan Tomlinson, SVP and Global Head of Private Homes and Branded Residences, offers his insights into working with developers.

When is the optimum stage for a developer to engage with potential brand partners?

As early as possible. The optimum time is during conceptualisation as this enables a developer to determine the brand's suitability, its ability to provide support across all real estate functions, and to align key strategic development objectives. We're engaged hand-in-hand at every step throughout the project lifecycle, working with our developer partners to achieve mutual objectives and, just as importantly, ensure delivery on every aspect of our brand promise to stakeholders and homeowners.

Branded residences are a complex but highly alluring business, so it's important that all facets of the business are managed to enable the commercial interests of the development to be realised, otherwise other pressures - particularly financial for the developer and reputational for the brand - start to mount over time.

How long does it take from initial discussion with a developer to completing contracts?

Developers should assess a brand's residential experience and support, to ensure the selected brand aligns with their vision and objectives. This process can vary depending on whether a developer has already chosen the brand or is undertaking an operator selection process: generally, this seldom takes less than 12 months and can take up to 24 months, as both parties should conduct necessary due diligence before heading down the aisle together.

Your top criteria when evaluating a potential project to partner with?

1. Vision
2. Objective
3. Budget
4. Project Size/Scale
5. Developer's experience and reputation

In this post-Covid environment, are you seeing any noteworthy new trends?

The pandemic changed the way we live, placing further demands on our homes to accommodate our office, wellness, and entertainment needs. This has emphatically emphasised the appeal of branded residences, as these provide full service and access

to an extensive list of luxury amenities, as well as professional property management with a flexible rental program.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

Developers are becoming savvier with their requirements and more knowledgeable of the capabilities of brands. Questions beyond just licensing a brand name without the full suite of residential real estate considerations are now better understood and include objectively determining whether a particular brand will be a good partner and support them. They are learning through experience that it's an intricate business, requiring expertise at every stage to enable a successful project; otherwise, if issues arise along the way, developments can very quickly stall.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

When executed well, branded residential is proven to provide significant benefits and enhanced value to all stakeholders; however, this is reliant on thorough research and effective planning. The risks are high and liabilities quickly become apparent if key market considerations have been overlooked.

As such, in a segment fast becoming overcrowded, brands and developers need to consider the long-term proposition beyond the lure of brand extension and the promise of higher returns, and carefully contemplate the operating models - which hospitality brands are of course well placed to deliver.

We'll continue to see an increasing number of non-hospitality brands enter this segment due to the distinct benefits of the model, but when a brand agrees to place its name on a development, this commitment extends for a long period beyond the initial transaction. Kerzner Private Homes combines service standards and world-class amenities with best-in-class management, ensuring that our homeowners' needs are fulfilled while upholding the integrity of their assets to our impeccable standards.

Your Top 3 tips for developers?

1. Do your homework. Make sure that the brand has a proven track record in successfully delivering branded residences.
2. Make sure that the selected brand has a specialist residential team that is able to advise and deliver on all functional real estate requirements.
3. Choose a brand that is able to provide residential sales and marketing support and offers access to a strong and loyal prospective buyer network.

Brand or Bland?

'With so many soft and hard brands associated with the biggest hotel names these days,' reported Top Hotel News, 'it can often be impossible to distinguish one from the other.' Since this observation was aimed at seasoned industry practitioners, how easy can it be for HNWI consumers to differentiate between the plethora of luxury brands in the market?

A brand says a lot about the person buying it; it offers a distinct identity, positioning and lifestyle with which that individual willingly becomes associated. As such, it either resonates with a particular audience or it doesn't. And just because a brand is well established in one region does not mean that it will enjoy the same success in others. Developers must therefore ensure that their chosen brand partner reflects the demographic profile and lifestyle aspirations of their intended buyers.

PwC's 'Hospitality & Leisure Trends 2019' report observed that, not long ago, marketing campaigns focused on presenting an image designed to distinguish a company's hotels; consumer choice was based on personal perceptions about specific brands and they selected the one that most closely matched their personalities and preferences. However, today the goalposts have shifted: 'To succeed in this new and difficult environment,' it concludes, 'hotels should reimagine the notion of brand loyalty, which must now be built on unique and unexpected conveniences and amenities,' adding that they should go beyond the tried and tested, take risks with new ideas and anticipate what will appeal most to their target customers.

People are drawn to brands and products that align with their values and sense of identity. Ando Living

An obvious starting point is that the brand must complement the location. On this point, Accor's Daniel von Barloewen observes: "As markets mature over time, any brand will have to become synonymous with the quality of a particular location as a destination or address. With real estate, value cannot be sustainably conferred by a hotel or designer name alone; the location itself will ultimately be the most important factor."

"80% of CEOs believe their brand differs from the competition, but only 20% of their customers agree with that."

Ricco de Blank, former CEO of SHKP (owns a St. Regis, W, Four Seasons and two Ritz-Carltons).

Extensive research confirms that the lifestyle experience is an increasingly important factor in brand differentiation. Four Seasons' James Price concurs: "It is a very specialised experience which is set up, one that sets Four Seasons apart from other branded residences in the market," while Accor's Jeff Tisdall comments, "As important as the bricks and mortar, it's our suite of hotel and residential services that really differentiate our offerings."

You may argue that most brands would say this. Frank Schuetzendorf at Ecole Hôtelière de Lausanne observes that brands have struggled to transition from 'simply' delivering a product to now 'being forced' to provide new customer experiences. "Luxury is all about experiences, and experiences stem from service," he writes.

Meanwhile the Skift report 'Building Brand Love and Loyalty in Luxury Hospitality' points out that "there is diminishing competitive advantage for hospitality brands to trumpet themselves as 'experiences' when



SIRO at Boka Place, Porto Montenegro

so many brands in almost every market segment are saying the same thing. "In 2016 Forbes reported that over 130 new hotel brands had launched during the previous decade, and that 'getting the word out' was becoming more difficult (i.e. in a crowded marketplace). However, Rob Sykes at WATG is optimistic about the hospitality industry's capacity to evolve: "As the sector matures, operators are finding ways to stand out from the crowd."

Legendary luxury hotelier Horst Schulze (founder of Ritz-Carlton and Capella) commented that many brands were poorly positioned, principally a way for management companies to operate multiple, similar hotels in markets where they have competitive restrictions with existing brand partners: "A brand is a promise, and when you start making exceptions, you stop keeping the promise to the customer," he says.

"Take many of the major hotel chains; you could swap their logos around and most people wouldn't even know the difference."

Branding specialist Joy Nazzari, DNCO

Buzzword Bingo

Reading through the positioning statements of leading hotel brands the lines of differentiation become pretty blurred, even to seasoned practitioners (indeed, in some cases it can be difficult to spot how they actually differ!). Luxury hospitality branding expert Piers Schmidt analysed 81 hotel brands in the burgeoning 'lifestyle' category and found some interesting correlations: "If we look at the taglines employed by these lifestyle brands, the lack of differentiation becomes apparent," he comments. "A significant proportion of their slogans employ similar soundbites; for example, four of these each claim they are "designed for the modern traveller", "hotels designed for the modern traveller", "created for a new generation of travellers" and "unique hotels for unique travellers". This is buzzword bingo at its best!"

"Practically all product categories use buzzwords like 'selling a dream' or 'best-in-class' to describe their brands, and rely far too much on design or materials in the hope to differentiate," observes Luxury branding guru Daniel Langer. "Brands that truly stand out are only a handful..... so instead of selling a dream, brands need to be specific which dream they sell and how to bring it across." He adds that when clients don't understand the story of the brand, there is no value - and, when this happens, the brand is at fundamental risk. "To break out of the 'sea of sameness', storytelling needs to be extremely precise, of high relevance to the clientele, and actionable."

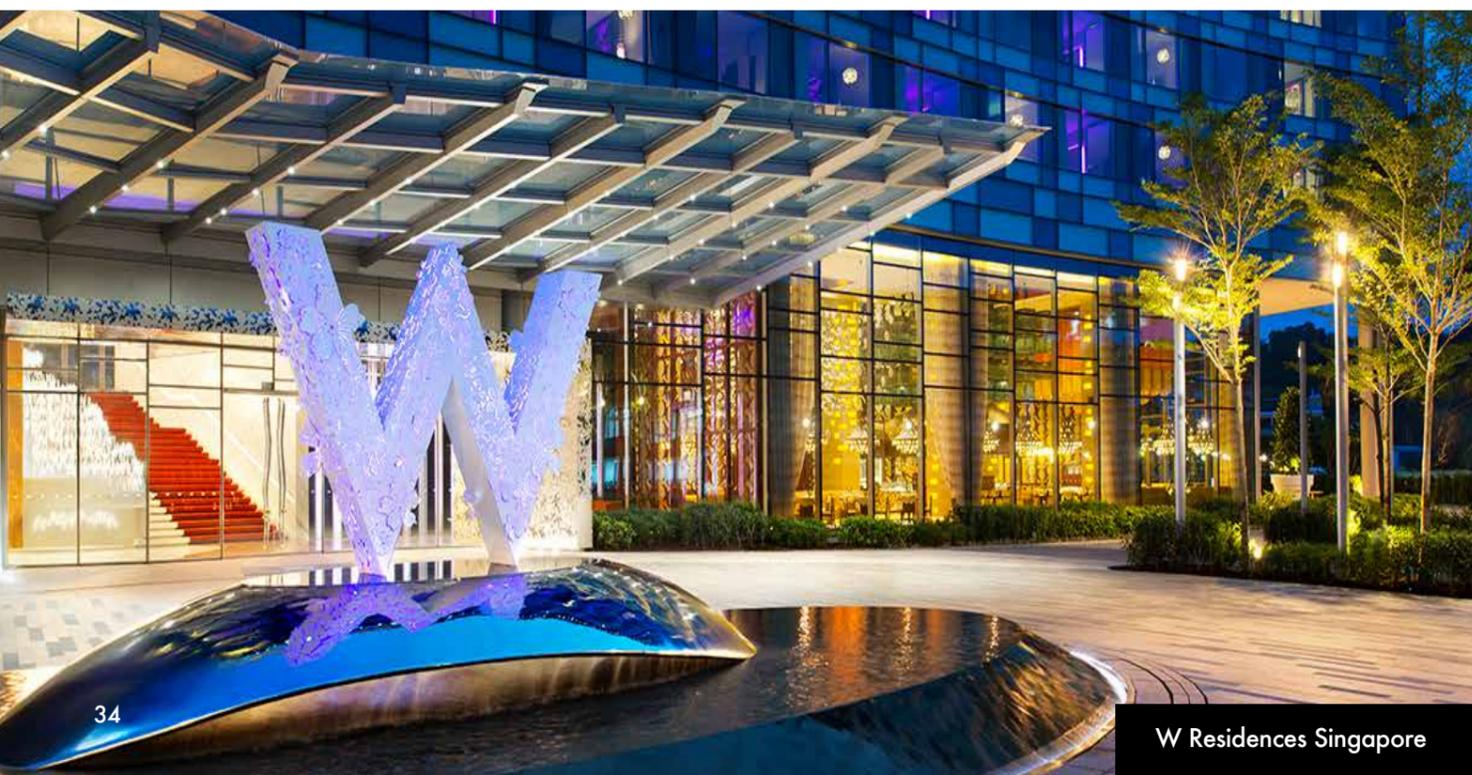
"If Nike opened a hotel, I think we would be able to guess pretty accurately what it would be like. If Hyatt came out with sneakers, we'd have no clue because Hyatt doesn't have a brand, they have a logo. If I swapped the signs on a hotel at that price point you couldn't tell if you were in a Marriott, if you were in a Hilton, a Hyatt; the hallway, the room - I don't know, where am I? No brand."

Marketing guru and best-selling author Seth Godin

In summary, as repeatedly stated in these reports, if a project is not effectively differentiated, it risks being seen as an indistinctive "me too" product.

Above all, it is *the buyer* who needs to understand the specific attributes that apply to your brand, to fully appreciate the added-value benefits it promises to enhance his/her lifestyle and investment aspirations.

To achieve this, and thereby enable your project to stand out in a manner that resonates with HNWI target audiences, if you lack the requisite in-house expertise it is strongly recommended that you obtain professional marketing support (ideally experienced in luxury real estate/branded residences) to help to define, design, package and communicate your offer in a clear and distinctive manner.



The Importance of Differentiation

Developers recognise the value of partnering with a suitable brand, but in an increasingly competitive and crowded global marketplace it's no longer a guarantee of success. Considering the enormous potential cost of 'getting it wrong', investing in professional marketing is strongly recommended to ensure that your project is well packaged and presented to appeal to defined target audiences. You have only one chance to make a good first impression.

With branded residences increasingly becoming the norm rather than the exception in some markets (consider Dubai and Miami, or Phuket, where 50% of new developments are branded), marketing's pivotal role in the effective positioning, packaging and promotion of a residential development has never been more important to ensure standout and salience in the marketplace.

"We're all trying to differentiate ourselves and create some sort of a special offering for the buyer."
Edgardo Defortuna, Fortune Development Group

This applies especially to branded residences as HNWI buyers are among the most discerning and informed, their expectations are high, and they are bombarded with opportunities to invest.

Developers must therefore consider how to make their project 'stand out from the crowd', in order to attract relevant buyers and ensure that units sell quickly and at the desired price. A proven way of

achieving this is to partner with an established luxury brand; this 'elevates' the offer by piggybacking on the brand's status and, by association, delivering a range of experiential, lifestyle and investment benefits. In an ideal world, the selected brand will occupy a unique and distinctive position in the market, with a large audience of loyal customers who can see themselves living within this branded space.

This being the case, for the added price premium to be paid it is essential to effectively communicate the value-added benefits that the brand delivers to buyers. The days of 'build it and they will buy' have been confined to history (at least in established markets): it is now essential to educate, inform and convince target audiences why your project merits their serious attention vs the competition, conveying the lifestyle and investment benefits that it will deliver.

Standing Out from the Crowd

Differentiation is absolutely vital and price cannot be the only thing that is different. There has to be a lot of self-challenge ... it's the difference that provides the foundations for genuine growth.

'Post Covid-19 Luxury' report

There is little doubt that differentiation – or a lack of it – can have a significant commercial impact on the success of a project. Francesco Cefalu, Chief Development Officer at Mandarin Oriental, cites marketing and solid financials as the key factors to

underpin a successful branded residences project:

- 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 solid marketing strategy with a clear and realistic understanding of target markets.

"Differentiation is the key, with many of the big hotel companies opting to deploy lifestyle branding in this space."
Patrick Whyte, Hospitality Investor

"Having the right development partner that understands our brand values, or has hired experienced marketing consultants to convey them, are key to marketing luxury branded residences successfully," adds Adelina Wong Ettelson, Mandarin Oriental's Head of Residences Marketing, whilst hospitality expert Larry Mogelonsky writes, "Brands without marketing support are merely exercises for marketing gurus who like to play with logos and interior designers."

Horwath HTL's Philip Bacon echoes the importance of expert marketing: "As always, know your customer today and your customer of tomorrow." However, this only tells half the story; with an abundance of brands in the marketplace, differentiation remains a crucial consideration.

"Brand definitions need to be actionable when it comes to creating the brand experience. Detailed staff training on how to create a luxurious experience is needed – not generic, but in a differentiated fashion," says branding expert Daniel Langer. "This is where the rubber meets the road. Beautiful brand manuals filled with beautiful pictures and words mean nothing if clients don't understand what the brand is all about."

"If most of the big brands are taken, how do you differentiate?" Jay Parker, CEO, Douglas Elliman

With so many brand operators ticking all the same boxes and making similar lifestyle, service and quality promises, this is no longer as straightforward as it used to be.

In order to justify the higher price tag (i.e. over non-branded), the list of pre-packaged benefits must demonstrate tangible added value to attract discerning buyers who are spoiled for choice about where to put their money. Indeed, as WATG's Branded Residences report states: "As competition increases, luxury residential projects are having to differentiate their offer to stand out to potential buyers, and the usual range of amenities is seen as standard."

Citing Dubai as a mecca for real estate brand licensing arrangements, Luxury Branding's Piers Schmidt comments that these "...are driven by the need for property developers that are ostensibly selling more or less identical rectangular boxes (tower block apartments) to differentiate themselves to a status hungry target audience."

It may be argued that, in such cases, the brand itself may assume a less important influencing role and purchasers will revert to conventional buying criteria such as location, pricing and value. Adam MacLennan at PKF hotelexperts certainly thinks so: "The proliferation of brands - including many operating in the same space - can make it confusing from a consumers' perspective. A typical buyer will often make up their mind based upon location, unit size, price, design and amenities before they look at the brand."

Bill Barnett at C9 Hotelworks agrees, observing that in destinations that are 'saturated' with branded residences, "...the reality is that well-managed hotels with key aspects and location win, while for others having the name is not an assurance of success, given you are just one of many in a playing field that is continually stretched. Brands in many cases are a good choice, but it's not always a given."

"There are myriad overlapping brands..."
Andrew Sangster, Hotel Analyst

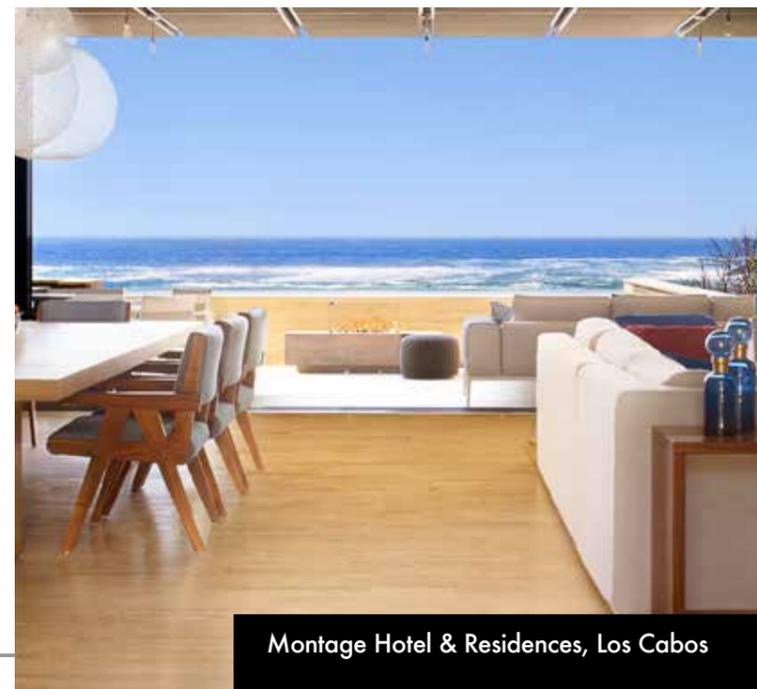
One thing is certain: buyers are spoiled for choice and there is less appetite for undifferentiated "me too" products which, without generous pricing and buyer incentives, can languish unsold on the market for long periods. In a scenario where buyers have a wide range of analogous branded residence options available to them, inevitably it becomes more difficult to choose between them.

In short, presenting a clear, differentiated and distinctive offer will help to ensure standout, delivering a stronger competitive position in the marketplace; conversely, not to do so risks putting your development at a significant commercial disadvantage before your residential sales have even launched.

"To stand out from the crowd, brand differentiation tactics and strategies will need to be employed that have strong buyer resonance. We see this as the most vital challenge for the sector going forward."
Muriel Muirden, former Chair and EVP Strategy, WATG



Kate Moss for YOO at The Lakes, Cotswolds



Montage Hotel & Residences, Los Cabos

Differentiate, Duplicate, or Deal?

Few can rival Piers Schmidt's branding experience in the hospitality sector. In his own words, he is 'an accomplished developer of luxury brands that are differentiated through exceptional service and elevated experiences'. With this report's continuing focus on the importance of differentiation, Piers was invited to share his thoughts.

'Differentiate or Die'. So wrote Jack Trout, the legendary adman and godfather of positioning, who averred that in the fight for survival in an era of killer competition, you have to give your customer a compelling reason, or 'difference', to buy from you instead of your competitors.

Since the publication of Trout's book in 2000, differentiation (which should enable brands to stand out in crowded and competitive markets) has become an accepted and increasingly important source of advantage. As a result, we all know which cola tastes best, which burger is flame-grilled, which beer is reassuringly expensive, which airline was the world's favourite, and which rental company tries harder.

These examples illustrate that differentiation is crucial, especially in categories characterised by supply outstripping demand, product parity, or commoditisation. For example, Henry Ford reputedly offered the Model T in any colour so long as it was black. Yet, 115 years later, purchasing a car means first grappling with the infernal options configurator, which overwhelms buyers with a confusopoly of options and incremental costs.

Notwithstanding the impact of the pandemic, the global lodging industry has enjoyed a sustained

period of unprecedented growth since the financial crisis of 2008, which explains the proliferation of brands that I have commented on elsewhere. The demand for travel and hospitality is now so great that the pipelines of major hotel chains are bursting with opportunity. It's why the major groups (Marriott, Accor, Hyatt, Hilton, IHG, Wyndham) have been frantically producing clones of their own – and their competitors' – concepts, spun for these new cohorts of travellers. But look under the hood and it becomes apparent that they're mainly decanting old wine into new bottles with groovy modern labels.

All the signs I see are that differentiation in the branded residences industry goes little further than skin deep.

But who can blame them? Millions of newly affluent middle-class consumers from source markets are now on the move, locally, regionally, and globally. And on the supply side, hotel companies sometimes need to create duplicates of established (successful) concepts to get around exclusivity clauses in their management contracts. This way, it matters not that an HMA precludes Marriott from operating more than one Ritz-Carlton in a city because they can offer the next owner a St. Regis. In the lifestyle sector alone, Accor can provide a management solution from a litany of no fewer than 14 so-called brands (although in practice some of these marques are little more than a faded name waiting for resurrection).

So, maybe there's little or no need to differentiate in the hotel business?

The evidence suggests not, with so many concepts and brands appearing to mirror one another. Marriott assumed W when it acquired Starwood, but later 'created' Edition. Meanwhile, Accor responded with So, Melia with Me, and Hyatt with Andaz. Despite the variation in nomenclature, these



The OWO Residences by Raffles (Image: Grain London)

concepts are cookie-cutter copies, and we find similar emulation across segments. The associated sector of branded residences is equally on fire: 688 existing schemes and a pipeline of more than 1,000 projects driven apparently by an infinite growth in HNWIs.

Squaring up to the established luxury hotel brands in this arena is a surge of hotel brands from the upper upscale and upscale segments. And now hospitality finds itself newly pitted against luxury marques with even greater badge status and design value, despite vastly inferior credentials for service. Fashion maisons including Armani, Bulgari, Cavalli, Louboutin, and Versace, have been joined by auto marques such as Aston Martin, Lamborghini, Porsche, and now even magazine titles such as Elle.

A recent presentation from one of the leading global licensing agencies peddled the virtues of no fewer than 44 brands drawn from 19 industry verticals. Is there no end to the roster of brands aspiring to enter this seemingly lucrative battleground?

As a result, you might think this rampant expansion in supply would increase the requirement for differentiation. But all the signs I see are that differentiation in the branded residences industry goes little further than skin deep. Developers differentiate via a licensed (brand) name instead of putting in the hard yards required to differentiate in nature truly.

Beyond some elements from the Porsche Design Studio, what more of the Stuttgart icon can homebuyers expect? The rumble of a 4.0-litre flat-six through the aircon, or the whine of a Taycan 'Turbo'

from the washing machine? What about getting the impeccable service you receive at Porsche dealerships from a Porsche building concierge? There's little chance of that, from an ongoing operation in which the brand has zero interest and no control.

But are we missing the point? Because there's a fundamental distinction between a branded residence and a hospitality brand.

The primary role of the brand in a residential scheme is to create awareness, generate interest, and stimulate sufficient desire in potential buyers to fill the sales funnel. It's all about the deal! Once the sale deeds are signed, the developer is out, done and dusted. We could therefore say that the developer's association with the buyer is transactional - more a one-night stand than a long-term relationship. So, if slapping a brand name on the front of the building and brochures accelerates the sales process and underpin premium pricing, it's a job well done; time to move on to the next project. The developer has recouped the license fee and, beyond the rhetoric of the sales materials, it now matters very little to him how differentiated the lived experience is.

In comparison, a hotel brand is only as good as last night's performance. Leave those guests unsatisfied and they'll sleep with somebody else. That's the real difference.

So, when investing in a seemingly differentiated branded residence, caveat emptor.



JW Marriott Residences Grand Saigon

The Evolution of Luxury: Tangible vs. Emotional vs. Experiential

"The definition of luxury isn't static. It shifts with the times. What was once considered appropriate for the high-end traveler can quickly fall out of fashion as tastes change.....How do you adapt while also staying true to what made you popular in the first place?"

Patrick Whyte, Former Editor, Skift

Several years ago, Interbrand's Rebecca Robins commented that the definition of luxury has become so diluted that it is becoming meaningless. Alison Gilmore at International Luxury Travel Market agreed: "After decades of over-use we should be happy to see the term 'luxury' being refreshed with new meaning."

"The meaning of luxury is constantly evolving," writes Frank Schuetzendorf at Ecole Hôtelière de Lausanne, "When thinking about luxury in hospitality, it helps first to define what luxury is. Luxurious experiences are often associated with premium-priced products or services. Luxury, therefore, is perceived as something that adds value to people's lives via upgraded quality or service, normally in exchange for premium pricing." Luxury expert Professor Daniel Langer adds: "The willingness to pay for a luxury item depends on the value we perceive."

So, in the context of hospitality and branded real estate, how do we benchmark luxury? For decades 5* was accepted as the pinnacle, yet now we are up to 7*. How long perhaps until we reach 10* - and what will it look (or feel) like?

Luxe Hub Consultancy described the hallmarks of luxury as "seamlessness, convenience, speed and quality of personalised service" (NB no mention of any tangible element); indeed, the *World Ultra Wealth Report 2017* accurately predicted that service would become a strong differentiator for luxury brands, highlighting a growing requirement for personalisation in the search for exclusivity and uniqueness.

Four Seasons states that what appeals most to their buyers is "...a distinguished and personalised service experience that a homeowner can't get anywhere else... which ultimately transcends into a lifestyle."

Luxury is the ability to create extreme value for an individual. It's never about the brand but all about the ability to have a specific role in the life of a client. It's not about a specific expression (i.e. the golden faucet or the thick carpet) but how special someone feels.

The entire brand experience is what drives the value proposition, which goes far beyond the product. It's almost entirely driven by the story of the brand.

No story, no value. It's that simple.

Quotes from branding guru Daniel Langer

The 2021 State of Luxury Report emphasises this: 'It is a call for high quality and being a brand with a purpose, not just displaying huge logos and calling that luxury.'

Time = Luxury

Legendary hotelier Ian Schrager recently described the ultimate luxury as 'the freedom of time', adding: "Luxury today is about how something makes you feel, it's emotional and visceral, and about comfort, ease, convenience, as well as being freed from distractions and hassles and allowing more free time to do the things you really care about."

"Luxury is how the goods or the experience or whatever you purchase makes you feel. It's different for you or me. Residential property has the opportunity to make you feel great. That's the power of the brand." Brad Berry, Rosewood Hotel Group

Luciano Mazza at HKS, who ranks among the world's most prolific designers of luxury branded resorts, agrees: "The moments we get to spend with family, friends or even business partners can be a precious luxury," he says. "So, when designing branded residences, our aim is to create conditions where people can savour and treasure quality time whilst feeling at one with their surroundings." Adelina Wong Ettelson at Mandarin Oriental concurs: "Luxury is about time, having time to do things that are meaningful to you."

Amenities & Experiences

"It is the authenticity of experiences for residents and the meaningfulness of their living environments that have now become more important than the amenity itself." Mansion Global

When residential developers plan their projects, much thought goes into the amenities and features that will entice buyers and offer 'more' than the competition; developers, designers and hotel operators continually strive to deliver cutting-edge design and innovation along with 5* hotel and concierge services. As such, the bar gets raised higher and higher as developers compete to 'outgadget' each other, searching for new and original amenities to offer in their luxury residential units.

However, there is no 'checklist' for qualifying a property as 'luxury'; indeed, many 'luxury' features that were hitherto associated with high-end properties are now considered as standard. It is increasingly unique experiences and bespoke elements that help to differentiate a luxury development from its competition. But meeting these ever-increasing expectations will present an ongoing challenge to brands.

"In an increasingly congested market, the winning brands will be those that can seamlessly manage the residential experience for both the developer and the downstream homeowner."

Muriel Muirden, former Chair and EVP Strategy, WATG

There is little doubt that purchasers at the pinnacle of the market expect something special in terms of the tangible elements described above. However, it's no longer enough to include a wider range of features that 'tick all the boxes'; the level of luxury in hospitality and real estate today is very different from even just a few years ago and, rather than

simply providing more marble, gold-plated taps and 5* facilities, the focus is about creating a truly personal and emotional engagement with customers.

Most experts agree that it is no longer simply about delivering good design and top-range fixtures and fittings. "There is 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 at Capital Lifestyle Partners. "The experiences offered by the brand are now far more important in consumers' eyes - the personalised service, the kids' programmes, the bespoke events, wellness activities - rather than Grohe taps or Gaggenau kitchens."

Furthermore, there is no point in installing amenities that may tick a lot of boxes but which won't be used by residents (not least as owners will become disgruntled having to pay for these in high service charges).

"What passed as a luxury experience even five years ago, today feels tired and uninspired. The principle of luxury that matters today is emotional connection..."

Luxury Portfolio International

Summary

- In 2017 a report by Horwath HTL accurately concluded that experiential luxury was growing faster than personal luxury goods purchases in all key markets, highlighting an accelerating shift from "having" to "being", with consumers seeking emotions and experiences rather than status.

- A concurrent report from Wealth-X noted the emergence of a younger generation of UHNWIs focused on pursuing rare, tailored experiences over accumulating replicable 'things.'

Today, these sentiments still apply (arguably even more); whilst high-end homebuyers' priorities remain consistent in terms of excellent location, design, and amenities, luxury is much more about delivering the intangible 'added value' lifestyle benefits associated with a brand. Robert Green at Sphere Estates neatly sums it up: "The branded residences concept has evolved from simply providing 5* facilities for wealthy, time-poor individuals to a greater focus on sustainable design, personalised services, and lifestyle experiences."

One thing is certain: HNWIs have high expectations and these are rising all the time. They spend more time researching products and services than ever before, and their ability to research, question and compare has never been easier (Harvard Business Review observed that "the explosion of digital technologies over the past decade has created empowered consumers so expert in their use of tools and information that they can call the shots").

In short, we can expect that the range and quality of amenities and experiences will doubtless continue to evolve upwards, both to satisfy ever-rising customer expectations, and to outperform competitors.



One&Only Moonlight Basin, Montana, USA

Montenegro

Montenegro is a thriving hub for branded residences, with several major brands already here and many more in the current pipeline. Indeed, few locations can boast such a prestigious concentration of 5* branded resorts. So why is this small, beautiful Balkan country attracting so much attention?

On the global stage, Montenegro presents an interesting case study. There are few locations in Europe that boast such a concentration of luxury branded resorts within a comparatively small area (others include Bodrum, The Algarve, and Limassol). There are currently only 4 major branded resorts open: One&Only Portonovi, Regent Porto Montenegro, The Chedi Lustica Bay, and Nikki Beach, but there is a healthy pipeline of luxury projects including Movenpick Residences Teuta Kotor Bay, Hyatt at Blue Kotor Bay in Stoliv, Marriott in Kotor (residences TBC), Siro at Boka Place in Porto Montenegro, IHG at Canj-Amma resort, Swissotel (Kolasin), Pullman at Liko Soho (Bar), and a Raffles or Fairmont at Smokva Bay. The long-planned Ritz-Carlton at Lustica remains on hold.

Pricing

When comparing existing branded against non-branded stock there are significant variations in the premiums being achieved here. "Sales prices range from €6,000/m² at Siro Residences to over €22,000/m² at One&Only Portonovi, but generally they fall around the €7,500/m² level. Conversely, good quality unbranded units range from €4,500/m² up to €9,000/m²," observes Kieran Kelleher, MD of leading regional brokerage and Savills associate Dream Estates. "Interestingly, the rebranding of the existing Liko Soho by Pullman is showing something like a 35% price increase, which illustrates the impact a brand upgrade can deliver."

Leadership from The Top

Montenegro's success is testament to the Government's strategy of creating the necessary conditions to attract premium global brands and developers, maximising opportunities through the world-class regeneration of the country's stunning waterside locations (e.g. Porto Montenegro was previously a Soviet naval base).

The branded residences concept was fuelled by the Ministry of Tourism and Sustainable Development, which, in 2013, announced two innovative development models – mixed-use and condo hotel. "In essence, the new laws allowed developers to sell between 50%-100% of the stock, as long as the development was operated by an international brand and open for at least 10 months a year," explains Kelleher. "Significant tax benefits were also introduced to encourage developers to deliver branded projects,

even though the residences could not be primary homes and were sold with a defined usage allowance."

A further boost came in 2019 with the Citizenship by Investment program, through which passports were available to eligible foreigners purchasing properties within pre-approved developments, including branded projects. This saw an influx of foreign purchasers, notably from Russia and the Middle East.

This initiative has created an exceptional platform on which to build a luxury tourism industry extending beyond cruises and – crucially – to attract wealthier visitors. "Montenegro has proved this is an excellent solution to attracting 5-star inventory into the market, allowing developers to earn early cashflow by preselling homes in Government approved schemes," comments Kelleher, adding that the benefits of the branded mixed-use resorts have brought invaluable benefits to local communities, creating thousands of jobs and supporting many industries. "Furthermore, a branded residence is shown to deliver an annual contribution to GDP of over €60,000 versus a standard apartment at €5,000."

Branded residences certainly have a positive impact on the positioning of a destination. This is especially true in emerging resort locations as, when a leading luxury brand chooses to 'plant its flag' in a particular region, this can significantly elevate perception of the location in the marketplace.



Porto Montenegro

Spotlight on YOO

Founded in 1999 by John Hitchcox and Philippe Starck, YOO has been a pioneer in the sector, evolving into the world's largest non-hospitality residential brand with 70 completed projects worldwide and 11 under development. We caught up with James Snelgar to hear how YOO likes to work with development partners.

When is the optimum stage for a developer to engage with potential brand partners?

The simple answer is as early as possible; this means there is time to get everything right. No one ever likes to hit the ground running but, unsurprisingly, this does happen a lot.

In our case we like the developer to own the site, have consent to build, and have finance in place. We also prefer the local team to have undertaken a rough schematic so we know the height, the massing and volume.

How long does it take from initial discussion with a developer to completing contracts?

It varies. Typically it is inside 12 months, but sometimes it can take years.

From initial discussion to contract it's usually 1-6 months, then 2-3 months of legals, with design and marketing teams mobilising upon signing.

The most successful collaborations are fast moving, with clients who have a strong vision and know what they want, and we find that if discussions and negotiations go on for too long, the deal never happens.



Sapphire Residences, YOO Inspired by Starck, Colombo

Your top criteria when evaluating a potential project to partner with?

1. Developer experience and track record
2. Suitable construction budget confirmation
3. Project scale – unit numbers, common areas and amenities
4. Project price point
5. Location and target customer

In this post-Covid environment, are you seeing any noteworthy new trends?

Consideration for wellness increasingly forms part of the mix, along with environmental consciousness.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

With us, not so much. Their greatest concern is usually to increase the visibility and profile of their project to enhance sales pace and values.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Obviously service levels are usually increased, as well as the ability to measure 'in market' build quality, design and brand standards. Familiarity provides an extra level of comfort. There is a sense that they are in safe hands from the beginning.

Your Top 3 tips for developers?

1. Don't start marketing prematurely. Not until you have satisfactory, solid answers to every conceivable question anyone could ask.
2. Go green! Sustainability matters.
3. Look around at what everyone else is doing - and don't do that!

Spotlight on SH Hotels & Resorts

Renowned as a pioneer in sustainable hospitality, SH Hotels & Resorts operates 1 Hotels, Baccarat Hotels & Resorts, and Treehouse Hotels. An affiliate of Starwood Capital Group, the company is expanding quickly with an impressive pipeline spanning many global destinations. SVP Development Abhay Bakaya outlines their preferred approach to working with developers.

When is the optimum stage for a developer to engage with potential brand partners?

Once the developer has secured exclusivity on a land parcel and has a clear understanding of what can be built on the site. An indication of the financing plan for the project is always beneficial.

How long does it take from initial discussion with a developer to completing contracts?

The length of initial discussions can vary, depending on how much clarity is available on the criteria above. It typically takes 90 days to negotiate an LOI and often takes another 180 days to negotiate definitive agreements. The timeline is dependent on the developer's motivation to sign; often tied to a desire to start pre-sales on the project, the need to advance design drawings, or even a requirement from the lender.

Your top criteria when evaluating a potential project to partner with?

1. Macro location (position in the market) and micro location (topography, access, visibility, views).
2. Shared beliefs: sustainability is key.
3. A shared vision and passion.
4. The developer's experience and our level of confidence that they will deliver to our brand standards.
5. The path to financing and likelihood of starting construction / completion on time.

In this post-Covid environment, are you seeing any noteworthy new trends?

Certainly a boom in many resort markets and certain urban environments that were perceived to handle Covid well, particularly in the luxury segment. Some of this upside is countered by increasing costs to build or convert existing assets and increasing costs in day-to-day operations. Global travel trends continue to shuffle as new regions open up; the recovery will play out at a different pace in different locations.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

There's certainly a change in how developers evaluate their brand options, with a more qualitative component to the decision as they look for brands

that resonate with their own philosophy, and with the demographic in that particular market. A brand like 1 Hotels stands for a very clear mission, and people gravitate to that. Developers also want to understand the support they receive, not just the operating infrastructure but the individualized attention the brand can give to each project.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Where a development includes a hotel and branded residences, the two have natural synergies - the hotel becomes an extension of the residential experience, and vice versa. It is hard to replicate that fit with a non-hotel brand, without first illustrating how such a brand comes to life. Consider Baccarat Hotel & Residences in New York as the first illustration of an iconic crystal brand coming to life to deliver an exceptional hotel and residential experience.

The impact of branding residences and describing the lifestyle that comes with the brand can be very powerful; 1 Homes at Seafarers in Melbourne was a new concept in the market but received strong interest from buyers through Covid.

Your Top 3 tips for developers?

1. Make decisions with a sprinkle of passion, with partners who share your vision.
2. Be clear about what is really important during negotiations.
3. Hire experienced consultants.



Grand Salon, Baccarat Residences, New York

Premium Brands

Whilst historically the branded residential sector has been dominated by luxury brands, previous editions of this report have predicted growth in the Premium (Upper & Upper Upscale and Midscale) segments. And why not? Luxury is relative depending on the audience, and there are some very good brands in these categories.

These brands present a strong opportunity by providing much broader market appeal, due to lower costs for developers and lower purchase prices for buyers. "Squaring up to the established luxury hotel brands is a surge of hotel brands from the upper upscale and upscale segments," comments hospitality branding expert Piers Schmidt. However, this may prove to be slower than one might expect, with Savills forecasting that this segment will only increase by 3% by 2027.

- Midscale to upper-upscale brands now account for 25% market share.
- Asia Pacific is predicted to become the top region for non-luxury brands.
- North America has c.40% of schemes.
- Strong growth in emerging and resort markets.

Marriott's projects in this segment have increased by 107% since 2016, while premium brands now represent over 40% of Accor's pipeline (WATG).

"Luxury is now accessible to everyone who wants it...and it should be. It's egalitarian and democratized."

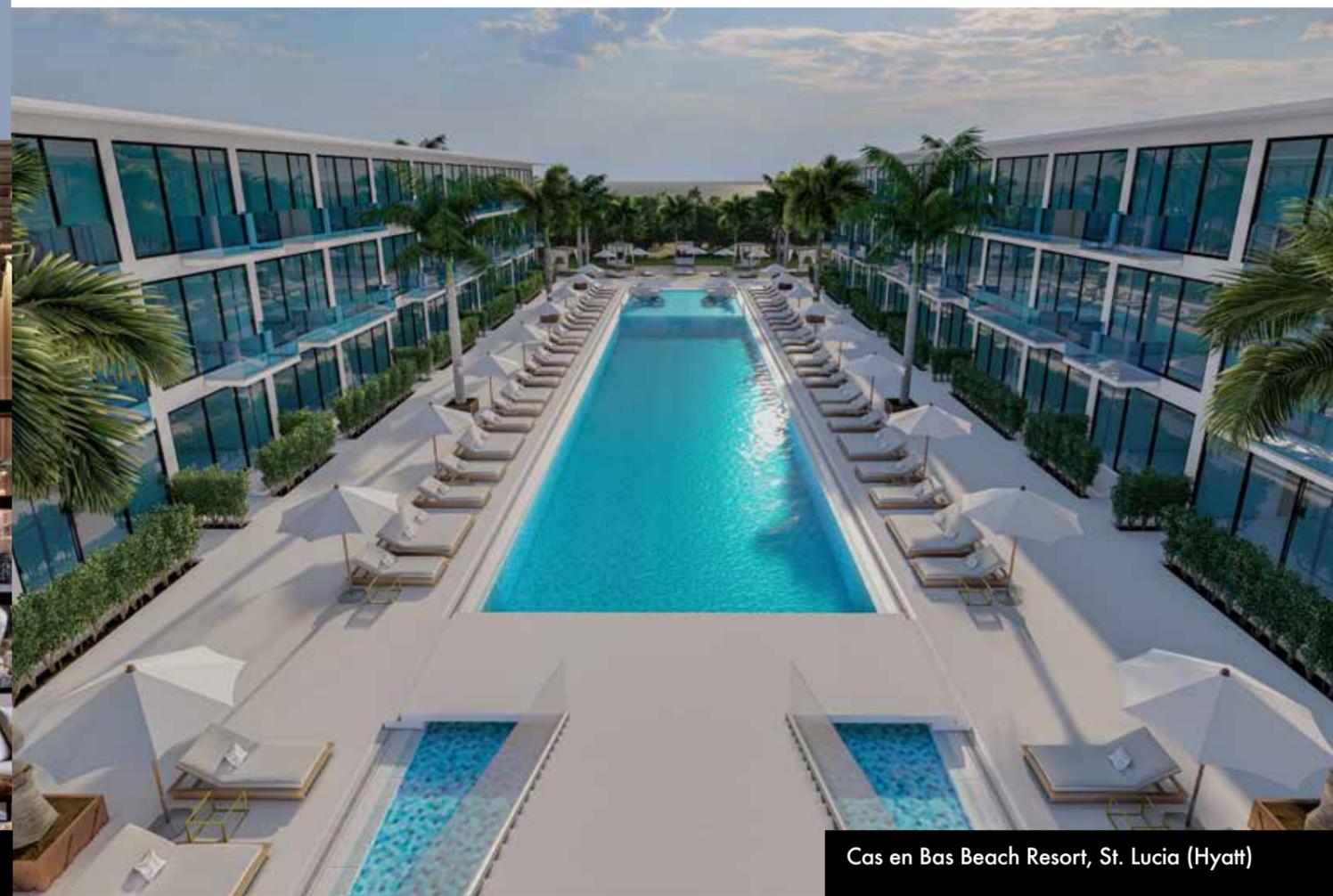
Ian Schrage, creator of the lifestyle/boutique hotel concept.

Author's note:

Seeking to introduce a new/original (i.e. not active in the BR space) luxury brand to partner with is attractive as a major point of differentiation for your project; however, the ensuing process is likely to be quite challenging. Identifying potential newcomer brands to approach is the easy part, but in my experience the following can quickly become apparent:

- a) a lack of understanding about the BR sector;
- b) vision - how the brand could evolve into a residential/mixed-use space;
- c) no internal resources to engage with - there is typically no-one qualified to pick up the brief and explore the opportunity.

As such, if you do manage to initiate discussions, you might expect a protracted - and often frustrating - negotiation!



Cas en Bas Beach Resort, St. Lucia (Hyatt)

Urban vs. Resort

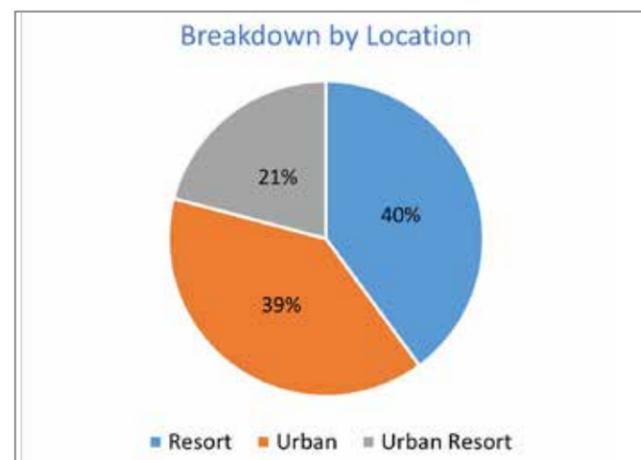
In the 4th edition, Savills research revealed that the ratio of Urban/Urban Resort vs Resort schemes was 62%/38%, reflecting continuing growth in global urban branded developments. However, latest data reveals that, although urban locations still dominate, market share has fallen to 60%, highlighting an interesting trend reversal. Indeed, for the first time we now see the Resort market as the largest segment (+2% since 2021). Furthermore, since 2019 Urban Resorts' market share has more than doubled at the expense of pure Urban projects (-12%), indicating a shift towards lifestyle and access to amenities that is almost certainly accelerated by the pandemic, so expect to see further growth in this segment.

Urban

WATG found that operator demand is greater for urban rather than resort locations - but only marginally: their 2020 study showed the Urban/Resort ratio at 51%/49% (although their data excludes non-hospitality brands).

Location continues to be a major influencing factor. WATG's research found a unanimous sentiment among operators for a focus on exceptional sites in prime locations, rather than in secondary or tertiary destinations. "Primary and secondary residences in core urban locations have shown increased attention from HNWIs, due to their perceived 'safe haven' investment credentials," observed WATG's former EVP of Strategy Muriel Muirden. Sphere Estate's Robert Green agrees: "Prime urban branded developments have greater appeal because they are perceived as less risky, and generally offer more consistent rental returns as they are less seasonal."

Savills also supports this, observing that the success of a branded residential development - notably in mature first-world markets - is down to a combination of factors of which location is the primary one. The more mature and established the residential market, the greater the importance of finding (and usually competing for) the best available site for development within that city, which may even be in a secondary location.



Conversely, in emerging urban markets with rising domestic spending power and personal wealth but a limited supply of luxury homes, the potential for developing branded residences in prime locations is significant, due to strong demand, a lack of competition, and (usually) access to the best locations.

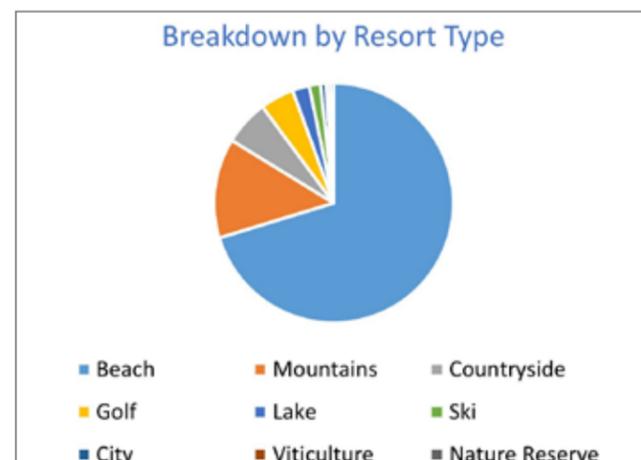
Dubai is now the #1 city globally with a massive 45 complete schemes and 33 in the pipeline. Miami/FLA is up to 2nd place (38 complete, 18 pipeline), while in New York (dropped to 3rd) growth has slowed with 23 completed schemes and a pipeline of only 6. Phuket (16 complete, 6 pipeline) is in 4th place, while London still ranks 5th (13 complete, 8 pipeline). Los Cabos (6th) continues to rise up the ranks. (Source: Savills)

Resort

The number of branded projects in non-urban resort locations continues to rise (consider Phuket, where around half of new developments are branded) and market share has increased to 40%. In terms of the types of resorts, 70% are within a beach setting, followed by 15% mountain/ski, and golf 6%.

Philip Bacon at Horwath HTL believes that, in a resort environment, people seek a more independent, residential style of accommodation, combined with excellent service when needed. "It is no surprise that we are seeing 'residence only' resorts being demanded by operators in some locations. The impact of Coronavirus simply helped people to appreciate the value of this approach."

So 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, with the risk of drastic changes in regional weather, taxes or politics? "Well, simply because they can," says Lynn Villadolid. "Let's face it, if money was no object who wouldn't want to spend time in the familiar comfort of their own homes while hearing the lapping of the waves, under a magnificent sun? I know I would." Colliers International's Marc Finney takes a rather less romantic view: "People drop their guard when they are on holiday and can make irrational decisions."



Source: Savills

Standalone Residences

'The brands will become more daring when considering standalone branded residence projects, potentially even in locations where no hotel flag is present.' WATG, Global Branded Residences 2020

It was less than 10 years ago that HVS reported "The majority of operators do not operate standalone residential products and it is not a major consideration for the future."

How quickly things change in this sector: in a relatively short period, this trend has picked up considerably and, as predicted in previous editions of this report, most major operators are now embracing it - especially in mature urban locations where finding suitable land for a co-located hotel and residences is expensive and challenging. Standalone also presents greater opportunities by converting existing buildings in prime locations.

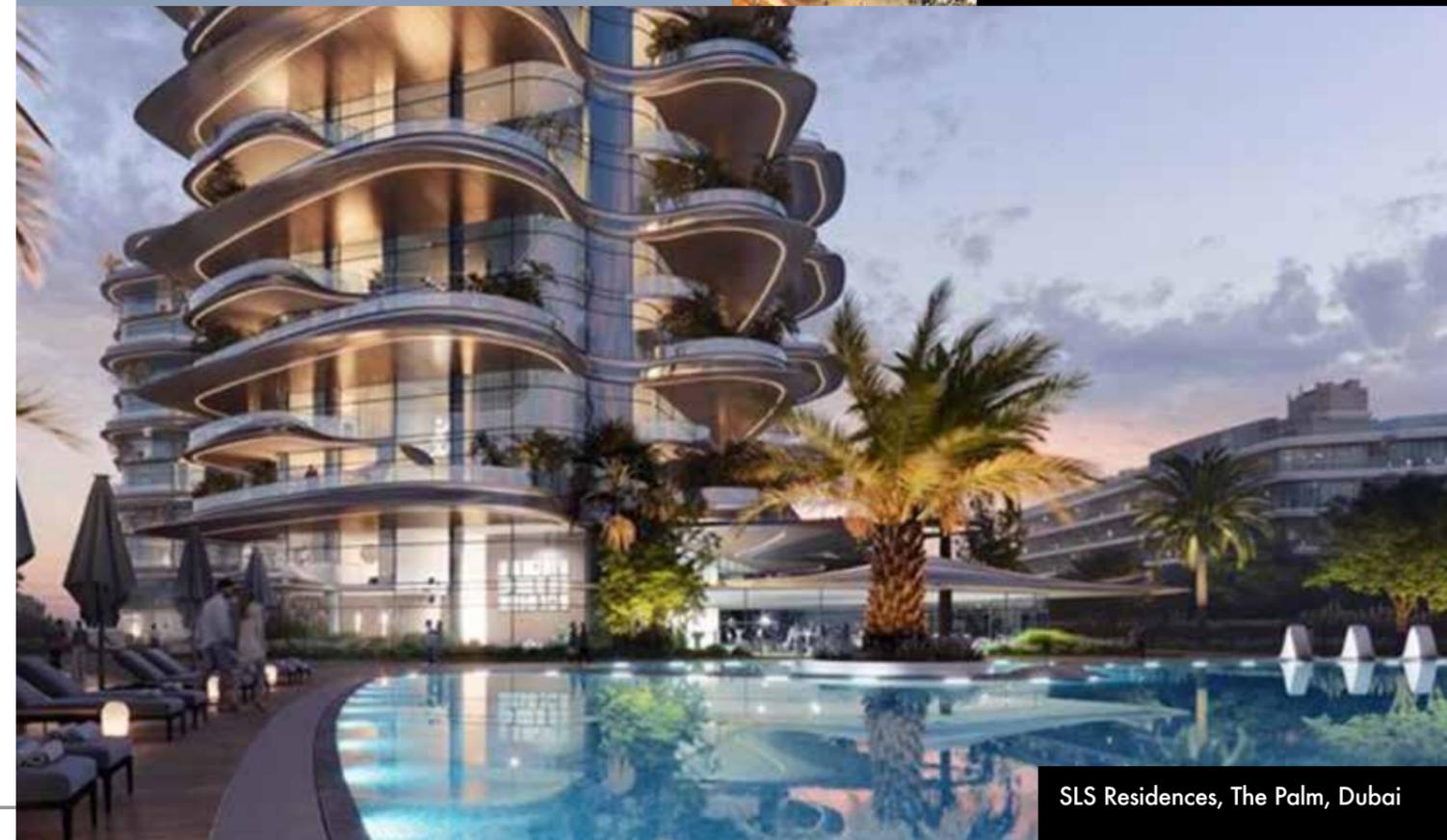
The leading operators are actively expanding in this segment (e.g. Accor with 8 projects, Four Seasons 5, and Mandarin Oriental 4); however, Marriott remains by far the most active and has aggressive growth plans; Chief Development Officer Dana Jacobson recently announced plans to grow standalone to 25% of the group's portfolio (currently c.15%). Indeed, WATG reported that at end-2022 Marriott was targeting 3 new standalone projects in addition to 28 in its pipeline, representing c.30% of its residential growth.

Expect to see more brands and more activity in this space.

"Living in a hotel entails a gorgeous, often exotic location, a like-minded community and exclusive access to on-site spas and restaurants. With a standalone residence, it's much of the same. The chief distinction is a heightened sense of exclusivity, as there's no adjoining hotel with which to share space. Instead, the brand ... acts as a sort of property manager, attending to each residence and offering the same amenities and concierge services one would find in a five-star hotel." Robb Report



Mandarin Oriental Residences, Barcelona



SLS Residences, The Palm, Dubai

Managed Rental Programmes

Owners can benefit from the option to rent out their properties through a managed rental programme, in which the revenue generated is shared between the owner and the operator. Between 40-70% is typically paid to the owner. Target returns range from 3-5% net yield (6-9% gross) and higher in some cases.

Owners

Although it varies by destination, research from WATG reported a significant majority (80%) of branded residence owners participate in rental programmes. "Even HNWI's are attracted by rental pools as a means of covering running costs whilst getting, in effect, 'free' stays," says Sphere Estates Rob Green. "Increasingly buyers want some level of rental return, especially in resort locations where they tend to visit their homes less frequently."

Savills found that two-thirds of global second home buyers place a heavy weighting on the investment angle, with only one third buying purely for private use. "Most buyers, including HNWI's/UHNWI's, want their purchases to be a good investment, to provide rental income, generate capital growth and be a property they can use at various times during the year," explains Accor's Daniel von Barloewen.

Depending on the type of property, in addition to capital growth potential this should mean a strong net yield, at least sufficient to cover the annual running costs of the property. Colliers' Marc Finney agrees that the income generated should cover the running costs and ideally generate a surplus: "There is the expectation that income from renting will cover most - if not all - the annual maintenance costs."

Naturally these statistics vary from location to location, but the investment angle remains a fundamental driver for most second home purchasers.

von Barloewen believes that a wise developer should therefore give as much consideration to achievable net rental yields as they do to their sales price/sq m target, especially for 1- and 2-bedroom (i.e. investment) units.

Riyan Itani at GBR observes that mandatory rental programmes tend to generate the best yield returns for the unit owners, whether guaranteed or not. "These can run between 4-7% net yield after operator's fees, share of income, FF&E reserve (c.5%), and service charges and utilities." He points out that there are instances, primarily with luxury brands, where owners are restricted in their ability to rent out units for less than 1 year to avoid transient occupancy, "although this is often at odds with achieving higher yields," he explains.

Some managed rental programmes restrict personal usage to a few weeks each year but, given the cosmopolitan nature of owners and the fact that they often have other homes, this is not generally seen as a hindrance (especially in resort locations).

It should also be noted that generally only branded properties that are furnished by the operator are permitted to participate in a rental programme, to ensure consistency in terms of FF&E and interior design (i.e. complementing the brand style) and that high-quality standards are maintained.

Operators

An operator requires both certainty of income and availability of the residences; as such, many offer a mandatory rental programme with a sweetener of a guaranteed or non-guaranteed rental return.

The attractiveness of rental returns - particularly guaranteed - has proven to have a positive impact on sales absorption rates (e.g. Marriott's Luxury Collection at Pine Cliffs and Viceroy's Ombria Resort offered 5% guaranteed yield for 5 years, resulting in strong sales).

However, it should be noted that there are legal restrictions (notably in US) that need to be considered carefully, as these are classed as collective investment schemes and therefore subject to tighter regulations as financial instruments.

"From initially being almost entirely in resort locations, the number of branded residential projects with a rental programme in urban locations is increasing," comments von Barloewen.

Itani believes that the choice of whether to offer a rental programme is determined by a number of factors: "First and foremost it is the size of the hotel element. Mandatory rental programmes are most commonly seen where the dedicated hotel facilities are on the small side so, for example, a hotel of only 50-70 keys would most likely have additional keys to supplement the hotel suites."

However, there's often a caveat: "The reality is that in a downturn it's very difficult to rent those (branded residential) units as hotel rooms because the level of fixtures, the amount of cleaning, the time to service them is much greater, and the margins become that much thinner," says Sean Hennessey of Lodging Advisors hotel consultancy, adding that it's also a matter of timing: "If a developer builds a branded residential project and sells them before a down market hits, it becomes a problem for the individual owners. If a downturn hits before the developer sells the units, it may be possible to rent the units on a short-term basis until the market swings back." However, in this scenario these properties would need to be furnished by the developer, and they could not then be sold as 'new' but rather 'for immediate occupation'.

Rental Programmes: Some Legal Considerations

The branded residences model can deliver strong growth potential and solid financial rewards, but it also comes with some risks - especially those associated with rental programmes - which, if not addressed at the outset, can seriously impair the project outcomes. Hospitality legal specialists Lada Shelkovernikova and Robert Williams at Watson Farley & Williams list some common considerations.

It is often beneficial to include branded residences as part of a bigger mixed-use development alongside a hotel; on the one hand, this ensures that the operator has an ongoing business interest in the management of the project and, on the other, it facilitates a rental programme.

The structure that is ultimately selected will depend on a variety of issues, such as market fundamentals, the developer's risk appetite, the strength of the overall offering and the risk profile of the target individual buyers (every investor's motivation is different, as are the benefits they seek from owning a branded residence).

Offering a managed rental programme expands the audience of potential investors to include those looking at branded residences as an investment vehicle which, in a mixed-use project alongside a hotel, offers myriad advantages:

1) In a hotel rental programme, the residences can be used to generate income as the unit becomes part of the hotel inventory and is managed by the operator in the same way as the hotel rooms. The rental programme can be structured with a fixed rent, variable rent (based on the gross revenue or net operating profit), or a combination of both.

To enhance the appeal of the residences to buyers, some developers offer guaranteed returns during stabilisation period; however, this model has several reservations from both commercial and legal perspectives, which should be carefully considered.

2) The operator can maintain the residences all year round, which saves hassle for individual owners and ensures that their residence is ready for use at any time.

3) Investors are usually entitled to use their unit on a free of charge (or heavily discounted) basis, e.g. for up to 30 days per year, whilst the property is generating revenue for the investor during the remaining months. Destinations which combine both business and leisure tourism can potentially benefit from the branded residences models even more.

4) If investors follow a "buy-to-sell" strategy, the branded residences also have an edge where the profile (and usually location) of the project generates a resale premium over and above the market price of unbranded peers in the same location.

It is important to note that, in some markets, a rental pool may be considered to be a collective investment scheme (or similar local equivalent), which can therefore be subject to strict compliance and reporting standards and require approvals from local regulatory authorities.

Where branded residences are part of a larger mixed-use project, hotel operators will require the developers to ensure that shared facilities (e.g. pool, gym, spa) are placed in the title of the hotel component, or are otherwise under control of the developer/hotel owner to the maximum extent permitted by law.

This way the responsibility of compliance with the operator's brand standards (including any changes thereto) will lie with the developer/hotel owner, with whom the operator has a direct contractual relationship.

Rental Programme Structures

Branded residences ownership frameworks and rental programme structures generally fall into one of the following categories:

Ownership Framework 1

The development consists of a hotel component and a branded component of fully furnished residential units for sale, with a 'mandatory' rental programme. The residences are managed by the operator as serviced apartments in a 'hotel + serviced apartments' structure.

Ownership Framework 2

The development consists of branded, fully furnished residential units. Part of these will be sold to private investors with a mandatory rental programme requirement. The other part will form a guaranteed number of units for the operator's management, regardless of the rental programme. Sold branded residences will be managed by the operator as serviced apartments, to the extent and as long as these are kept in the rental programme, all in a 'serviced apartments' structure.

Ownership Framework 3

Residences are branded and sold to owners but with no mandatory rental programme or agreement. This is a common structure in established urban markets.

Addressing the Legal Aspects

Graeme Dickson is a Partner in the Hotels, Resorts & Tourism Group at Baker McKenzie in Sydney.

How does the branding work for the residences?

Usually the operator grants the developer a licence to sell the residence incorporating reference to the brand. Additionally, the operator grants a licence to the developer to refer to the brand for a defined term (usually the same as the hotel management agreement).

What compensation is payable to the operator with respect to the branded residences?

The operator charges a percentage of the sale price of each residence and if the selling campaign stalls or is put on hold for any reason and the residences are rented out then the operator may seek to charge a percentage of the rent (NB there is no "standard" fee as this can vary from operator to operator). The licence usually contains provisions to the effect that:

- The operator is entitled to terminate the licence if the developer does not sell a specified number of residences within a specified time period;
- Residences must be sold for their market value;
- The operator has stringent rights to vet information provided to prospective purchasers and may anonymously attend sales presentations to ensure that there are no misrepresentations being made about the brand;
- The developer may seek to negotiate a concession to the effect that a certain number of the residences be held back by the developer or sold for less than the market price.

What is the relationship between the hotel management agreement and the branding agreement?

If the hotel management agreement terminates for any reason then usually this automatically terminates the branded residences licences. Conversely however, if the branded residence licence terminates then this does not automatically see a termination of the hotel management agreement.

How does the operator ensure that the residences are maintained to its brand's standards?

Usually the operator contracts with the developer to maintain the common areas of the branded residence component, consistent with their brand

standards. The operator produces an annual budget and the developer is then required to levy the branded residence owners (normally based on unit size). If the common areas of the branded residences are not maintained by the developer to the required standards, e.g. due to insufficient funding, this usually gives the operator the right to terminate the association.

Does the operator provide the residence owner with any IP rights attached to the brand?

Usually not, because it is a precondition that the developer guarantees that the branded residence owner will not contravene the terms of the licence. Of course the developer is often reluctant to provide such a guarantee, especially as it would likely continue to operate after all residences have been sold and the developer has effectively moved on.

Conversely, the operator will provide the developer (and in turn the branded residence owners) with the right to refer to the building in a way which identifies the branding without the grant of any intellectual property rights - for example, when an owner wishes to sell his or her residence, a right to refer to it as being located within the [relevant brand] building or complex.

What if an owner wishes to offer their branded residence as part of the hotel's inventory in the rental programme?

The residence owner is usually required to acquire the standard furniture pack and make the residence available to the hotel for a specified period. The hotel usually frowns on residences being offered independently for short term rental as effectively this is in competition.

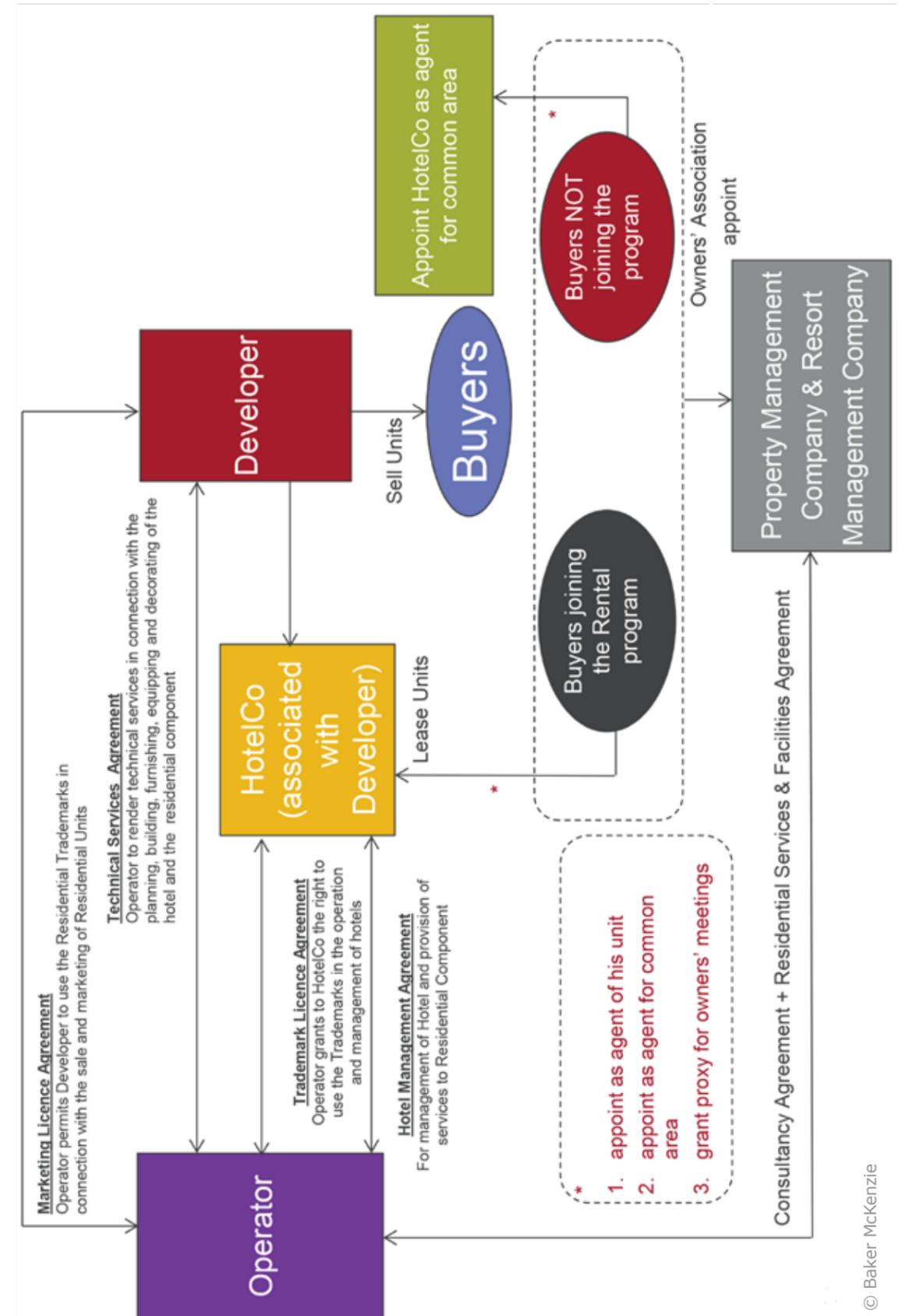
Do issues arise if the branded residences share facilities with the hotel?

This can be contentious as the standard requirements of the hotel may be greater and hence more expensive than for residential accommodation (e.g. concierge services).

What hotel services are usually made available to the residence owners and occupants?

Residence owners and their guests are usually treated the same as hotel guests, although in some instances they may receive benefits not available to hotel guests, such as discounts.

Structure of a Typical Branded Residences Project



Providing a Legal Framework

Often wrought with complexities and pitfalls, proper governance for branded residence schemes is a pre-requisite to ensure a well-planned, well-managed and harmonious project. Some key issues to consider are summarised below.

Branded residences are regularly a component of a mixed-use project, which might include a hotel, retail, commercial, common areas and supporting infrastructure. "In this context," declares lawyer and real estate veteran Paul Dean of Dean & Associates, "governance necessitates the adoption of much more complex provisions designed to ensure the integrated operation of the entirety of the development's individual components."

'If the service agreements that are linked to these branded residences cannot survive legal scrutiny, operators will begin to retreat, consumer confidence will erode, and the brand equity of hotel/resort residences models may be irreparably damaged.'
PKF hotelexperts

Dean believes that the most critical governance issue is the balancing of control between the mixed-use components and residential owners, who will be concerned with the maintenance, repair and replacement of the common areas, dispute resolution procedures, and what may be termed "quality of life" operational issues. "Complex mixed-use developments adopt layered (or tiered) Associations, which typically sit under a Master Association composed of representatives from each of the uses represented within the project, with sub-Associations established to govern each specific use."

Dean cites as an example the Lotte World Tower in Seoul which, over 123 floors, incorporates Observation Deck (7 floors), Private and Prime Offices

(34 floors), Hotel (25 floors), Residences (29 floors), Podium (12 floors) and 6 storey underground parking. "This level of complexity requires very specialised legal advice, and the documentation requires careful consideration and drafting. Differing approaches are also mandated if it is a horizontal or vertical development, as mistakes in design or operation within a mixed-use project are often multiplied many times over."

He highlights the increase in standalone residences being undertaken by investors working with luxury brands, or by the brands themselves: "One would expect the governance regime to be somewhat easier with this type of luxury branded real estate, where reliance on local condominium law is usually the starting point."

In short, depending upon the jurisdiction, governance can be a legal minefield: "To eliminate the risk of potential problems downstream, there is no substitute for seeking expert advice when planning mixed-use projects, especially those which incorporate branded residences," advises Dean.

One size doesn't fit all

Where only a hotel is being developed, the structure is pretty straightforward – one Hotel, one Owner, one Operator, and one Hotel Management Agreement (HMA). However, where the development includes Branded Residences, the legal complexity increases exponentially; a cookie-cutter approach is simply not possible as the legal framework needs to be bespoke to each jurisdiction. Richard Bursby at Taylor Wessing LLP highlights some key considerations.

"Branded Residences can be legally very complex, so it is essential to ensure that the governance works throughout the duration of the project," says Bursby. "A major contributing factor to the complexity is that Branded Residences require many more legal



Nobu Residences Los Cabos, Mexico

agreements than a standalone Hotel development." These include:

- (i) Hotel Management Agreement (HMA)
- (ii) Sale and Purchase Agreement for each unit
- (iii) Marketing Licence Agreement for the sale by the Developer
- (iv) Residences Management Agreement between the Operator and Developer/Owner (and/or Home Owner's Association)
- (v) Rules and Regulations
- (vi) An agreement between the Developer/Owner and each individual owner to ensure compliance with the Rules and Regulations
- (vii) An a la carte agreement for the provision of services by the Hotel to the Branded Residences
- (viii) Rental Program Agreement if there is a rental pool; and
- (ix) Shared Facilities Agreement if the Hotel and Branded Residences share infrastructure and common areas.

There may be dozens (if not hundreds) of individual owners (many of whom will change over time, as residences are sold). Each of these will, in addition to the ownership rights they acquire in respect of their properties, have rights and obligations in respect of the common areas.

A Home Owner's Association (HOA) may be created (often required by law) to represent the owners' interests, which may be the entity with which the Operator will contract to manage the common areas (see Home Owners Associations below).

"Sometimes developing jurisdictions simply do not have the necessary legal structure and regulatory framework to accommodate our requirements for residential developments."

Christophe Piffaretti, CDO, Kempinski

Developers often underestimate fundamental issues arising from three overlapping areas:

- (1) **Zoning:** A Developer will always need to satisfy local planning laws. The Branded Residences may also have to satisfy "hotel" use or show "touristic exploitation" in order to comply with these zoning requirements, which can require a Voluntary or Mandatory Rental Program.

(2) **Rental Program:** Some buyers will be motivated by investment and will not spend much time in their properties. Others will view their them as a second/holiday home and require the ability to stay in it at their discretion, thereby demanding more flexibility in respect of the FF&E package:

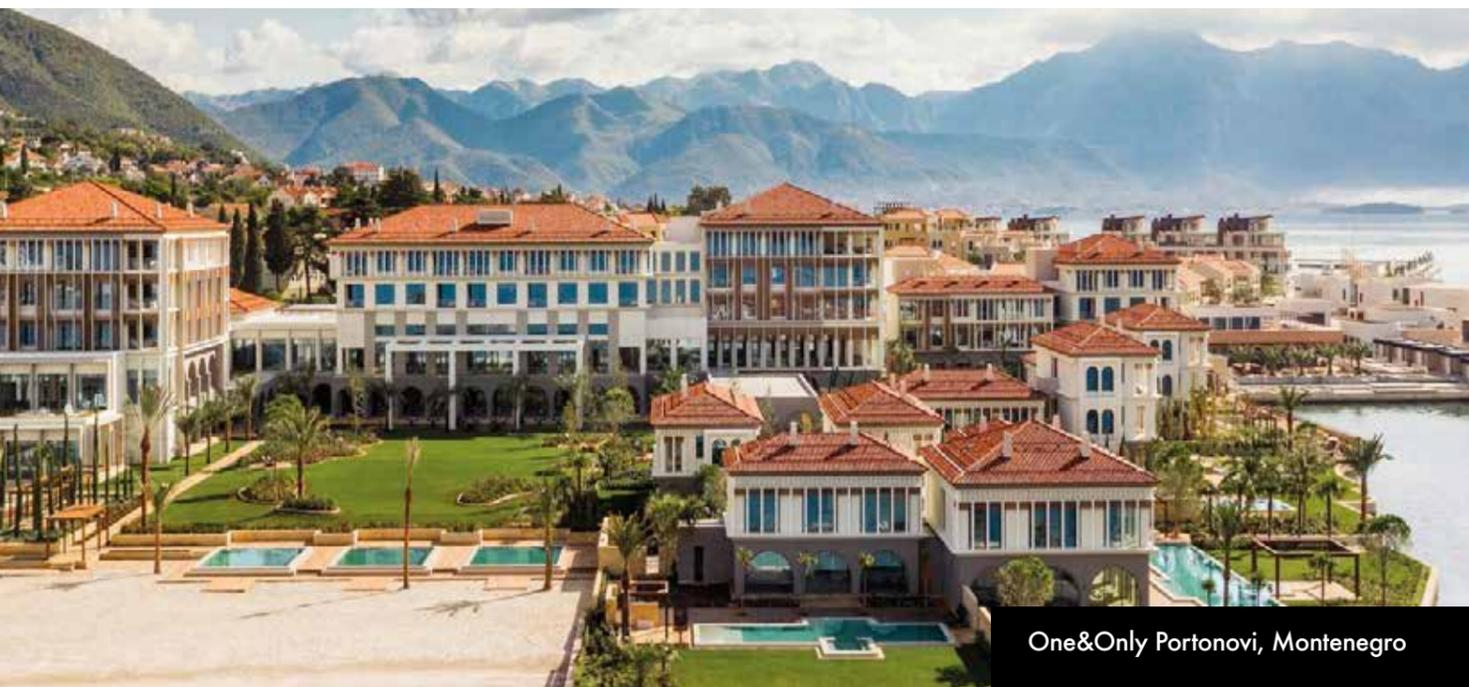
- a. Voluntary Rental Program: An owner can decide when to (or not to) participate in the rental program.
- b. Mandatory Rental Program: Privately owned Branded Residences must be available to the Hotel for renting out for a significant (often defined) proportion of the year.

(3) **Regulatory:** Issues often arise when marketing and selling Branded Residences with a Rental Program in some markets. Depending on the nature of the Rental Program offered, and the jurisdiction in which it is being promoted, it can be classed as a regulated financial activity as it constitutes selling "securities" or comprises a "collective investment scheme", so stringent regulatory requirements can apply. The law in this area is complex, so it is imperative to seek legal expertise at an early stage to avoid costs, delays - and potential penalties.

When structured properly, the branded residence model can create ample synergies and benefits for all stakeholders involved – developer, operator and buyers.

To ensure that it is structured properly, a professional market study and due diligence should always be undertaken to minimise risk and determine:

- the target buyers' profile, their investment motivation and risk appetite;
- the appropriate brand to deliver the desired premium pricing;
- accurate space layout, to ensure developer's control over shared facilities;
- the optimal rental programme structure based on market and project fundamentals, legal restrictions and requirements.



One&Only Portonovi, Montenegro

Home Owners Associations

“Government oversight of Home Owners Associations (HOA) varies from one jurisdiction to another,” observes Paul Dean of Dean & Associates. “An HOA or Residents’ Association is sometimes ‘a creature of statute’ or, in jurisdictions that do not have applicable regulatory regimes, it may be entirely contractual.” Many HOA’s are incorporated and subject to specific laws: for example, in the USA typically the HOA will be a corporation formed by the developer for the purposes of marketing, managing and selling of homes or the plots in a residential subdivision.

“An HOA may be created by law in the jurisdiction representing the interests of all individual owners of branded residences in respect of these common areas,” adds Taylor Wessing’s Richard Bursby. “This will be the entity that the operator will contract with. In this event, both the owner and the operator will be very concerned to ensure the owner still ‘controls’ the whole resort and the HOA, even after the owner will have sold some or all of the branded residences.”

Paul Dean adds that an HOA may grant the developer privileged voting rights in the HOA, while still allowing the developer to exit financial and legal responsibility of the organisation (normally by transferring ownership of the HOA to the homeowners after selling a predetermined number of residences or plots).

Dean points out that more significant challenges may need to be addressed in jurisdictions where condominium law is either not yet established or is in its early stages, especially with branded villas or apartments in larger mixed-use resorts. “In these situations, the governing documents run with the land – which means that they ‘touch and concern’ the land and there is no mutual agreement between the seller and subsequent buyers regarding their terms. These are ‘adhesion contracts’ – a condition of ownership that a prospective buyer must sign up to.”

Early iterations of branded residences in some jurisdictions have already demonstrated the types of problems which can arise, especially when ownership of the hotel changes. For example, consider the issues which arose with the Sukhothai Residences in Bangkok (see footnotes).

Why is a Homeowners’ Association necessary?

In the context of branded residential projects, governance typically determines control and responsibility - who makes, monitors and implements decisions - and accountability. It should cover the establishment of policies and the monitoring of their implementation.

To facilitate this process efficiently, the creation of a representative entity is a necessary first step - usually an HOA or Condominium Juristic entity.

When developing the residential component of a mixed-use development, it is vitally important to focus on how the residences will operate in practice. The building’s operational management will most likely be the subject of a Property Management Agreement with the appointed hotel operator, but there is still a requirement to establish a set of rules to:

- Provide a framework for the property owners, particularly regarding their specific rights and obligations as they relate to the common property elements within the development.
- Define how those common property elements will be maintained over time.
- Specify how the maintenance costs are to be met by the property owners in a fair and equitable way.

HOA membership is usually a mandatory condition of purchase for a residential buyer, who must pay assessments to and abide by its governing documents. When an owner sells, he/she is replaced in the HOA by the new owner who automatically assumes all obligations.

The authority of the HOA may be determined by local real estate laws and by the project’s ‘governing documents’, which usually include:

- Covenants
- Conditions & Restrictions [C.C.&R.’s]
- Corporate documents (Articles and Bylaws) as referenced in the C.C.&R.’s,
- HOA governing body-enacted rules and regulations.



<https://www.bangkokpost.com/business/2353241/city-tenants-applaud-court-ruling>
<https://www.thailand-property.com/blog/sukhothai-residences-importance-understanding-branded-residence-agreements>

Local Regulations

Prior to finalising the branding arrangement with the operator, the developer must thoroughly consider the local law. Lada Shelkovernikova at Watson Farley & Williams lists some important considerations:

1) Disclosure requirements

In some markets, local law places extensive disclosure requirements on the developers in cases of offering of proprietary interests in real estate. Hotel operators typically require the developers to include in the disclosure statement a full disclaimer with respect to the limited scope of the operator’s involvement in the project development.

2) Sale of residential units off-plan

There is often a special legal framework for off-plan sales and respective requirements should be considered from transaction timeline perspective.

3) Strata regulations

Special attention should be drawn to the strata laws (if any) and the powers of Home Owners Association (or similar governing body under the local law) (“HOA”), particularly in respect of their right to terminate the operator. Where the branded residences are developed alongside a hotel, this can become a major concern for the operator.

However, the risks related to the strata regime can be potentially mitigated through project structuring exercise; to achieve this, the project structure has to be carefully curated with due consideration of the physical layout, location of shared facilities, and the developer’s continuing involvement in the project.

In many jurisdictions the powers of HOA are supreme rights, which means that the law prioritises such voting powers over individual contractual arrangements (e.g. Rental Pool Agreement), the validity of any provisions in the project governing documentation that conflict with such statutory powers of HOA, may be challenged in court.

In many jurisdictions, it is permitted for the first OA rules to be prepared and adopted by the developer. This allows that, to the extent permitted by law, such rules provide for a maximum control over decision making by setting higher voting thresholds.

4) Foreign ownership restrictions

If, under local law, foreign investors are prevented from acquiring an ownership title, the developer may need to structure the project via a long-term lease arrangement, which may adversely impact the sales premium and may not be quite as appealing to investors.

5) Collective investment scheme

In certain markets, the rental pool arrangement can amount to a collective investment scheme / real estate syndication regime / managed investment scheme (or similar local equivalent); this requires special approvals from regulatory authorities and becomes subject to various compliance standards.

6) Licensing requirements

The asset management of residential projects may be subject to special licensing requirements.

Matters of Concern to Developers and Operators

When undertaking a branded residential project (especially in emerging markets) consideration must be given to specific issues and challenges, for example:

- Some jurisdictions do not have a legal structure or regulatory framework that accommodate common issues in mixed-use projects.
- Many foreign developers have little idea how to legally structure a mixed-use project and their legal counsel may be inexperienced.
- Developers frequently leave legal issues to the end, assuming this can be completed quickly (it cannot!).
- Developers often fail to consider that they may want to sell the hotel component in the future.
- Risk of termination of the management contract while allowing the branded residences to retain use of the brand (e.g. China).
- Developers often commence planning and construction without addressing fundamental questions relating to sharing facilities and costs, nor what happens if there is a disagreement in the future.
- If a rental pool is offered, care is needed as this has investment product connotations in several jurisdictions and is therefore subject to strict regulations.

Matters of Concern to Buyers

Buyers of branded residences want to be clear about ongoing financial obligations after completion of their purchases - notably how annual HOA dues are calculated; whether there are caps on annual increases; the Operator’s ability to raise special assessments; whether the Operator’s reserve funding arrangements are adequate, and wider obligations and related management fee entitlements.

Recognising conflicting interests.

As brand owners look for opportunities to expand their brands (e.g. to standalone residences) it is important to recognise the inherent tensions that exist between the interests of the developer, operator, and owners of the residences, advises Felicity Jones, Head of Hotels and Hospitality EMEA at Watson Farley & Williams LLP.

Whether residences are attached to a hotel or standalone, the developer will likely have an exit strategy (almost certainly in the case of standalone). A brand will therefore want to protect its position with regard to the implementation and maintenance of its brand standards, fees, and the reimbursements of the costs of the staffing and services. Maintenance of the residences and surrounding facilities in turn supports the value a homeowner has paid and looks to recover (at least in part) on sale.

Whilst an owner expects the brand to be associated with the project for the longer term, the developer may be less concerned with the longer term outlook; the operator's degree of involvement and commitment will depend on a number of factors (e.g. whether the units are part of a rental pool, city

center or resort location, local legislation). If these tensions are accommodated in a balanced way as the project matures and brand requirements change, they can be managed in the interests of all parties.

- *A developer*, keen to sign up with a brand to support its initial funding and marketing of the residences, may be less concerned with the capital expenditure required and the general and brand maintenance charges that will fall to the developer and/or the then owners of the hotel, commercial units and/or residences (and the extent to which these are equitably apportioned and collectible will affect value).
- *Branded residence owners* look to the brand for prestige, security, and convenience, and must consider the brand's quality and experience in terms of maintaining value should the developer exit, and they will have few direct undertakings from the operator itself.
- *The operator's* priority is to ensure that its brand standards (operational and physical) are maintained throughout the term of its relationship

The legal due diligence process

This becomes even more important to ensure the buyer thoroughly understands the complete package they are buying into - for it is far more than just bricks and mortar.

From a legal perspective, the branded residence is more complex than a traditional purchase. In addition to the standard due diligence, the property is likely to be a new build necessitating the review of the construction contracts and warranties. The properties have best in class technology which can require careful snagging assessments, as well as a suite of documents relating to the brand's management and any potential lease back options that might be available to a buyer if the brand is a hotel.

All these elements must be carefully reviewed and reported on by the buyer's legal team. For some buyers, the downside to these offerings are significant service charge levels which come hand in hand with the suite of services and the complex M&E contractual arrangements which underpin the functionality of branded residences.

There is an additional legal tension that comes from the lacuna between the leasehold term (or freehold) and the length of time a brand is committed. For a buyer, knowing that the brand will remain involved for the long term is critical - both for their experience and for maintaining asset value - and was, in part, a driver of the purchase. However, the length of a prime residential lease is often 900+ years, which is naturally too long a period for a brand to guarantee its association.

From a practical perspective, this makes sense as it is impossible to predict what might happen over 900+ years; for example, what will be perceived as luxury amenities in 50 years and what buyers may come to expect as innovation as technology develops. However, some buyers may consider the imbalance in timeframes provides less comfort than they might like, despite the flexibility upside.

Penny Cox, Senior Associate, Macfarlanes LLP



The Ritz-Carlton Residences, Estero Bay

with the residences. Particularly where there is no ongoing hotel relationship, the operator will want to know it cannot be frustrated in terms of its fees by local landlord and tenant legislation.

Given the premium paid by residence owners, they will want to see that the structure is suitable for a continuing brand presence, capable of maintaining the high quality services and position they expect.

Whether or not there are plans to include private residences in the hotel inventory, owners should expect the developer to have negotiated certain provisions in the management agreement (and other relevant documentation), for example in relation to maintenance, re-equipping and refurbishment, in a manner which give the residence owners a sufficient voice, whilst supporting the ability of the operator to enforce appropriate standards in areas relevant to its brand offering.

In order to maintain and protect their standards, many operators resist flexibility and termination rights. In some jurisdictions it has proved easier for parties to terminate a brand relationship than in others, but a balance needs to be struck here too. A change of brand is an expensive and disruptive exercise.

Any owner will therefore want to be comfortable that there is some security and commitment in the

relationship with the brand. Problems are more likely to arise if the brand lacks experience, or the structure has not been designed to fit both the location and the brand.

It is one thing for owners to seek rights to modify or scrutinise excessive capital expenditure demands, but quite another to put a brand in a position where it is forced to compromise its operational or brand standards, underwrite capital expenditure, or even terminate.

It is in the interests of all parties to ensure that individual homeowners cannot behave in a way that is contrary to the branded offering, but at the same time ensuring there are checks and balances in respect of the operator's activities.

In some jurisdictions residence owners cannot be legally obliged to abide by management regulations or be forced to incur capital expenditure. This is a challenging situation to resolve, but the risk can be reduced by the use of a structure which balances the approach of the operator with the interests of an owner. Such an approach will likely take steps to limit the exposure of owners from the behaviour of 'rogue owners' and incentivises the operator to deliver to an objective standard, which reflects the style and quality in which owners are invested.

Spotlight on Mandarin Oriental

With 9 operational residences and a further 15 in development, Mandarin Oriental Hotel Group (MOHG) continues to selectively expand its residential offering, driven by strong developer demand for the brand. Global Head of Residences Marketing Adelina Wong Ettelson provides her thoughts on working with developers, and emerging industry trends.

When is the optimum stage for a developer to engage with potential brand partners?

These discussions should ideally take place early in the development process. From a brand's point of view, it makes the most sense when a developer has ready an overall scope of the project and its components to discuss with a potential brand partner. As a luxury brand, Mandarin Oriental has very specific standards which would need to be incorporated upfront in the design and programming of a hotel and residences.

How long does it take from initial discussion with a developer to completing contracts?

It depends on the specific developer!

Your top criteria when evaluating a potential project to partner with?

1. A partner who shares our unwavering commitment to quality, service, lifestyle, and distinctive design.
2. The right mix – a good development partner, targeted buyer profile, and sell-out potential.
3. Opportunities that allow us to deliver the comforts of an exceptional private home combined with legendary hospitality.
4. The best prime urban and resort destinations.
5. One who understands that our brand values reflect cultural nuances and expectations for each location.

In this post-Covid environment, are you seeing any noteworthy new trends?

Yes, the pandemic has transformed the meaning of home and residences have become our offices, gyms, and schools. In a post-Covid environment, many buyers' preferences and needs have changed.

Two trends that have accelerated during the pandemic are flexibility and technology. Buyers, developers, and designers alike are rethinking home design, to make it more functional as work and personal lives continue to blend. Aside from these, we've also seen increased demand for multi-functional spaces, both indoor and outdoor, as well as enhanced home systems, and innovative wellness facilities.

Another trend we've been implementing at our properties is the luxury of private, Michelin-starred dining. Residents want exclusivity and privacy, and by offering dining options such as Boulud Privé by Chef Daniel Boulud at Mandarin Oriental Residences, Fifth Avenue, owners will have access to their own

private, residents-only restaurant and in-room dining services – a trend that is undoubtedly going to be a hot amenity amongst UHNWI.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

I have noticed a more collaborative approach from developers in recent years. We have always been a supportive partner to our developers and provide extensive briefings, guidance, and training sessions to their marketing and sales teams. It is important that they truly understand how we deliver our legendary service and to reflect the same high level of graciousness in all interactions. After all, they will be representing our brand in their respective locations, and usually this begins several years before a Mandarin Oriental Hotel is even open.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Despite tremendous sector growth, buyers and developers are still attracted to hotel brands because of their established reputation and credibility in luxury hospitality. Because of our legendary service and rich history, Mandarin Oriental provides what non-hospitality brands cannot. We are consistently recognized for outstanding hospitality, exceptional design, innovative dining, holistic spas and wellness facilities, and management. Above all, it is our 12K+ colleagues who are empowered to deliver our distinctive service to guests and residents, and bring the brand to life. They are our most precious asset. For buyers, a Mandarin Oriental residence provides significant benefits such as the proven management of a 5* hotel group, 24/7 service, luxury amenities, and hassle-free living that complements the UHNWI lifestyle, in addition to a prestigious investment property that will hold its value over time.

To create the world's most sought-after residences, we are very selective who we partner with. In return, to partner with us delivers high value in the luxury residential sector.

Your Top 3 tips for developers?

1. Establish a strong relationship with brand partners based on open collaboration, clear communication, and mutual trust.
2. Invest in your marketing collateral; it must stand out and reflect the very best of luxury living.
3. Maintain a solid sales and marketing team throughout the development process, and appoint an experienced marketing leader to work with us. The key to success for many luxury brands is consistency.

Designed for Living

"Design is a critical part of the creation of a brand. The use of well-known architects and interior designers not only increases the quality of the final product but also helps potential purchasers identify with the development."

Knight Frank, 'Branded Developments'

YOO's founder John Hitchcox spotted a gap in the market when he launched into this sector around the turn of the millennium: "Consumers are more home and design conscious than ever before," he observes. He believes that this has led to the increase in branded (or 'design-led', as he prefers to call them) residences over 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."

Much the same as a luxury brand, an architect or designer brings a distinct identity, style and positioning that resonates (or doesn't) with audiences; these are measured by each individual's understanding, perception and experience of that designer or brand. "Respected architects and interior designers certainly add value, enabling purchasers to further identify with the type of lifestyle and environment a development will deliver," comments Robert Green of Sphere Estates.

John Hitchcox acknowledges this point: "For example, 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 and also a slice of a lifestyle they aspire to."

Adam MacLennan at PKF hotelexperts agrees: "It is important for brands to offer something tangible

and design can be an important differentiator." Accor certainly sees design as a key to differentiation, as evidenced by its reassessment of its brand standards to deliver "1 brand, 1 identity, 1 design".

And it's not only about ergonomic and aesthetic comforts for residents and guests; as previously predicted in this report, eco/sustainability credentials will rank increasingly higher. "Designing in harmony and with regard for the natural environment and its limited resources is a significant design consideration," writes Don Harrier at HKS.

Whilst it is evident that superior interior design is a major attraction for all parties, it may on occasion deter wealthy buyers, as Lynn Villadolid of Capital Lifestyle Partners points out: "Some HNWIs prefer surroundings designed to their own style and taste rather than 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."

Regarding the evolving attitudes towards design, Richard Candey at Cushman & Wakefield observed that developers have become more flexible in terms of design and accommodation layout requirements, which he believes can result in more efficient use of an existing building floor plan. "This can give them a distinct advantage in competing for period buildings against conventional hotels or other uses."

In conclusion, brands and operators can capitalise on their design expertise in the luxury market by advising developers on how best to bring the product into alignment with their brands, to the benefit of both parties.

"Hospitality design is beyond lifestyle ... it's all about creating memories."

Kevin Underwood, HKS Architects



Hale Nani Penthouse, The Residences at Mandarin Oriental, Honolulu



The Ritz-Carlton Residences, Amman by WATG

Branded Residences and Sustainability

The hospitality sector is constantly responding to the latest trends, awash with the latest 'buzzwords' as thinkers seek to predict the future of travel and tourism. Looking ahead, most pundits agree that the Environmental, Social and Governance (ESG) agenda will increasingly be at the core of the sector. WATG collaborates with more developers of branded residences globally than any other, so who better than Rob Sykes, Director of Advisory at WATG, to explain how sustainability is much more than just another passing trend.

As an eco-system of developers, investors, advisors, and designers, we have a duty of care to steer our projects onto the right course to mitigate negative impacts, for both the future of the planet as well as their commercial success. As with other asset classes, when it comes to hospitality and branded residence developments, we encourage a rebalancing of priorities. Whilst cash will always be king, sustainability and ESG targets are increasingly coming to the fore.

Empirical data shows that the planet is on a pathway towards ever more concerning climatic and environmental fragility. But what does the hospitality sector have to do with this? Well, hospitality is the worst performing asset class when it comes to energy performance and waste. Furthermore, the majority of luxury hospitality projects are located in some of the most beautiful, ecologically sensitive, and vulnerable locations imaginable.

With warmer winters and rising sea levels, selling branded ski lodges or beachfront villas in some locations could prove increasingly challenging.

Sustainability and ROI have long been seen as inherently incompatible bed partners. For many years, developer clients would aim to "design a truly sustainable project", only for this aspiration to wane under the pressures of value engineering and prioritisation of profit. However, it is fair to say that we are in the early stages of a movement where there is a genuine commitment to make it work from both sides. Major advances in technology are enhancing the impact of every green dollar invested, and developers are increasingly assessing the long-term savings and gains, rather than dwelling on perceived short-term pain in terms of capital expenditure. In short, investment in high-impact, unseen sustainability features should be prioritised over lower-impact but more visible 'greenwashing' technologies.

A relevant case study is TEMES, developers of Costa Navarino in the Peloponnese, which has achieved success by scrutinising where investment in green infrastructure delivers the greatest bang for its buck. As one of the most successful new European luxury holiday home destinations, an early strategic decision was to focus on site-wide infrastructure (e.g. rainwater harvesting, wastewater treatment, off-site photovoltaic farms, etc.), rather than simply focusing on the individual residences (that said, the residences do score highly in terms of energy efficiency, locally sourced materials, and native landscape).

WATG's interior design studio, Wimberly Interiors, has remained at the sharp end of the branded residences sector. As Principal Margaret McMahon points out, the sourcing of materials is a controllable aspect of the design process that has a tangible impact on ESG targets: "Inevitably, local materials are always prioritised, not just to deliver a project's

authenticity but also to mitigate the carbon footprint from importing materials can exacerbate," she says. "Beyond this, ethical supply channels are increasingly sought, with ever-growing transparency helping to drive the procurement process."

Hospitality is the worst performing asset class when it comes to energy performance and waste.

Renovation and repositioning of existing sites is a burgeoning segment in the industry. Often focusing on tired assets in prime settings, savvy investor-developers are zoning in on the magic 'value-add' formula. The expansion of branded residences as asset class is helping to drive the 'highest and best use' discussion. And, from an environmental perspective, the retrofitting of existing assets will always deliver a smaller carbon footprint than a new-build project. For this reason, the industry needs to make a concerted strategic push towards renovation rather than replacement when this is possible.

Consumer driven change

Perhaps the most impactful player in driving the movement towards responsible branded residence design is the buyer. Across all demographics, geographies, and budgets, buyers are actively demonstrating growing interest in the sustainability credentials of their property investments.

However, it is too early to observe clearly defined data regarding the green premium, but anecdotally we hear that it is becoming harder to sell properties that don't offer such features. And the good news is that, whilst sustainability and ESG are increasingly important to today's buyers, they are of fundamental importance to the next generations.

As discussed widely in this report, the 'prestige' factor is a key driver of branded residences success: It is a

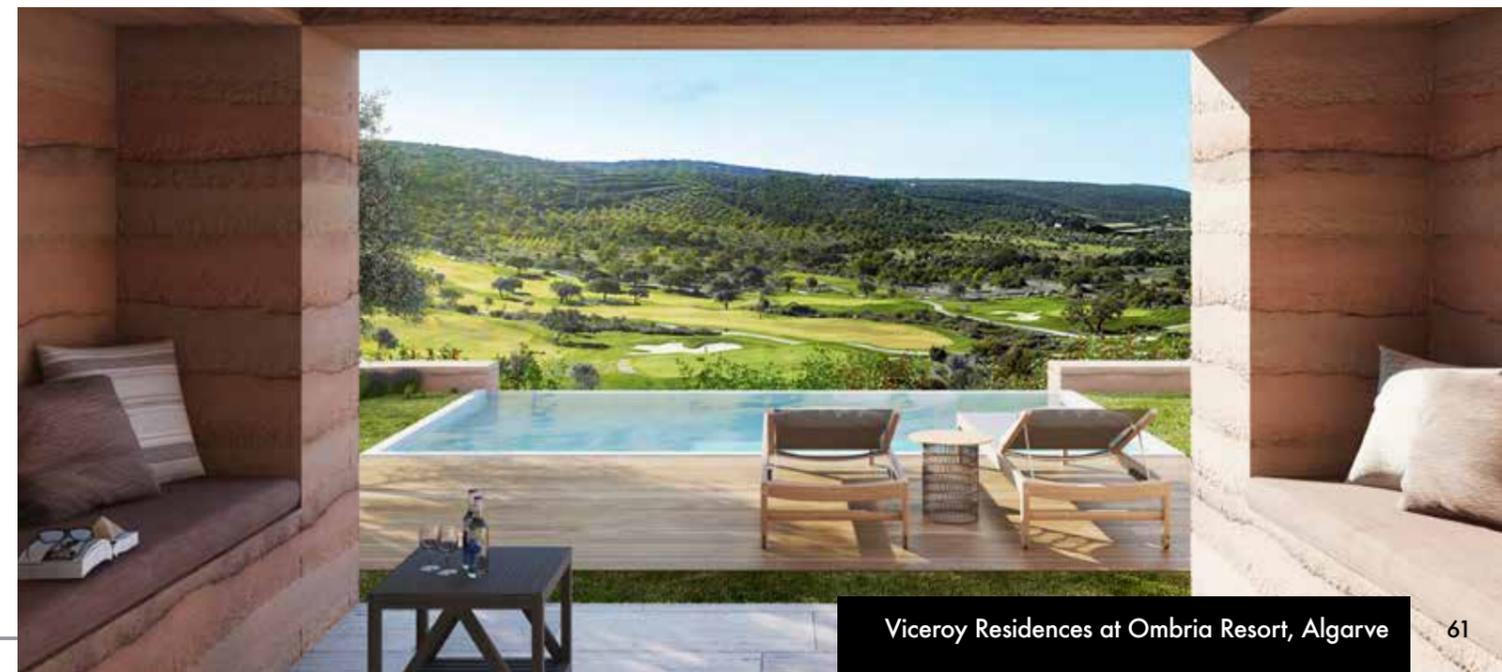
key driver of branded residences success: these are trophy assets, combining exceptional quality of design and service with the undeniable allure of international calibre hotel and luxury brand names. Yet increasingly residences owners are keen to show off the eco credentials of their latest asset to friends and family.

It is worth noting that a 'typical' owner of a branded residence may only occupy their second (or third, or fourth, or fifth...) home for a few weeks a year. In this situation it may be harder to justify the cost / benefit argument for applying design and construction elements that go the extra mile in terms of sustainability. This underlines the need for an in-depth, expert market appraisal when embarking on a branded residential project to gain insights into the prospective buyers, their motivations, and their likely usage and rental patterns.

'Bragging rights' regarding green features will only grow in importance.

At the luxury end of the market, branded residences mean so much more than simply a flag above the door and a badge on a uniform; indeed, ownership is about buying into a distinct lifestyle with its associated amenities, security, and prestige. As with a hotel, there is regularly an unavoidable environmental and social impact both during construction and the ongoing operation and, when guiding clients through the strategic planning stage, we aim to find a balance between optimal development value and responsible design. Our integrity depends on it.

Author's footnote: A recent survey by JLL and the Energy and Environment Alliance finds that ESG engagement by hotel investors is increasing and 'is no longer an after-thought': 55% expect to pay a premium for a hotel on the NZC50 (Net Zero Carbon) pathway, while 60% are actively factoring in ESG capex to comply with regulation.



Spotlight on Montage International

With an established footprint across the U.S., Mexico, and the Caribbean, Montage and Pendry Residences have global ambitions in their sights. The company recently reported an impressive \$1.1 billion in branded residential sales in 2022, so they are doing something right. We invited Tina Necrason, EVP & Head of Residential, to share some thoughts.

When is the optimum stage for a developer to engage with potential brand partners?

Developments vary depending on location jurisdictions, financial needs, whether it is new build construction or restoration, size of the project and a number of other variables. Generally, a reasonable time to seek brand partners for a mixed-use development is at the point in which the overall business plan is developed and the needs and the desires of the project are established.

How long does it take from initial discussion with a developer to completing contracts?

There are many factors that drive timelines from initial discussion to executing project agreements and therefore they can vary enormously from project to project.

Your top criteria when evaluating a potential project to partner with?

1. Creating long-term value with the proper financial vehicles in place.
2. Creating short-term value which helps to drive (price) premium.
3. The planning and execution of operating an exceptional guest and resident experience
4. Calibrating the proper metrics to maximize the inputs for both the hotel and residential performance – e.g. hotel keys plus residential inventory mix and the impacts of each of those components, the sizing of amenity spaces and service offerings, etc.
5. Focus beyond when the developer has exited a project; the priority for a buyer is on their long-term investment.

In this post-Covid environment, are you seeing any noteworthy new trends?

We continue to build upon the foundation of what makes our residential lifestyle so attractive. These attributes were accentuated during the pandemic and many buyers now prioritize these needs and desires. Effortless living has been at the forefront, with focus on time, connection, service and security. As such, buyers are also making decisions earlier in their family life stage – noting that they are seeking experiences for a long-term lifestyle, with the flexibility to live and work anywhere, so the notion of primary and secondary home status becomes blended.

With so many diverse brands active in the sector, have you noticed any change in developers' expectations about the support they require from brand partners?

From a residential perspective, developers are seeking insights and expertise from real estate success that the brand has proven to achieved. In addition, they are looking for collaboration on how best to set up projects and execute from a sales perspective to yield the most optimal pricing and velocity; this ranges from market knowledge, product offerings and overall solutions and synergy that the brand can offer. It goes much further than simply access to brand usage and standards. This approach is ideal in that it offers the greatest success long-term for all stakeholders.

Although non-hospitality brands are increasing, hospitality brands still account for the overwhelming majority of branded residential projects. What is it that continues to attract buyers (and developers) to hotel brands?

Buyers are attracted to the notion of 'living in a hotel' with access to all of the exclusive amenities and services of the hotel. The hotel also serves as a convenient guest house for family and friends. In a shared services environment, incredible value can be recognized from a carrying cost perspective as well. Overall, the pride of ownership, operator/manager credibility, along with the many privileges at their home property often are extended to a collection of hotels within a brand – the opportunity to travel and to enjoy experiences in many destinations becomes incredibly valuable.

Your Top 3 tips for developers?

1. Balance the proper financial levers to maximize the value for both the short and long-term.
2. Create flexibility in a development plan combined with a plan that is also poised to be sustainable in a variety of market conditions.
3. From a buyer's perspective, it's about investments that focus on asset preservation to maximize their exit strategy (short or long-term). Ensure that the many facets of the development can deliver on this – from product quality, programming and capital plans, along with the proper alignment from an operational partnership.



Montage Hotel & Residences, Los Cabos

Australia

For such an established and active residential market, it is remarkable that there are so few branded developments on this vast continent. So why haven't they caught on here?

The first brand affiliation occurred in 2000 on the Gold Coast, with the world's first 'fashion hotel', the Palazzo Versace. Then, for several years there was negligible activity until the high-profile launch of Crown Resorts' impressive One Barangaroo in Sydney.

Current branded residences projects include a Banyan Tree in Brisbane, Mondrian on the Gold Coast (sold out in 6 months), Seafarers by 1 Hotel in Melbourne*, Riverlee's One Hotel and One Homes, a Four Seasons hotel and residences in Melbourne (construction not yet commenced), Ritz-Carlton and St Regis developments on the Gold Coast, and a luxury hotel with branded residences at 52 Phillip Street in Sydney. The proposed Mandarin Oriental in Melbourne is not progressing.

"Over recent years we've only seen a handful of branded developments move from concept to completion, despite several major international hotel chains keen to collaborate with residential developers on projects across the country," observes Erin van Tuil, Head of Residential at Knight Frank Australia. Her colleague Michelle Ciesielski, Head of Residential Research, adds: "There have been rumours floating around for various branded residences earmarked for Sydney, Melbourne and Perth, but none of which progressed any further than chatter."

So why haven't branded residences caught on here?

From discussions with various informed parties, the author concludes that until late 2017 demand was so consistently buoyant that there was really no need or incentive for developers to brand their residences, since they were selling very well anyway - especially with the high cost of land and the premium that branding would add to the price (Baker McKenzie's Graeme Dickson observes that high land and construction costs are certainly a factor, but points out that Australia is not alone in these respects). Additionally, the quality and finishes in the unbranded top-end residential developments are very high, with most offering many of the same 5* services and facilities as a top luxury hotel operator.

When considering rightsizers, developers throughout Australia will need to look into more ways to differentiate the services and amenities they provide, and a branded residence can deliver this opportunity.

KF Rightsizing Report 2022

But faced with tighter lending, higher taxes on foreigners, and an oversupply of apartments driving

steep price drops, the residential market cooled significantly; foreign buyers fell away and competition to attract buyers became more intense. As a result, a few branded projects started emerging as a means of differentiation – although relative to the market size the numbers remain low.

But many believe that the future looks bright, as branded residences may yet find greater traction due to the differentiation and added lifestyle value they can offer, such as we've seen in other global cities. "Increasingly, more buyers in Australia appreciate and are willing to pay a premium for their luxury branded apartments, given the lifestyle a hotel-led development delivers. This is most evident with the recently completed Crown Residences at One Barangaroo," comments Erin van Tuil. "Branded residences are considered a safe 'lock-up-and-leave' investment, with many hosting 24-hour concierge and butler services."

Meanwhile, Knight Frank is actively leading the charge to promote branded residences and educate the market here. In 2022, they conducted a survey to test the Australian buyers' appetite for branded residences, finding that:

- 44% would be willing to pay a premium to purchase a property in a branded residence development, ahead of the 39% global average.
- For almost half of buyers, the key motivation is service provision and amenities available.
- 3% of Australian purchasers are attracted by the high yield and/or investment potential.
- Brand identity is important to only 12% of Australian purchasers.

This final point leads us to the crux of the issue: does having a brand and all that comes with it justify the higher price points in this market? As pointed out above, many unbranded luxury residential developments offer high-quality finishes, services, and facilities comparable to those that are supported by a hotel brand. As a result, the trend continues to move slowly as the evidence suggests that the concept has still not yet truly entered the HNWI buyers' psyche, as Baker McKenzie's Graeme Dickson points out: "Essentially, the vast majority of Australian HNWIs are yet to be sold on the fundamental concept of branding and the service proposition that underlies it, let alone the higher pricing it entails."

Nonetheless, Michelle Ciesielski remains optimistic that, as seen in other parts of the world, the trend is likely to pick up as the concept continues to mature in the domestic market. Erin van Tuil concurs: "As the number of Australian ultra-wealthy individuals are expected to grow by at least 20% by 2025, so will the demand for residences with high levels of serviceability and little maintenance."

Watch this space.

Luxury Real Estate in a Post-Pandemic World

'There will be other pandemics and other major health emergencies.... The question is not if, but when.'

Joint statement from 23 Heads of State, March 2021

Covid-19 has rapidly shifted the focus about the way we choose to live in the future. According to WARC (and others), optimising the home lifestyle is now a priority for consumers as home working, home entertainment, home fitness and even home schooling are likely here to stay, made possible by fast broadband and evolved management. When forced, we have learned that we can work, study, and play effectively from almost anywhere.

The pandemic especially impacted urban living. Many of the convenient amenities and attractions for which urbanites pay a sizeable premium (temporarily) disappeared, and after being stuck en famille in a high-rise apartment with cabin fever during a series of protracted lockdowns, the dream of access to a garden or outside space became very appealing.

Faced with potential lockdowns in the future, why not make the best of it? Home working has become commonplace with employers and staff, which gives people more options to choose where and how they want to live. As such, many buyers seek 'sanctuary' homes to live, work and play in comfort, to escape to with their families.

"Our homes have become our offices, gyms, schools, etc. The pandemic made buyers and homeowners re-evaluate their wants and needs," commented Adelina Wong Ettelson at Mandarin Oriental. "Now more than ever, buyers are looking to upgrade their homes and lifestyles with one key word in mind: flexibility." As a result, developers and brands are having to reimagine their programming to meet these changing demands.

Traditionally, luxurious amenities had been a driving motivation as buyers would go down a 'shopping list' of product features and facilities. "As the pandemic played out, there was increased emphasis on unit design modification and refined operating procedures across the luxury residential market," reflects Ben Martin at HKS Advisory. "All these new ways to live in our homes have brought new ways to design them," adds HBA's Cristian Rubio.

It was therefore no surprise that demand for rural (and suburban) property surged during the pandemic as buyers sought more space in less built-up areas for a healthier, relaxed family lifestyle. To illustrate this:

- 40% of buyers were more likely to seek a village location (Savills Buyer Sentiment Survey).
- USA studies reported >30% of buyers looking to move to less populous areas.
- 26% more likely to buy a 2nd home 'to enhance their lifestyle and use as a retreat during future outbreaks.' (Knight Frank's Global Buyer Survey)

And this wasn't limited to domestic properties: Coutts Bank reported that the largest increase in its client purchases was for vacation homes (+43%).

'The pandemic has not dampened the desire for high-net-worth individuals to own second homes around the world.'
CNA Luxury

Furthermore, Savills found that 23% planned to spend at least 2-3 months each year in their second homes - a significant increase over pre-pandemic levels. Indeed, its Global Residential Agent Sentiment Survey 2022 also reports a shift towards hybrid living, with homeowners spending longer periods in their second homes: "This appears to be a real lifestyle shift, rather than a passing trend," it states.

Compared to the pre-pandemic market, nearly half of sales agents across Savills global network reported more buyers seeking properties with these attributes:



The Residences at Mandarin Oriental, Muscat

- More space: 27% of buyers looking to upsize their main residences.
- Two-thirds of buyers searching for non-urban locations (of whom 60% choose resorts).
- Outdoor spaces (garden and terrace) ranked 2nd and 3rd most important.

this means allocating their resources toward luxury goods and experiences that prioritize values like privacy, wellbeing, and family," commented Tina Edmundson, Global Brand Head at Marriott. "That shift is now non-negotiable, as luxury is more designed by the individual."

"As we begin contemplating our post-pandemic (or next-pandemic) world... health, safety, and resilience will become one, and we'll see designers collaborating more freely with new and unexpected industries and professionals."

Margaret McMahon, Wimberly Interiors

As predicted in the previous edition of this report, there are signs that the pendulum is swinging back as buyers who fled to the suburbs and beyond experience withdrawal symptoms from the urban vibe. Recent research seems to confirm this: UK portal Zoopla observed the urban exodus 'coming to an end as city living makes a comeback', and Savills reported 61% of its buyers looking for urban properties.

However, whilst many continue to have jobs in cities, some do not wish to take their (now settled) families back into an urban environment; as such, able to work from home for half the week, they can opt for a pied-a-terre or flexible serviced apartment (which presents opportunities for co-working brands that offer accommodation like Zoku, Moda Living, and HoBo).

"In a post-pandemic world where flexibility and freedom are the pinnacles of luxury, it's no wonder that home buyers have taken to the idea of fusing the indulgence of a hotel with the familiarity of home."

Haute Residence

Pre-Covid, luxury was already shifting towards a modern, affluent, and more 'aware' consumer with an ever-growing variety of tastes and inspirations. "Consumers across the board are going to be more thoughtful in their decisions. For the ultra-wealthy,

With a focus on wellbeing and work/life rebalancing ("Wellbeing and amenities are now increasingly at the top of our buyers list of considerations," observed Maria Morris at Knight Frank), buyers seek personal space and privacy, and their requirements include:

- Access to open spaces and green areas.
- Secure, self-contained homes, e.g. in gated communities with controlled access.
- Working space away from family and noise, with 'Zoom friendly' environments
- Excellent broadband (ideally access to on-site business services).
- Access to non-public leisure facilities (gym, sauna, pool, hobby room etc).
- Shared facilities with contactless access; grab-and-go marketplaces.
- Bicycle friendly zones and storage.
- e-Charging spaces.
- Sustainable practices, e.g. air and water purification, energy-efficient systems.



Four Seasons Private Residences, Lake Austin

What does this mean for branded residences?

"In any crisis, people always turn to brands they know and trust. Because it's a branded residence, they want that relationship."

Dino Michael, SVP of Hilton's luxury brands

Most commentators agree that during the pandemic a 'flight to quality' saw branded residences perform very well, as they tick many boxes for all parties involved (brand, developer, and homeowner - truly a 'triple-win' scenario) in this post-Covid world.

"Branded residences were booming due to the private amenities, space and services that they provide," commented GBR's Riyan Itani. Jonathan Tomlinson at Kerzner agrees: "The pandemic changed the way we live. These demanding lifestyle requirements have emphatically emphasised the appeal of branded residences," while Akash Puri at Sotheby's adds: "With working from home established as the new normal, the pandemic allowed many HNWIs to reflect on their life choices. We especially noted increased demand for branded residences with superior amenities."

'Pandemic highlights the growing importance and surge in popularity of branded residences.'

Zaywa.com

"Many of the attributes offered by branded residences became more important to buyers during Covid than ever," observed Sphere Estates' Rob Green. "Enquiries for branded residences rose around 160% over the previous year, with sales up by around two-thirds."

There are many examples to illustrate this. e.g.:

- Edelman's "Brands Amidst Crisis" report attributed buoyant sales at The St. Regis Residences Rye during the pandemic to the value a brand can add in a crisis.
- Abhay Bakhaya at SH Hotels reported that with their 1 Homes Seafarers project in Melbourne, "the brand undoubtedly helped to maintain strong sales momentum during Covid."
- Alejandro Aljanati at Aston Martin Residences in Miami commented, "The pandemic didn't really affect us. We sold more units."
- In Dubai the new Four Seasons residences sold out in three months.

"In 2022, branded residence sales grew by 36% in the prime residential market, indicating positive investor interest. The market is very positive and so are the investors."

George Azar, LUXHABITAT
Sotheby's International Realty, Dubai.

From a legal perspective, Richard Bursby at Taylor Wessing adds a word of caution: "Covid-19 reminded us that anything can happen, so all stakeholders - Developer, Branded Operator and Buyers - need to consider a range of scenarios, in addition to the optimistic 'best case' outturn. It is important to ensure the interests of all parties are aligned when things may inevitably change after the contracts are signed."

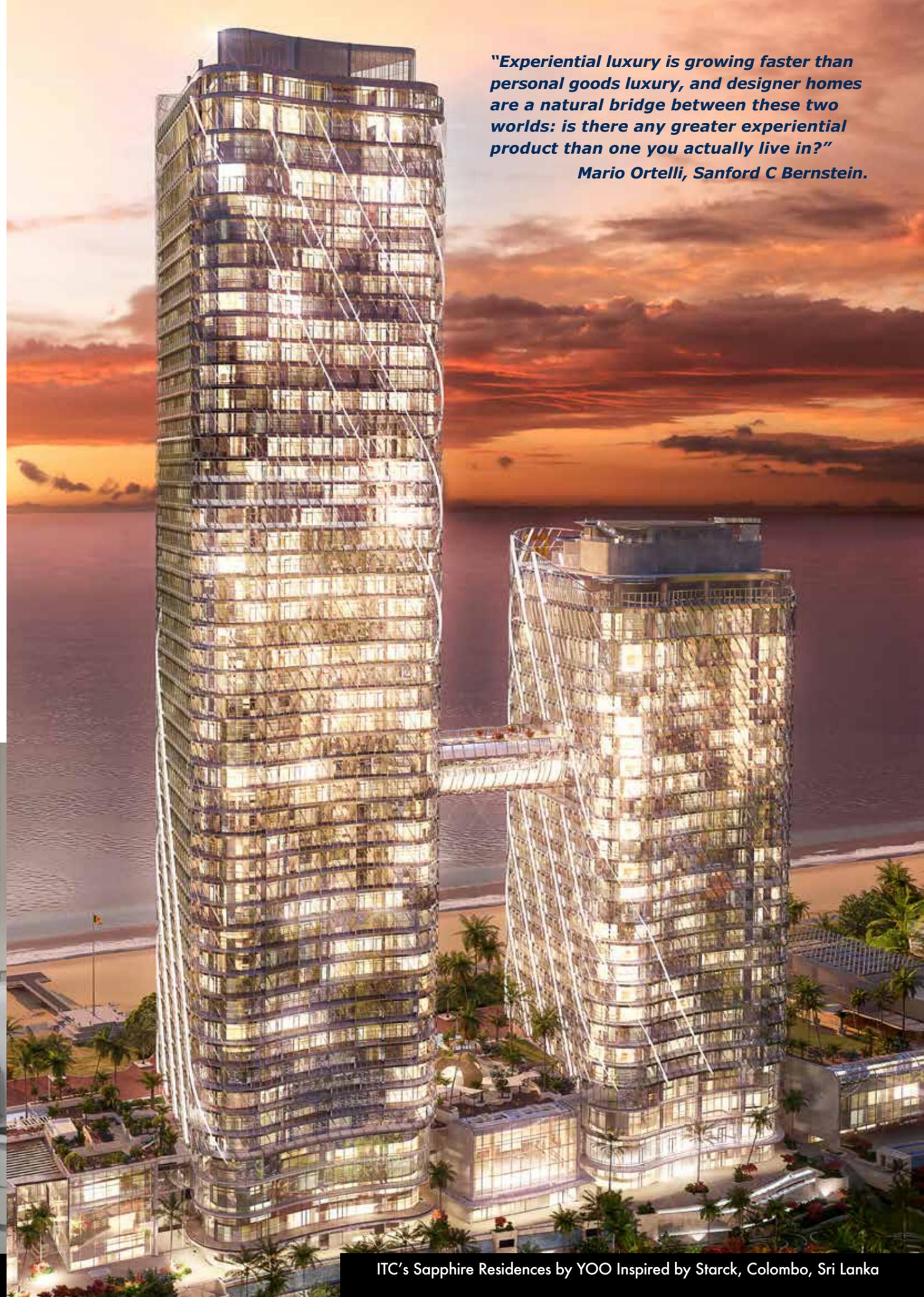
One thing seems certain: Pandora's Box can now never be closed, so expect the sector to continue to thrive.

"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?"

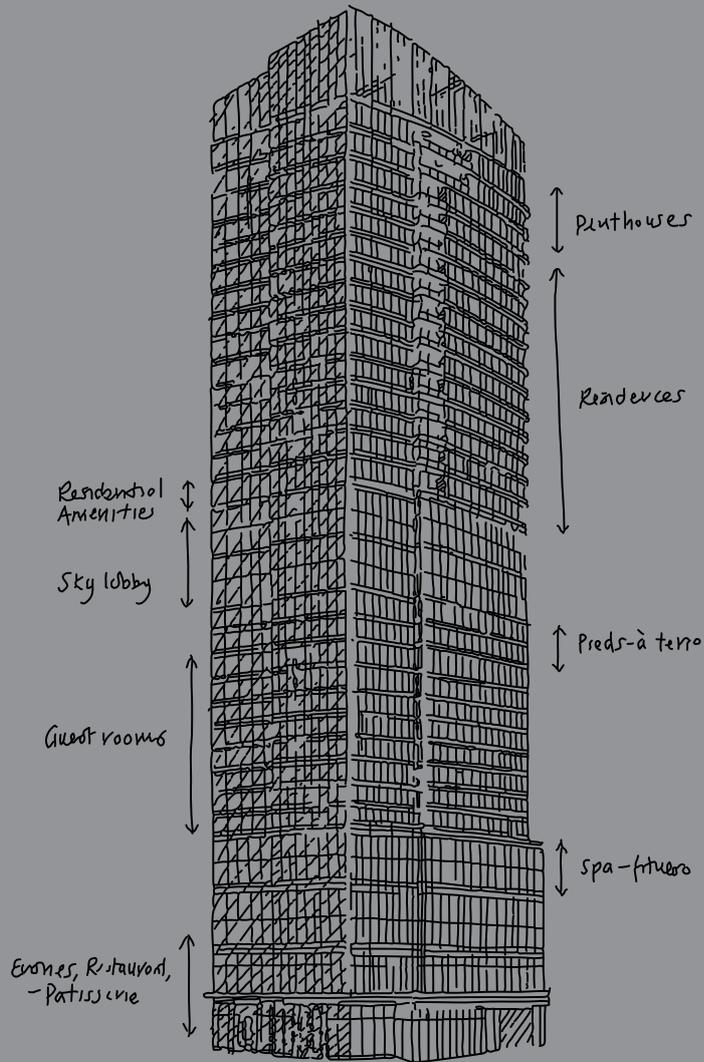
Mario Ortelli, Sanford C Bernstein.



Kempinski Bangkok Residences



ITC's Sapphire Residences by YOO Inspired by Starck, Colombo, Sri Lanka



Raffles Boston Back Bay Hotel & Residence

(Sketch by Lis Watkins)



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