

My Comments on IHIF Berlin 2019

Contending with IHIF for our Industries most coveted financial conference award is ALIS in L.A. in January where it is typically represented by all USA based hotel groups.



In the other corner, is IHIF Berlin which is a global affair. Every major hotel company of note and every CEO of a major hotel group attends or is represented at the IHIF.

IHIF Berlin is heavily weighted with hoteliers, sales & marketing, bankers, financial investors and owners. ALIS, on the other hand, has few operations executives, but many more investors, owners and financial executives. In 2019 IHIF was highly attended 3500 attendees and was an outstanding gathering of the “crème” of the crop of our industries decision makers.

Pronouncements at the IHIF were that the global hospitality market remains buoyant despite economic and geopolitical uncertainty, and customer behaviors and needs are changing. Hotel investors are looking more than ever at new strategies and brands as they need to be adaptable to remain successful. Real Estate investors specializing in other asset classes are now looking more closely at hospitality (Cordon Hotels) as an incubator for new investment opportunities: so at the IHIF it is a potential for convergence of strategies, new thinking, new deals.

In 2019, the Intercontinental Hotel Investment Forum (IHIF) invited the leaders and innovators of hospitality investments to build ever more opportunities by Partnering for Peak Performance.

The IHIF 2019 conference program looked at new growth strategies for all stakeholders, whether they are to be found in traditional markets, emerging destinations, improved asset management or operational strategies, or alternative lodging concepts. Over three days, the event brought together over 2,300 leaders of hospitality investment from 80 countries to share their expertise, meet new partners and make deals.

The 22nd Forum (IHIF) opened with Alexi H. Khajavi, Managing Director EMEA & Chair of Hospitality + Travel Group, Questex LLC and Jonathan Langston, Chair, IHIF Advisory Board welcoming over 3,500 delegates to the InterContinental hotel in Berlin.

The Economic Overview was delivered by Thanos Papasavvas, Founder and CIO, ABP Invest Ltd who opened his presentation with the statement, in reference to the global economic crisis, “we have just survived a hurricane”. He noted that one tool that drives the economy is Federal Reserve Fund Rates and looking at the economies of China and the US said “neither were a concern” and would maintain economic growth with Trump likely to stay in power until 2025. On the other hand, “Europe is my biggest concern”. Papasavvas said that Merkel “has been keeping the Europe Zone and Germany together and she is about to depart with no one ready to replace her leadership.”

Looking at UK and specifically Brexit, Papasavvas said in his view, “May will deliver Brexit” and the weaker EU economy will have significant impact in the UK. There will be opportunities for non-Sterling investors to invest in the UK and for medium to longer term investors, the UK represents a good opportunity. Providing the central banks maintain an ample level of liquidity, Papasavvas is positive about the economic outlook but warns of social and political unrest if the global economy, specifically the European economy, weakens.

Robin Rossmann, Managing Director, STR took to the stage to look at the markets, Past, Present and Future in A Global Hotel Market Overview. Rossmann opened by looking at the rise of brands and said “owners are choosing more branded hotels than they are independent hotels. In the last 10 years there has been a massive shift towards branded hotels.” He cited OYO as a brand to watch as in contrast to other franchise hotels, all their hotels are required to give 100% of their pricing control to OYO, thereby giving them total control.

Rossmann mentioned Germany as one to watch as it should be stable in 2019 but with 100,000 hotel rooms in the pipeline, the supply growth could negatively impact the market. Unfortunately, a World Cup hangover for Russia is unavoidable and many feared Spanish resorts hit a peak in pricing capacity in 2018. The later is largely due to the huge capacity in Istanbul and the Red Sea (Sharm El Sheikh) and Marrakesh

all offering a compelling alternative to Spanish resorts at better value now the safety concerns have abated.

Rossman concluded by stating the “drivers to travel remain strong and whilst 2018 was amazing, 2019 is still expected to be strong.”

Chris Day, Global Managing Director, Christie & Co delivered the next presentation on Buyers and Sellers: The Global Picture on Hotel Transaction Trends. Day opened by saying “less than 20 years ago it was almost impossible to convince institutional investors to consider hotels as an investment opportunity. How times have changed.” He stated yields are continuing to sharpen with increased activity being seen in the Middle East and buoyant hotel investment in Spain. Regarding the UK market Day said “some overseas buyers, particularly from Asia have withdrawn from the market until the uncertainty around Brexit is reduced”. Statistics support this with Asian investment 46% down compared to 2017. Institutional investors represented nearly 50% of the 2018 capital mix demonstrating hotel assets are now seen as a serious asset class by this group. Day cited risks to the market as new supply, geo-political risks and cost pressures and predicted that asset management will become increasingly important in our markets. He noted that banks have a better understanding of the asset class, with specialists deployed within their teams. He said that “we will continue to see low yields in prime locations with increased demand for opco/propco structures” and “investors will seek leaner and more cost effective models and hostels and serviced apartments provide these.” Day concluded by saying “savvy investors already see the hotel market as mainstream. Demand for quality assets in our market continues to grow. The hotel market has come of age.”

The IHIF Lifetime Achievement Award was presented to Sol Kerzner (KCMG) – Founder, Kerzner International and collected by his daughter on his behalf. Michael Hirst OBE, Consultant, CBRE Hotels presented the award to Chantal Kerzner. Hirst said during his meeting with Kerzner in London he confirmed his life lessons were; keep going, good enough never is and we can do even better. Kerzner was credited as an innovator and perfectionist and we all wish him a safe and speedy recovery to full health.

The highly anticipated Investors’ Panel: Money Makes the World Go Around: Identifying the Key Trends in Global Money Movement followed moderated by Michael Fishbin, Global Hospitality Leader, EY in conversation with Mai-Lan de Marcilly, Director and Head of Hotels Europe, KKR, Cody Bradshaw, Managing Director and Head of International Hotels, Starwood Capital Group, Abhishek Agarwal, Managing Director, The Blackstone Group, Khaled Bichara, Chief Executive Officer, Orascom Development Holding and Christophe Vielle, CEO & Co-Founder, GCP Hospitality (Gaw Capital Group)

Bradshaw said, “The majority of hotel deals done over the last few years have been done by investors who invest across all asset classes, so they don’t have to invest in hotels if they don’t want to” with which de Marcilly agreed by saying “we don’t need to invest in hotels if we don’t believe the dynamics are good.”

Vielle believes “Some of the investors will be a little bit more careful. They believe there will be better deals to come at the end of this year.”

Looking at the investment options across real estate, de Marcilly said: “retail is challenging, office is very expensive which leaves beds and sheds. We are investing a lot in beds – hospitality, student accommodation and hostels.”

The final day opened with a series of interviews with providers of alternative models within the hospitality sector. The first of these was Greg Greeley, President of Homes, Airbnb interviewed by Ömer Isvan, President, Servotel. Greeley said that from a company “whose owners opened their homes 10 years ago just to pay their rent” Airbnb now operates in 191 countries and has 7 million listings. Greeley believes they are in “the magical travel business”. Isvan questioned Greeley on the relationship with hotels to which he answered “last year we opened our arms to boutique hotels and our phones have been ringing off the hook. Any boutique hotel who provides a unique experience should not think of us as a competitor, they should think of us as a partner”. According to research, 89% of people who use Airbnb say they do so because there is no hotel in the area they want to stay so Airbnb say they stimulate travel in areas where it wouldn’t normally be. Talking about the types of accommodation listed, Greeley said “traditional vacation rentals, which have been around for years, have found that Airbnb is a useful platform”. Isvan wanted to understand the percentage of real estate that is purpose built for listing on Airbnb. Greeley replied that “there is there dialogue between developers and Airbnb. Airbnb is an open platform so developers who want to create a unique short-term rental, can do so.”

For a brand that is now a noun, Greeley believe the values are community and connecting. “We give the opportunity to stay somewhere there wasn’t previously a hotel. People are going to places that are magical and they’re making a connection, they’re not having a commoditized travel experience.”

A panel on - Evolving Hospitality: The Trends Shaping the Future of Hospitality. The engaging panel opened with saying “in 5 years’ time, every one of the major hotel brands will have a home accommodation brand in their portfolio” operators said “in an industry that is growing at 30% each year, there is space for a lot of players”. It was suggested there was an “institutionalization of hotel accommodation” emerging. On consumer demand for home accommodation like Airbnb “the customer wants home accommodation and ultimately that is what wins. But what we can do is bring people together for common experiences and

Airbnb can't." He challenged the usefulness of many of the hotel brand apps which simply put website content on them.

Lindsay Ueberroth, CEO of Preferred Hotels said we need to remove the word loyalty, now it's about lifestyle, about providing experience and how do you pull that into the programme. Travel is about more than the time on property".

The 22nd IHIF closed with a meal where we could all reminisce about past IHIF's and how the world had changed in just the last 12 months, let alone from the first IHIF in 22 years ago.