

Branded Residences





The Residences at Sindhorn Kempinski Hotel Bangkok, KEMPINSKI, Siam Sindhorn Co. Ltd

Foreword

2020 has been a year of change. The branded residential sector looks resilient even as competition grows

This year has seen significant change to our established way of life. The Covid-19 pandemic has altered the face of global property markets. But not all real estate sectors have felt its impact equally. Branded residences have proved more resilient than some.

The sector has experienced an extraordinary decade of growth. The last ten years has seen the number of branded residences increase by 170%, adding more than 52,000 units across 370 schemes. In spite of wider economic turmoil, 2020 is poised to be another record year with more than 100 new schemes opening.

The pipeline is now more diverse than ever. A wave of new brands from the art, fashion, design and celebrity worlds are supporting growth. Hoteliers, bringing more of their brands into play, have doubled down their participation. The diversified income streams the sector provides are more valuable than ever as the wider hospitality sector struggles.

Having tested the formula in core, established markets, brands are looking further afield for new opportunities. Twelve countries will receive their first branded residential project in the next four years, in locations as diverse as Iceland, Paraguay and Nigeria.

There is significant opportunity in the upper-upscales, upscale and midscale

segments. The pipeline of these types of brands is expanding fast.

But the current environment brings new operational and design challenges. The use of PropTech is accelerating as a result. As the way we use our homes changes, developers are re-examining product definition in order to accommodate flexibility in private space.

In the longer term, the sector could benefit from the behavioural changes we are already observing. More flexible working practices could see owners make greater use of what are often second properties. Demand to rent hotel-branded residences may be boosted as tourists seek out self-contained accommodation, with the benefits of hotel amenities.

As the sector touches almost every corner of the globe, and more brands participate, competition is growing. An understanding of local markets, careful buyer targeting and brand alignment is essential. Huge potential remains, but careful planning and advice is key to individual success.



Riyan Itani

Head of Savills International Development Consultancy

Summary

The branded residence sector has grown 170% over the past 10 years and 2020 is set to be another record year with over 100 additional schemes opening.

Miami, Dubai and New York remain the top three cities for branded residences globally. As the sector continues to diversify globally a number of new growth hotspots are emerging. Fast growing countries for the sector include Egypt, Vietnam, the UK, Morocco, Malaysia, Australia, and Saudi Arabia, amongst others.

Hotel brands continue to dominate, accounting for 84% of complete schemes and 88% of the pipeline, but 11 new non-hotelier brands are expected to enter the sector by 2025.

Branded residences achieve a premium, on average, of 31% compared to equivalent non-branded properties, although this figure varies significantly by location.

As the branded residence sector matures, there is significant opportunity in the non-luxury segment. The share of non-luxury brands accounts for 31% of the pipeline compared to 23% of such schemes open and operating today.

What are branded residences?

Branded residences offer many advantages in a crowded global marketplace for prime property

There is no single industry definition, but at its core, a branded residence is a residential property available for purchase on the open market that is affiliated, usually by design and servicing, to a well-known brand. This excludes traditional serviced (rental) apartments, although owners of branded residences can rent out their own properties.

Brand association instils buyer confidence through the assurance of a high level of service and usually an exceptional amenity offer. Buyers aren't the only beneficiaries. There are significant advantages for developers and the brand themselves as well (see graphic, right):

- A point of difference in a competitive market
- Wider customer base, including brand followers
- Design expertise and marketing benefits
- Potential price premiums
- Cash flow at early stage of development

How do they work?

Branded residences are usually a partnership between a brand and a developer. The brand grants a licence to the developer to market and sell residences incorporating their brand. In many cases the brand also manages and services the residential properties as part of an optional or mandatory rental programme.

- Income from licensing fees
- Additional rental product
- A deeper customer relationship
- Can help meet planning requirements (where single use may not be granted)

Fees usually charged

Fees payable by the developer include a marketing licensing fee (or royalty fee), paid to the brand on every sale. The brand also levies design fees (or a technical and services fee) in the conception of the scheme. Fees paid by the property owner include a trademark licence fee, for having the brand on their residence, management fees and the usual service charges or HOA fees.



Typical specification and service offer

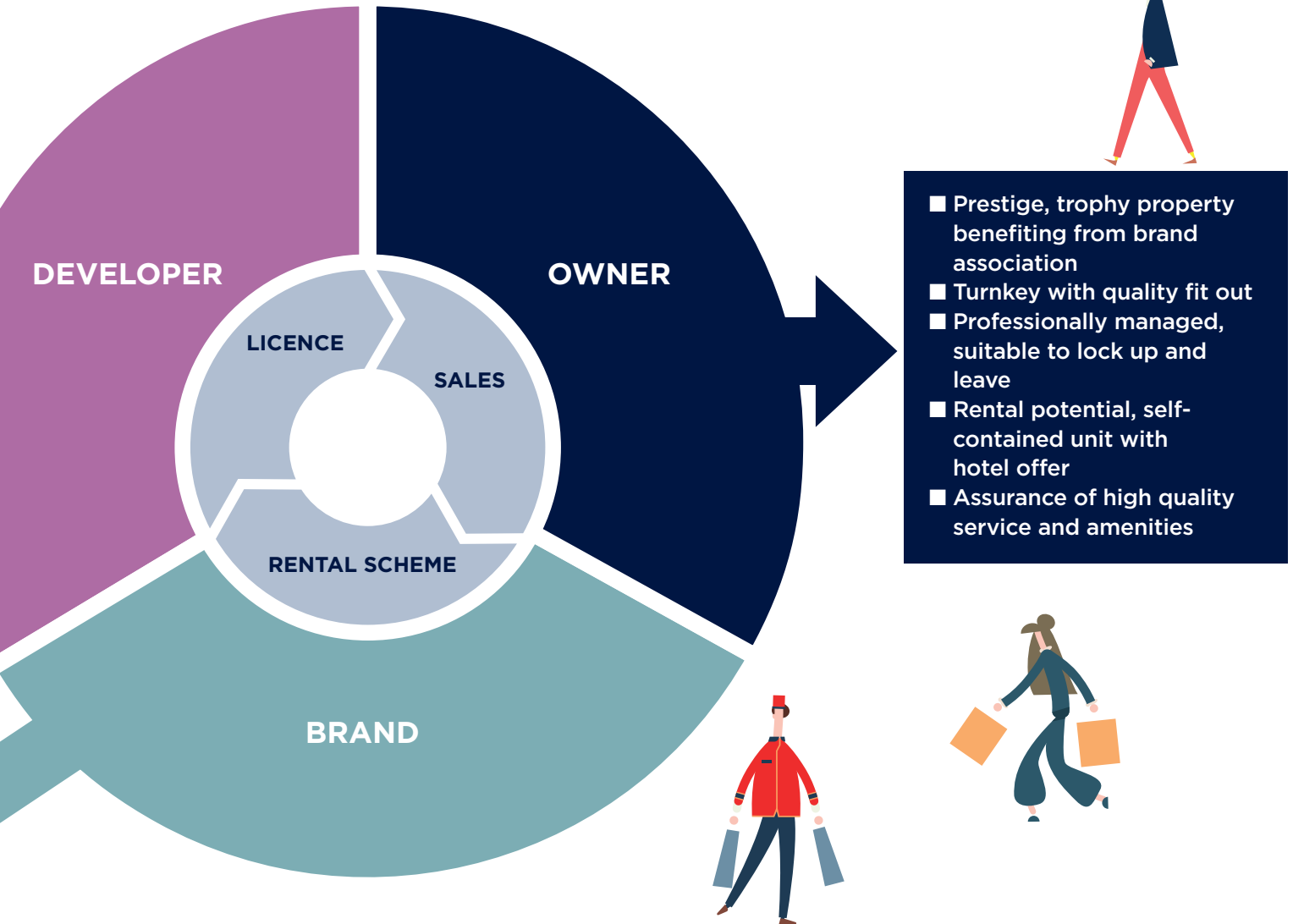
Unit types and sizes vary depending on scheme location. Furniture, Fixtures & Equipment (FF&E) packages are mandatory if a buyer wishes to enter their property into the managed rental scheme.

High specification plays an important role in positioning a product, but it is no longer the sole differentiator for branded schemes, particularly in more mature markets.

What sets these schemes apart is the services on offer. 'Base services' (included in service charges) comprise concierge and the use of hotel amenities (if affiliated to one), or in some cases, dedicated amenities. 'On-demand' services, at additional cost, range from housekeeping to pet services (see table, right).

The branded residence advantage

There are significant benefits for developers, brands and owners



Four types of branded residences

- 1**  **CO-LOCATED**
 Branded residence on same site or directly adjacent to a hotel
- 2**  **CONDO-HOTEL**
 Residences located within hotel building or comprising entire building
- 3**  **STANDALONE**
 Residence on separate site to hotel (but a hotel of the brand usually present elsewhere in city / location)
- 4**  **NON-HOTELIER**
 Residences that carry a non-hotel brand

Typical service offer



BASE SERVICES

- Use of hotel amenities (or dedicated amenities for residences)
- 24/7 security
- Valet parking
- Elevated status in loyalty scheme

Concierge, base services:

- Mail and package delivery
- Travel and restaurant reservations
- Spa and salon reservations
- Golf and entertainment reservations
- Wake-up calls



ON DEMAND SERVICES

- Housekeeping
- Laundry services
- In-home dining service
- Personal shopping
- Personal trainer
- In-home spa treatments
- Childcare services
- Pet services
- Meeting room services / office equipment
- Use of guest suite

An expanding market

The branded residential sector continues to expand geographically with more brands entering the market

The branded residential sector has grown 170%, by number of schemes over the past 10 years and 2020 is set to be another record year, with over 100 additional schemes opening.

The number of brands has risen from more than 60 to 130 in the last decade, and is forecast to reach almost 160 by 2025. As

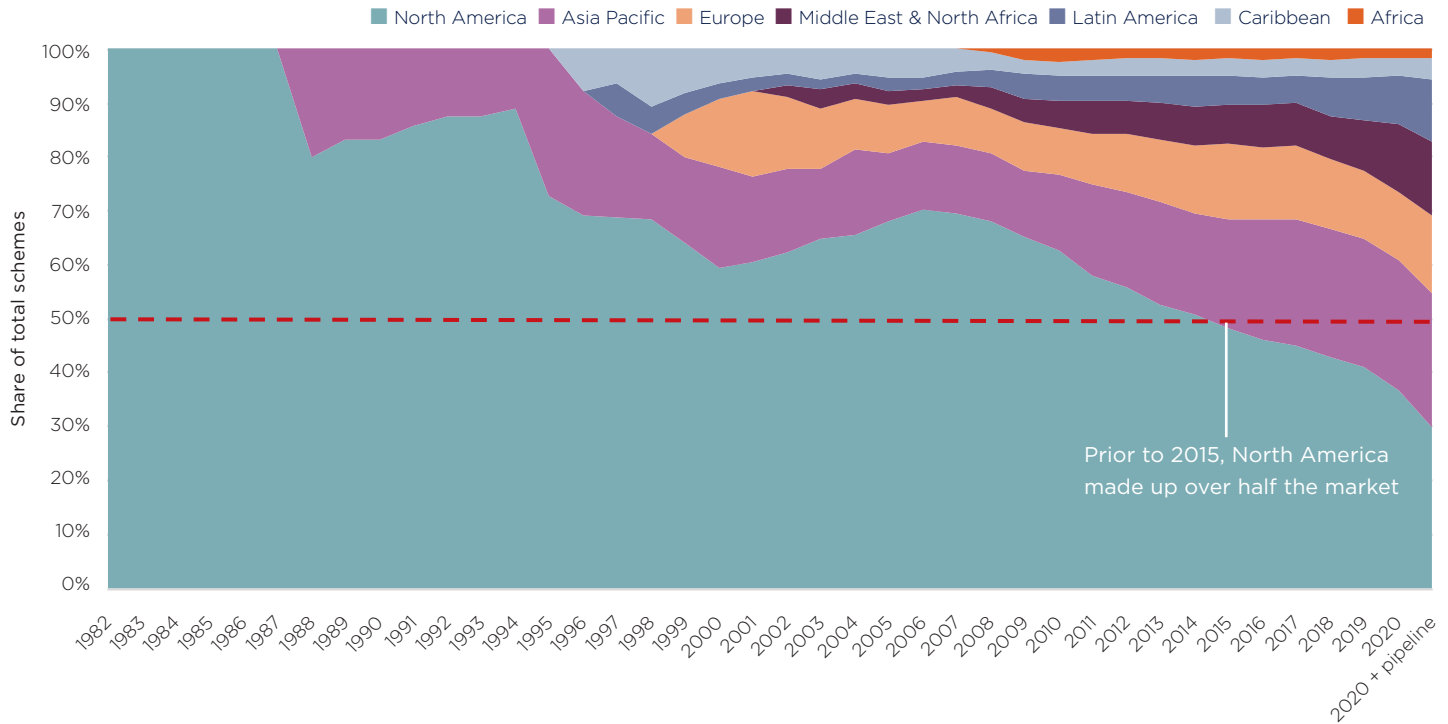
the sector has matured so it is becoming increasingly geographically diverse.

Going global

The branded residential sector has historically been focused in North America. The region was home to over half of all schemes until 2015 and currently accounts

for 40% of completed schemes. The pipeline demonstrates that brands are continuing to expand geographically, particularly driven by growth in Asia Pacific. Asia Pacific accounts for the largest share of pipeline schemes (25%), followed by the Middle East & North Africa (20%), and Europe (17%), compared to 16% in North America.

Branded residence schemes: Geographic evolution by global region



Source Savills Research & Savills International Development Consultancy

The United States remains by far the largest single country market offering a total of 183 complete schemes. This is more than the next nine largest country-level markets combined. Thailand and the United Arab Emirates are the second and third largest country markets, with 34 and 31 completed schemes respectively.

The cities with the most schemes today are Miami (32), Dubai (29) and New York (25). Dubai is forecast to become the largest city based on pipeline schemes.

Growth hotspots

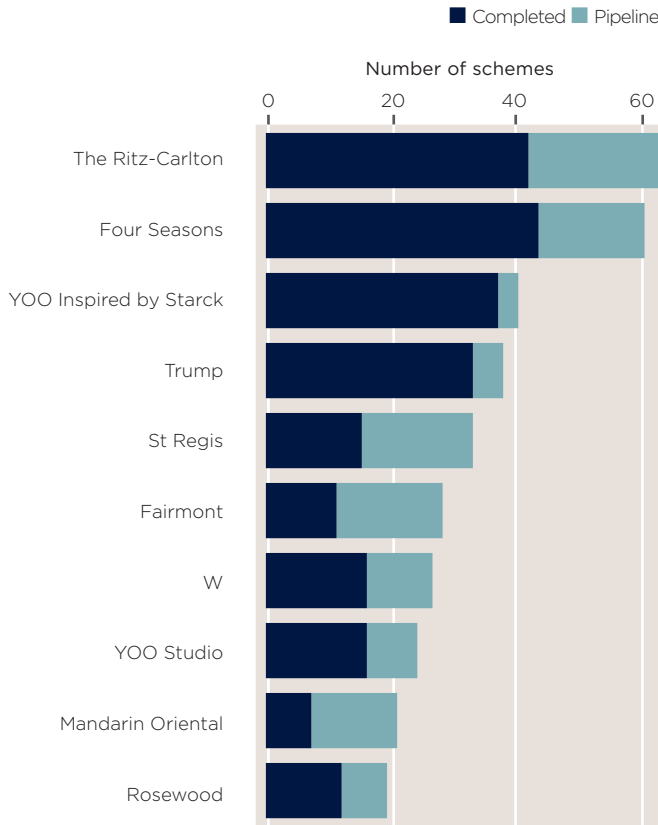
Globally, a number of new growth hotspots are emerging. Egypt is forecast to grow fastest of any country over the next four years, rising from one to 18 schemes. Other countries moving from a low base include Spain (+83%), Bahrain (+80%), Belize (+80%) and Costa Rica (+80%).

The United Arab Emirates, Mexico and Brazil are expected to add the most schemes by number among the fastest growing countries (those adding at least 50% to their existing supply).

Other fast growing markets, with a pipeline of at least six schemes, include Vietnam, the UK, Morocco, Malaysia, Australia and Saudi Arabia.

This mixture of emerging and established prime markets illustrates the ever-widening reach of the sector today. Now a proven formula, brands are confident entering new geographies. This is illustrated by the fact that 12 countries are scheduled to see schemes open for the first time by 2024. Leading the way for debut schemes are Cyprus and Nigeria, both with four developments each.

The biggest players: By brand



Source Savills Research & Savills International Development Consultancy

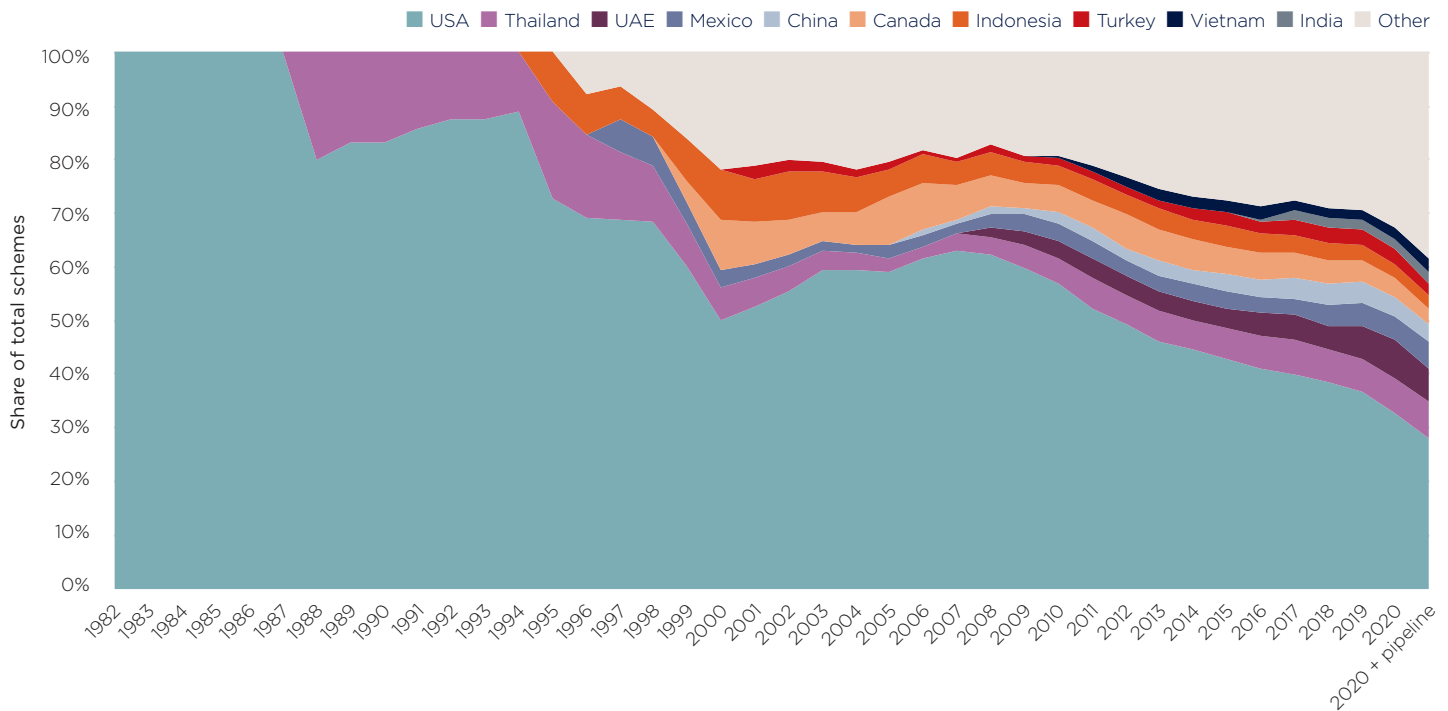
Counting completed and pipeline, the Ritz-Carlton (a Marriott brand) is the largest player by individual brand, followed by Four Seasons, both with more than 40 open and operating developments. YOO Inspired by Starck, and Trump rank third and fourth respectively.

St Regis is expected to overtake W (both Marriott brands) and YOO Studio and rise to fifth place, with 18 schemes in the pipeline. We have separated YOO into sub-brands. YOO was established in 1999 by John Hitchcox in partnership with designer Philippe Starck. It works with a team of celebrity designers, including Jade Jagger and Kelly Hoppen, to create distinctive designer-branded residences that bring visibility to projects. If YOO were to be counted as a single brand they would be the largest brand by some margin.

Meanwhile, Fairmont (an Accor brand) and Mandarin Oriental are to enter the top 10, with large pipelines of 17 and 14 schemes respectively. One of the fastest growing players in branded residences, the number of Mandarin Oriental branded residential projects will rise threefold as a result. While the majority of their residences are adjacent to a Mandarin Oriental hotel (co-located), standalone schemes are in the pipeline. These include projects on Fifth Avenue in New York and 111 Passeig de Gràcia in Barcelona.

Emerging brands are carving out niches in the market and are also expanding. Lefay, the leading Italian brand in luxury wellness hospitality, has one scheme with residences open and operating in the Dolomites and is expanding with two more schemes, one in Tuscany and the second in the Swiss Alps. Dream Hotel Group is another emerging brand. It plans to enter the market by 2021 with seven schemes in the pipeline across four of its brands, the majority located in the Americas, the exception being a pipeline scheme in Belgium.

Geographic evolution: Top 10 countries



Source Savills Research & Savills International Development Consultancy

The top 10 players in the sector since 2000

Two decades of change in the brand league

Analysing the top brand parent companies active in the sector over the past two decades, much has changed since Trump topped the table back in 2000.

Marriott has been the largest player since 2002, overtaking Trump which slipped to fourth by mid-year 2020.

Marriott is now by far the leader in the sector.

Accor ranks sixth by number of complete schemes, as of mid-year 2020. The company has expanded its presence in the sector significantly over the past 20 years and has a substantial pipeline. This expansion

will push it into second place, behind Marriott.

Other fast rising players include YOO, moving from tenth place in 2003 to second in mid-year 2020. IHG has risen to eighth from 12th place in 2012, while Dubai based master-developer Emaar has risen to 10th place from 24th in 2007.

2000	2005	2010
1 Trump	1 Marriott ↑	1 Marriott ↔
2 Marriott	2 Trump ↓	2 Trump ↔
3 Four Seasons	3 Four Seasons ↔	3 Four Seasons ↔
4 Hilton	4 Hilton ↔	4 YOO ↑
= 5 Banyan Tree Group	5 YOO ↑	5 Hilton ↓
= 5 Rosewood	6 Kempinski ↔	6 Accor ↑
= 5 Aman	= 7 Banyan Tree Group ↓	7 Banyan Tree Group ↔
= 6 Kempinski	= 7 Rosewood ↓	= 8 Kempinski ↓
= 6 YOO	= 7 Aman ↓	= 8 Rosewood ↓
= 6 Greg Norman	= 7 Greg Norman ↓	= 8 IHG ↑
= 6 Canyon Ranch	= 7 Accor ↑	= 8 Mandarin Oriental ↑
= 6 COMO		= 8 Emaar ↑
= 6 Capri Holdings		

Footnote: Data collected July 2020 based on brand reported information and Savills Research. Multi-phase schemes under one brand are counted as a single scheme in that location, similarly schemes in the pipeline that are part of an existing development are only counted once.



The Marriott Residences, Penang

2015

2020 (mid-year)

Future ranking
(complete + pipeline)

2015	2020 (mid-year)	Future ranking (complete + pipeline)
1 Marriott ↔	1 Marriott ↔	1 Marriott ↔
2 YOO ↑	2 YOO ↔	2 Accor ↑
3 Trump ↓	3 Four Seasons ↑	3 YOO ↓
4 Four Seasons ↓	= 4 Hilton ↑	4 Four Seasons ↓
5 Hilton ↔	= 4 Trump ↓	5 Hilton ↓
6 Accor ↔	6 Accor ↔	6 Trump ↓
7 Banyan Tree Group ↔	7 Banyan Tree Group ↔	7 IHG ↑
8 Rosewood ↔	8 IHG ↑	8 Hyatt ↑
= 9 IHG ↓	9 Rosewood ↓	9 Emaar ↑
= 9 Hyatt ↑	= 10 Emaar ↑	10 Banyan Tree Group ↓
	= 10 Hyatt ↓	

Source Savills Research & Savills International Development Consultancy

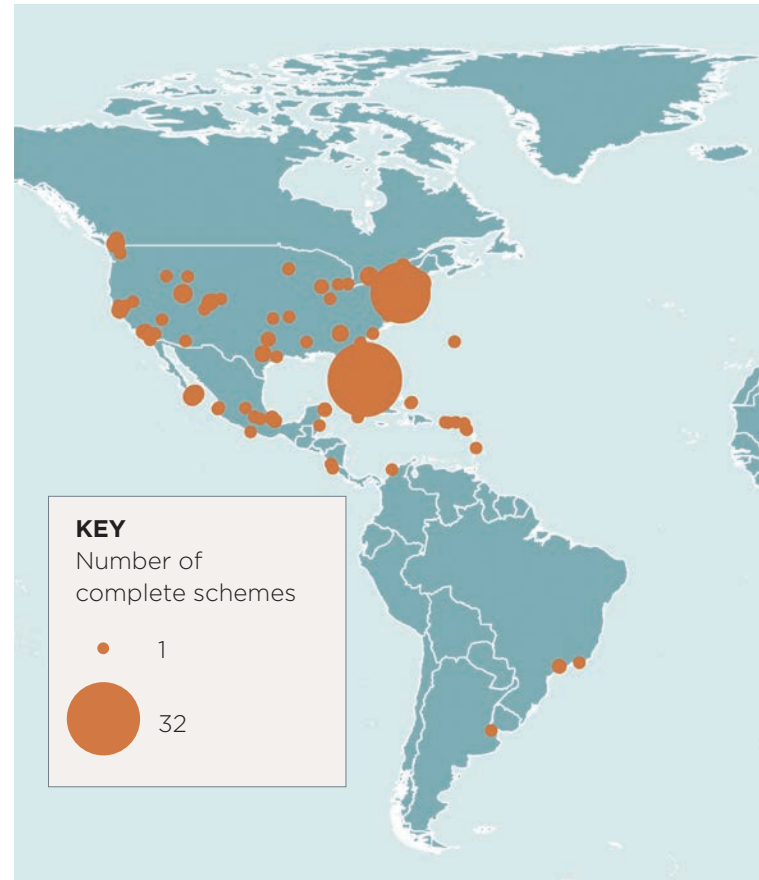
Branded residences: global distribution

Top brands by region by complete schemes

Parent company in brackets where applicable

NORTH AMERICA 1. The Ritz-Carlton (Marriott) 2. Trump 3. Four Seasons	EUROPE 1. YOO Inspired by Starck 2. Kempinski =3. YOO Studio =3. Martinhal
MIDDLE EAST & NORTH AFRICA 1. Address (Emaar) =2. Four Seasons =2. Paramount Hotels =2. Versace (Capri Holdings) =2. Vida (Emaar)	CARIBBEAN =1. Four Seasons =1. The Ritz-Carlton (Marriott) =1. Rosewood =1. Aman
LATIN AMERICA 1. YOO Inspired by Starck =2. Four Seasons =2. YOO Studio	AFRICA 1. Four Seasons 2. One & Only (Kerzner International) =3. Fairmont (Accor) =3. Club Med (Fosun) =3. Six Senses (IHG) =3. LUX*
ASIA PACIFIC 1. Four Seasons =2. YOO Inspired by Starck =2. Banyan Tree (Banyan Tree Group)	

Complete schemes

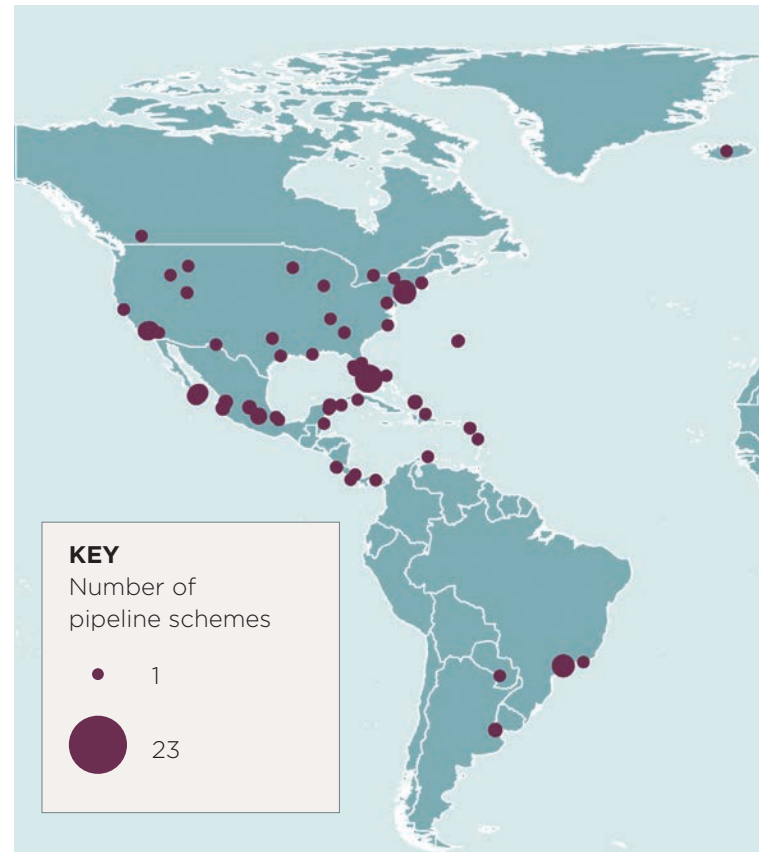


Top brands by region by complete and pipeline schemes

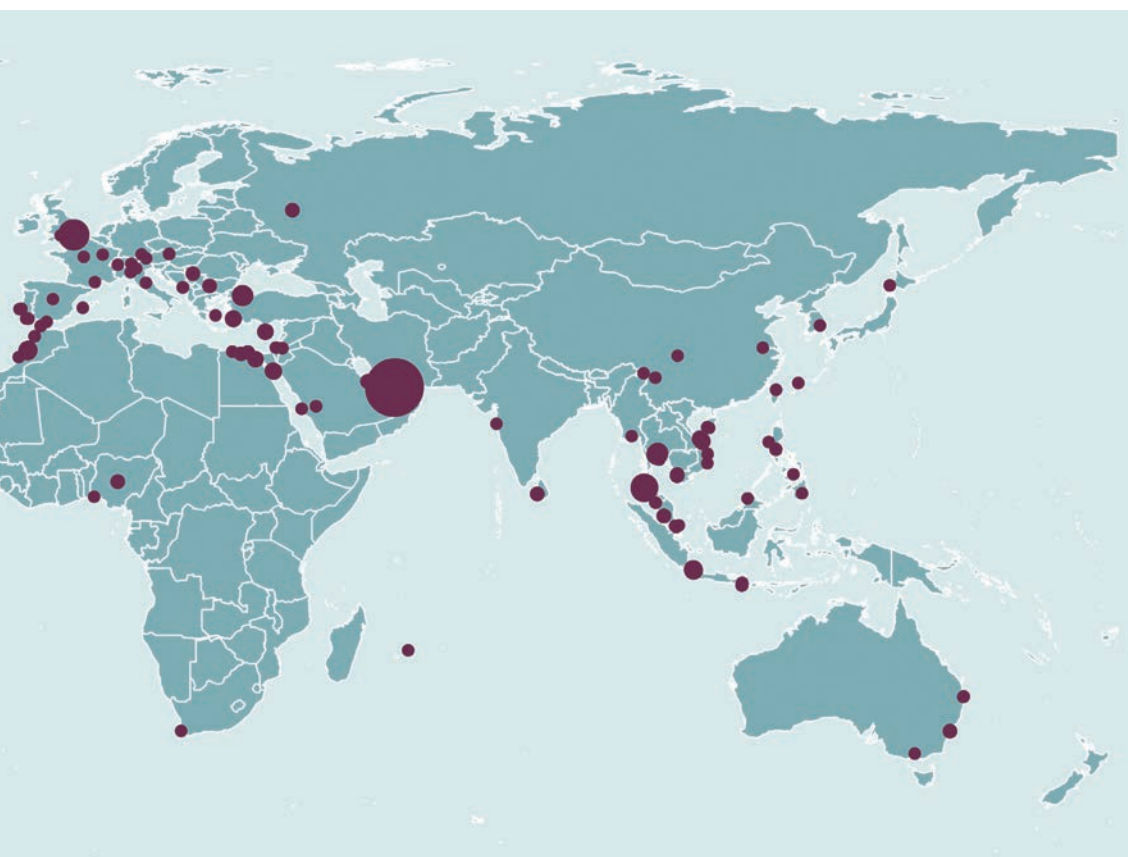
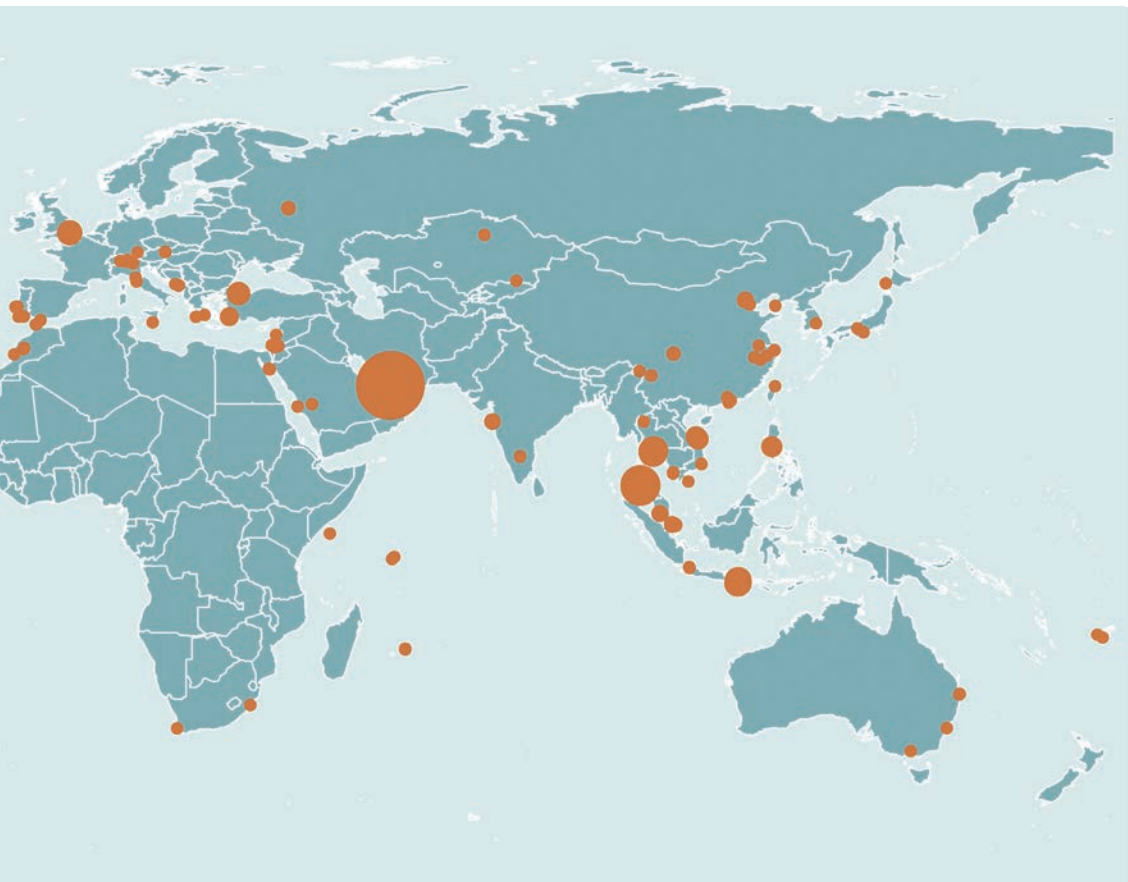
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MIDDLE EAST & NORTH AFRICA 1. Address (Emaar) 2. Fairmont (Accor) 3. Vida (Emaar)	CARIBBEAN 1. The Ritz-Carlton (Marriott) 2. St Regis (Marriott) =3. Four Seasons =3. Rosewood
LATIN AMERICA 1. YOO Studio 2. YOO Inspired by Starck 3. Pininfarina (Mahindra Group)	AFRICA =1. Four Seasons =1. Fairmont (Accor) =2. LUX* =2. One & Only (Kerzner International)
ASIA PACIFIC 1. Four Seasons =2. Banyan Tree (Banyan Tree Group) =2. YOO Inspired by Starck	

Pipeline schemes



There are more than 500 branded residential schemes globally, with 76,000 units combined. A further 400 schemes are in the pipeline.



BRANDED RESIDENCES AT A GLANCE



517 schemes globally



76,000 residences

The branded residence sector has grown

170%
over the past 10 years

2020

Another record year, with over 100 additional schemes



63% in an urban location



Marriott is the largest player, with 21% of schemes



The US is home to 183 branded schemes, the most globally



Top 3 cities by schemes:
Miami (32)
Dubai (29)
New York (25)



By region, Middle East & North Africa is expected to see the largest growth, with 156%



84% of schemes are hotel brands

Balancing the (chain) scales

The well-established luxury segment remains the backbone of the sector, but other chain scales are on the rise

The branded residential sector has historically been, and largely remains, dominated by luxury brands. Luxury hotelier brands (as classified by STR chain scales) account for 77% of complete schemes.

There is significant opportunity in the non-luxury segment, namely upper-upscale, upscale and midscale brands. Non-luxury brands account for 31% of the pipeline, against the 23% of such schemes open and operating today. Westin and Hilton are currently the biggest brands in the upper-upscale segment, with 13 and 10 complete schemes, respectively.

The growth of this segment is most apparent among the players with the largest portfolio of brands. In the case of Marriott and Accor, non-luxury schemes account for 33% of their pipelines combined, compared to 22% of their operating schemes. The deployment of a wider range of chain scale brands is a pathway to continued growth for these established players.

Accor's Swissôtel is expanding the most in the upper-upscale segment, with eight schemes in the pipeline across the Balkans and the Middle East, up from just one scheme currently open and operating. Accor's MGallery entered the market in 2019 with MGallery Residences Montazure, Phuket.

Marriott's eponymous brand Autograph Collection are expected to grow by 250% each, adding five schemes to their two already complete.

Emaar's Vida is also adding eight schemes across the Middle East, joining Swissôtel for the most pipeline schemes by volume, against three schemes currently open and operating. Once these schemes complete, Vida will be the third largest non-luxury brand by schemes, behind Westin and Hilton which are predicted to stay in first and second respectively.

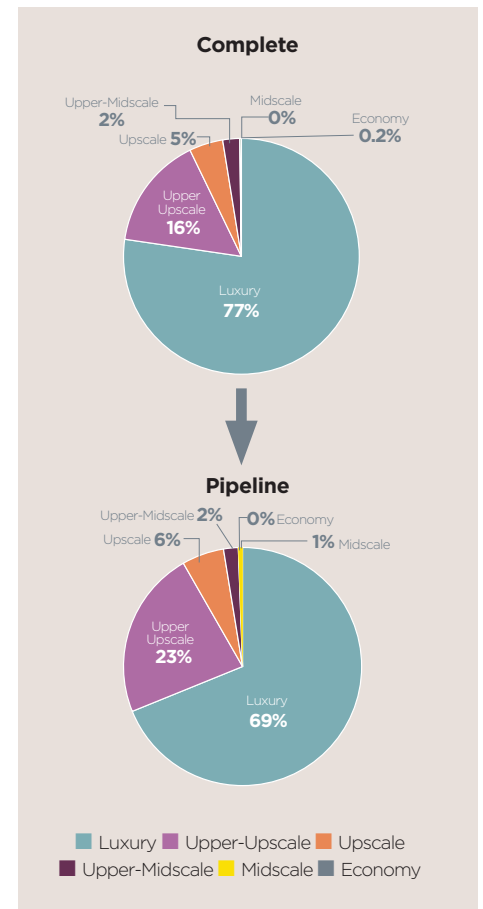
Non-luxury by geography

In terms of the distribution of the non-luxury segment, North America leads, accounting for 43% of completed schemes, the same share it holds of luxury schemes. But, this is expected to change.

Asia Pacific is expected to become the largest region for the non-luxury segment (a different story to its future profile in the luxury segment). Upper-upscale and other non-luxury brands present particular opportunity in emerging markets, with lower entry costs and hence less risk than luxury brands, allowing branded residences to reach new demand bases.

Chain scale composition also varies by country. Thailand and Vietnam have

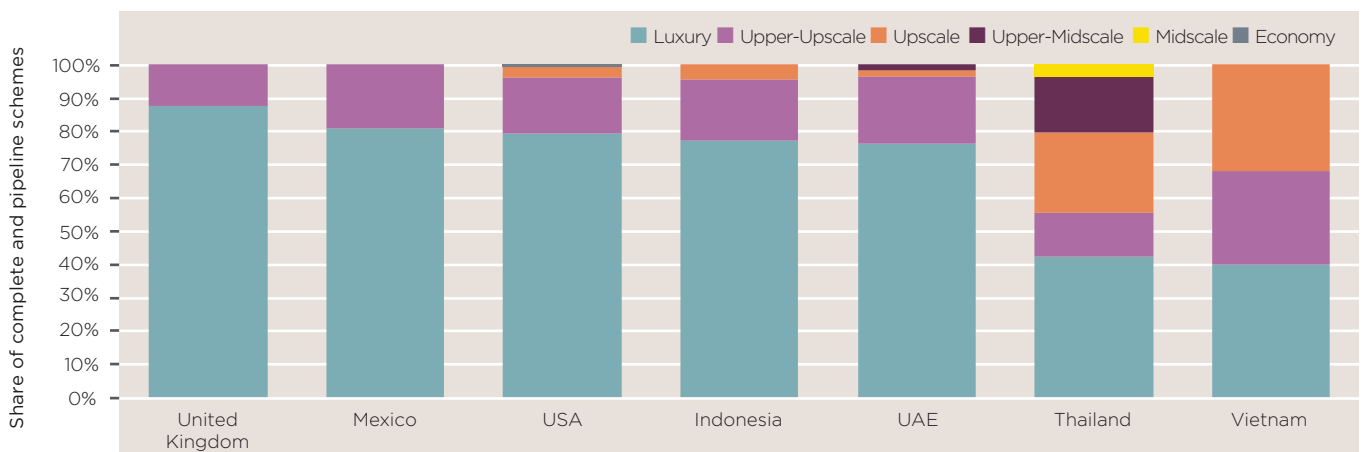
Complete versus pipeline: expansion of upper-upscale



Note: may not add up to 100% due to rounding
 Source Savills Research & Savills International Development Consultancy

Chain scale variation by country:

Selection of markets with at least 15 schemes



Source Savills Research & Savills International Development Consultancy

a particularly diverse chain scale base. Here, such brands account for almost half (48%) of complete and pipeline schemes.

Both Thailand and Vietnam are emerging destinations with deep tourist markets, accommodation offerings here also cross the spectrum of price points, hence these markets can reach a range of international demand and this is reflected in their chain scale variation. Domestic wealth creation is also growing, further widening demand for branded residences.

‘Lifestyle’ hotelier brands

Different brand chain scales are not the only way to reach new markets. Hotelier lifestyle brands (the majority of which are luxury) can tap into different demand bases with their own design-led, experiential brands.

Marriott’s residential portfolio, for example includes the stylish W brand which offers bold contemporary design and vibrant social spaces suitable for hosting music, fashion and other events. Similarly, EDITION offers a boutique hotel experience, with notable food and beverage offerings and custom designed

spaces that reflect and embrace the city in which they are located.

W leads the way among these brands, with 16 complete schemes and 10 in the pipeline. Westin has the second largest number of complete schemes (13) and is the only non-luxury brand currently in this segment.

SLS (an Accor brand) is expected to see the largest growth, with just three complete schemes, but a pipeline equal to that of W. SLS is expanding into Latin America, with five pipeline schemes located in Mexico and two in Argentina.



The Towers of the Waldorf Astoria New York, Developed by Dajia US

Cars, fashion and design

A growing branded residence segment. New non-hotelier brands, from Pharrell Williams to Aston Martin, enter the market

Non-hotel brands are a growing sub-segment of the market. Over the past ten years, the growth of such schemes has outpaced that of hoteliers, rising from 11% of the total market in 2010 to 16% in 2020. The branded residences sector offers the opportunity for these brands to expand their brand profile, diversify their business

model, and deepen their relationship with their customers.

Eleven new non-hotelier brands, from food and beverage to automotive related brands, are expected to enter the market by 2025.

The range of brands in this space is diversifying. Design brands, largely YOO

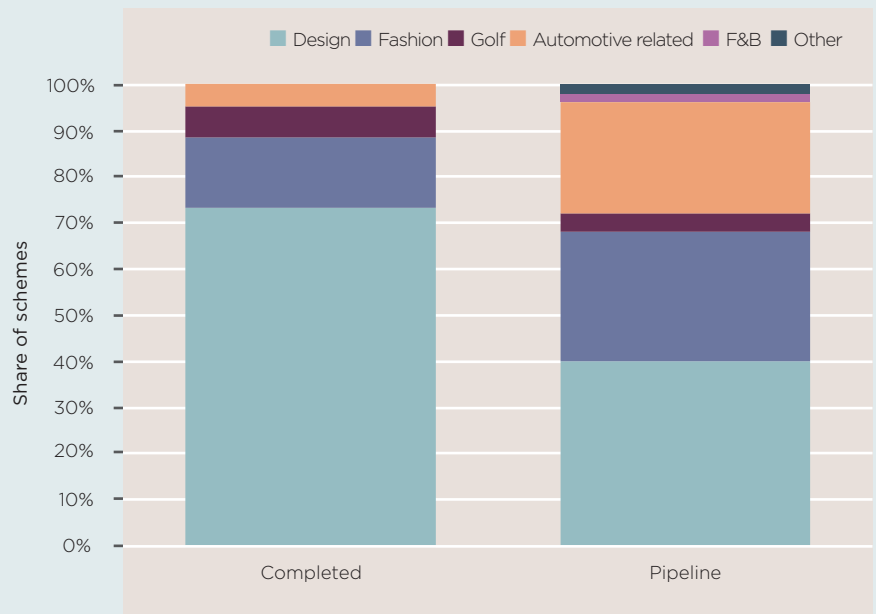
but also including Baccarat, account for 73% of completed non-hotelier schemes, but only 40% of pipeline, with significant growth from fashion (including Fendi and Missoni) and brands known for their automotive heritage (such as Aston Martin and Pininfarina), accounting for 28% and 24% of the pipeline respectively.



Cyrela by Pininfarina, designed by Pininfarina Architecture, developed by Cyrela Brazil Realty

Non-hotelier by brand type:

New entrants emerging from other industries



Source Savills Research & Savills International Development Consultancy

YOO is the pioneering non-hotelier brand in the sector and accounts for the largest share of the market, with 72% of complete schemes. As new brands have entered the market, the share of other non-hotelier brands has risen, rising from 16% in 2010 to 28% in 2020, this share is expected to reach 40% by 2025. YOO still has the largest pipeline, with 11 schemes. Nine of the 11 new brands expected to enter have just one scheme each.

New entrants include the likes of Pharrell Williams in Toronto and Tonino Lamborghini in Dubai. Tonino Lamborghini Residences Dubai will

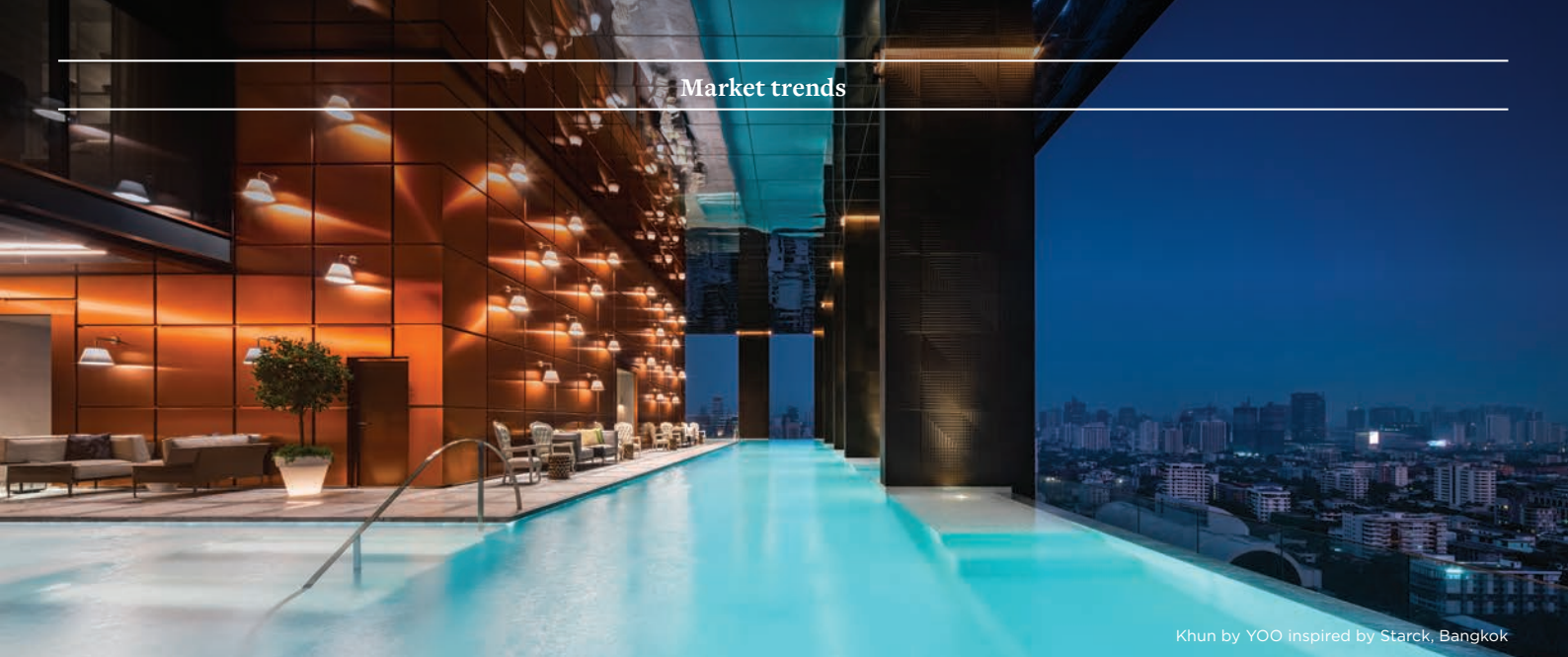
deliver a proposed 8,000 units within a development that exceeds 420,000 sq m and includes 50,000 sq m of retail space. This would, at a stroke, make Tonino Lamborghini the second largest non-hotelier brand by number of units.

Italian car design firm Pininfarina is expected to grow its presence in Brazil from one scheme, with six in the pipeline. Pininfarina also has pipeline schemes in the United States, Cyprus, and Spain, with a single scheme in each country.

Restaurateur Nobu is entering the market with a 660-unit scheme in Toronto spread over two adjacent towers. Fashion

designer Roberto Cavalli (acquired by Dubai based Damac Properties) has schemes opening across the Middle East, including two schemes in Dubai, one scheme in Riyadh and one in Manama. Similarly, Italian fashion designer Gianfranco Ferré has two schemes opening (under parent company Jumbo Group), with a scheme in Limassol (Cyprus) and one in Belgrade (Serbia).

Looking forward, media company Conde Nast has plans to enter the sector. With brands including Vogue, Vanity Fair and GQ, they have the potential to offer a range of tailored living experiences



Khun by YOO inspired by Starck, Bangkok

to deepen the connection with their customers.

These openings highlight the diversification of this segment and, as more brands realise the opportunity the sector offers. We expect this trend to continue.

Asia Pacific leads for this sub-segment

The non-hotelier segment is typically more focused in emerging markets than the branded residence sector as a whole. Demand for high-end properties has risen quickly in emerging markets in parallel to wealth creation. Buyers are often attracted to unique products and these lifestyle orientated brands resonate well amongst brand-friendly and knowledgeable purchasers. Asia Pacific accounts for the largest share of non-hotelier schemes today, with 33% of completed schemes, followed by 24% in North America.

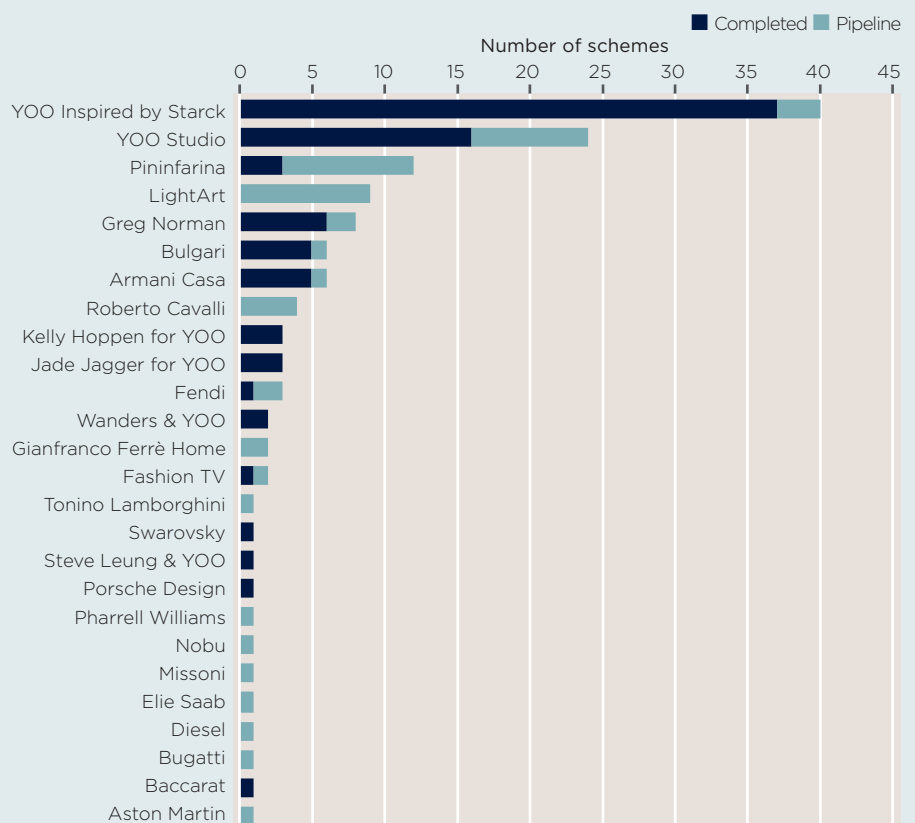
On a country level, the US is the largest market with 19 complete schemes, followed by India with eight. India is driven largely by YOO's presence, as the brand's second largest market for open schemes, behind the US.

American and Indian cities are also among the top metro markets for non-hotelier schemes. Miami and New York currently lead the way, with eight and five schemes respectively. Dubai is third, with four schemes open. Mumbai, Pune, London and Moscow stand joint fourth.

Taking pipeline into account, Latin America is expected to become the second largest region for this segment, just behind Asia Pacific, accounting for 23% of schemes, overtaking North America with 22%. Growth in Latin America is largely driven by Brazil, where YOO Studio and Pininfarina have 14 pipeline schemes between them. On a city level, São Paulo is expected to grow by 250% and match New York for number of schemes, with seven each.

Non-hotelier by brand type:

New entrants emerging from other industries



Source Savills Research & Savills International Development Consultancy



Khun by YOO inspired by Starck, Bangkok



The Residences at Mandarin Oriental, Moscow. Developed by Capital Group

Branded residence price premiums

Branded residences achieve a premium, on average, of 31% over equivalent non-branded properties, though this figure varies significantly by location

We examined 23 markets across the globe to determine the range of premiums that have been achieved on branded residences. Each premium is based on a sample of properties within each market, matched to comparable, non-branded properties. These are averaged to create an unweighted market premium. Our findings suggest an average global premium of 31%, but with significant variation.

New markets offer opportunity

The highest brand premiums are achieved in emerging markets. Here, luxury brands are particularly appealing to the newly wealthy, a mark of success. Recently established markets like Bangkok, Beijing, and Phuket achieve premiums between 40% and 45%, comparatively higher than more mature markets. Truly emerging markets with few branded properties can command prices that are double to comparable non-branded stock, as demonstrated by both Belgrade and Almaty with premiums of 120% and 150%.

In Phuket and Bangkok, brands have been used to attract interest in schemes in fringe-prime locations. However, location is still an important determinant of viability and a brand alone will not ensure success. There has been evidence of slow sales rates in some such schemes, where the units themselves are not market-driven and overly reliant on the brand power.

Mature markets face some competition

Established world cities with mature prime markets, such as Singapore and London, command comparatively lower premiums (3% and 8% respectively). Some mature markets with wide international appeal, such as Miami and Dubai, can still command higher premiums (of 31% and 29% respectively) due to highly international purchaser bases, with significant amounts of wealth from emerging markets.

However, market competition and composition play large roles in the

potential success of branded schemes. Established markets such as New York have had non-branded schemes which have become brands in their own right. Branded schemes are often found in older, but well-known properties, while many non-branded schemes are new, purpose built developments.

Well-known architects, exceptional services and amenities, supertall structures, and ultra-desirable locations seen in non-branded schemes such as One57, Central Park Tower, and 520 & 432 Park Avenue in Manhattan, have led to a 22% branded residence *discount*, on average.

Premiums for properties in resort locations are varied, dependent on the age and composition of market and its clientele. Tourist hotspots in Mexico and Puerto Rico, long-standing destinations for Americans, achieve lower price premiums than more recently popular tourist destinations like Panama or Phuket.

Branded residence premiums for selected cities



Source Savills Research & Savills International Development Consultancy

Matching brand to market

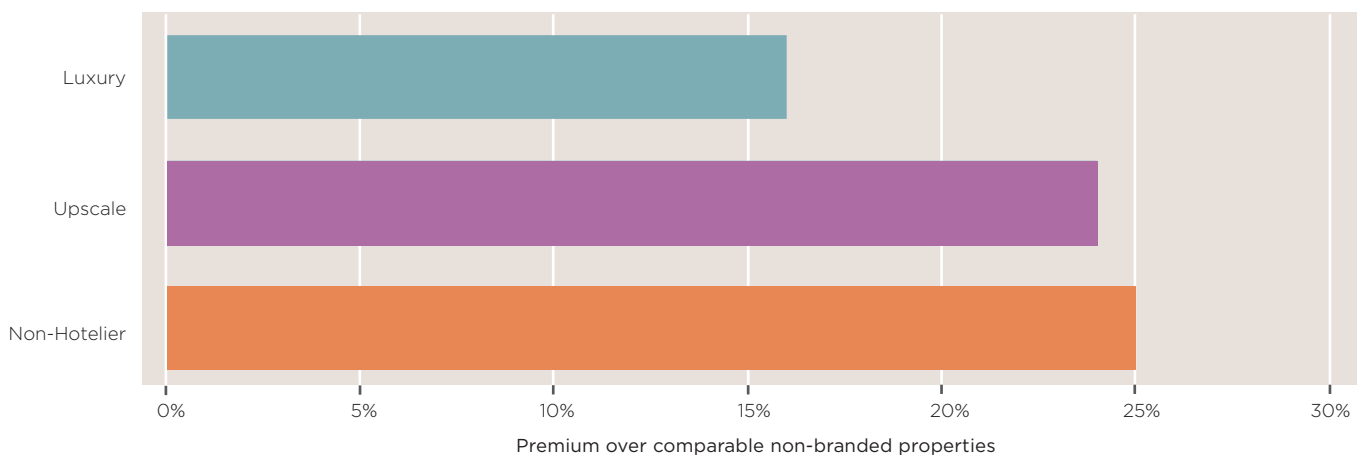
Separate analysis of premiums by chain-scale for selected schemes suggests lower premiums, on average, for luxury hotel branded properties (16%) than non-luxury branded schemes. This is due primarily to their concentration in established cities, with more mature prime property markets, where competition from non-branded luxury product is greater.

Upscale brands, on average, achieve a slightly higher premium of 24%. Many of these brands have been deployed in leisure-focused and resort markets. Here they have been able to distinguish themselves from the more limited non-branded options in the market.

Some non-hotelier offerings have proven to be pioneering in terms of amenities and in setting new standards for the market,

seeking to justify higher premiums through the production of the ultimate trophy unit. The Porsche Design tower in Miami, for example, will send the owner's car to their residence in a specially designed car lift. Non-hotelier branded schemes are able to achieve premiums that are, on average, 25% greater than similar non-branded offerings.

Price premium by chain scale (selected schemes)



Note: sample differs to premium analysis above
Source Savills Research & Savills International Development Consultancy

Brand profiles

We spoke to three brands active in the sector today about brand reach, ambitions and their responses to Covid-19



Accor

Accor operates 40 brands worldwide, of which 16 are actively engaged in the branded residence space. These include

ultra-luxe brands like Raffles and Orient Express, Fairmont and Sofitel in the luxury segment, and a growing portfolio of lifestyle brands such as SO/ and SLS. Thanks to a substantial project pipeline, Accor will grow to become the second biggest player in the sector globally in the coming years.

Flagship developments include the OWO Residences by Raffles in London, Fairmont Residences Century Plaza in Los Angeles which is expected to open late 2020, the forthcoming SLS Dubai Residences expected to handover early 2021, and the upcoming launch of Raffles Boston Back Bay Residences.

Jeff Tisdall, SVP of Development, Residential and Extended Stay at Accor, says, “In many instances residential markets are bouncing back more quickly than the core hospitality sector. For our partners who are developing mixed-use projects, the residential component is playing an increasingly critical role in enabling schemes to move forward with confidence and obtain funding. We’re already starting to see a rebalancing of weighting toward residential as a result.”

Accor’s wide portfolio of brands means it can offer something for every target market. Tisdall adds, “Lifestyle brands are an under-served area of the branded residence space. We currently have six lifestyle brands operating in the branded residence segment,

with a pipeline of 18 lifestyle projects. We think there’s also a real opportunity for a midscale lifestyle brand. We’ll be bringing one to the branded residence market in 2021.”

Covid-19 has brought operational challenges to the sector as a whole. Accor has implemented intensified hygiene and prevention measures under a new ‘ALLSAFE’ certification, providing peace of mind for residents and guests alike.

Shared amenities are evolving in response too. “Private facilities are increasingly important. Our new project in Whitehall, London, The OWO Residences by Raffles, will provide residents with seven distinct lounges, a private dining room as well as a finishing room. This enables a resident to host a private event with their own personal chef while being attended to by Raffles staff.”

Accor is well positioned to adapt to change. “We have taken the residential experience and expertise that we’ve acquired over decades with brands like Fairmont and Raffles and extended it across the entire Accor platform to new brands and segments,” says Tisdall. “Brands need to come to life in the shared spaces, and be more than label or badge on the residences. Foremost, though, these are people’s private homes. While services, global ownership benefits and hotel integration obviously are important, a design which respects privacy and creates the feeling of an exclusive oasis is paramount. That hasn’t changed.”



Fairmont Century Plaza Residences



FOUR SEASONS
PRIVATE RESIDENCES

Four Seasons

Four Seasons is the single largest individual brand active in the sector today, with more than 40 open and operating properties. Quality of offering characterises Four Seasons, with a focus on the best locations.

Four Seasons manages all the properties that its brand is on, not only front of house services but all aspects of the property management, ensuring the highest quality of service in all aspects of property ownership.

The brand is evenly distributed across urban (53%) and resort (47%) destinations, although the larger unit numbers in urban centres means there are majority of homeowners in cities, often occupying as their primary residences.

James Price, Vice President of Residential at Four Seasons says, “An early pioneer in many markets, we’re used to going in and creating a destination. We’re fortunate in having a strength of brand that allows us to do that.

“In the bigger cities we can create differentiated product from what we’ve already got and can add more. Europe is a market where branded residences remain under represented, but finding prime locations in historic city centres is challenging.”

The brand is making a push into standalone properties. Recent openings include the first standalone project for Four Seasons at London’s Twenty Grosvenor Square, while additional standalone properties in Los

Angeles, San Francisco, and Marrakesh will open by the end of the year.

“Most people will recognise and understand the value and appeal of a Four Seasons hotel, but Four Seasons Private Residences are now established and recognisable in their own right – we’ve been doing it for over 35 years”, adds Price.

Private Retreats, Four Seasons residential rentals business, benefits both hotel owners and homeowners through diversified rental income, “In the current environment this is especially attractive to guests seeking all the benefits of the hotel but with the private space of a home.”

Covid-19 has accelerated the adoption of technology in property management. Four Seasons launched a tailored app through which residents can chat with their dedicated concierge and procure services, view HOA documents, or book space in the gym. “Staff are still available to do this in person, but allows residents to do it all at a touch of a button”, says Price.

The pandemic could be a catalyst for longer term changes to demand. Price concludes “People’s work patterns are changing, as are the things they are looking for in their living environments. The second home destinations could really benefit, but so too could cities with more demand for ‘lock up and leave’ boltholes. Branded residences can readily serve both.”



Four Seasons Private Residences Nashville, Developed by Congress Group and Aecom Capital





IHG



IHG has grown its presence in the Branded Residence sector meaningfully in recent years. It now has four luxury brands active in the space, with 16 for-sale residences operating across its Six Senses, Regent, InterContinental, and Kimpton brands.

Each brand has a distinct residences strategy. Ananth Ramchandran, Head of Branded Residential at IHG, explains “We have clearly defined residences offerings that reflect the spirit of the hotel brands and are crafted to optimise returns for the project owner. Each residence aligns with the uniqueness of the destination, whilst balancing distinction and harmony with the hotel.”

With Six Senses for instance, says Ramchandran, “wellness and sustainability are at the heart of Six Senses and remain our highest priority when it comes to operating hotels, resorts and residences. These values combined with innovative design and our passion for pushing boundaries beyond the ordinary resonate with developers, our guests and residence owners, and ignite people’s imagination.

In addition to our exotic locations, we are now entering gateway cities such as New York and London. This is a truly exciting time for Six Senses.”

InterContinental, meanwhile, is the world’s largest luxury hotel brand. “InterContinental continues to build on its

legacy of pioneering international travel, with the opening of exciting new hotels, such as the architectural wonder, InterContinental Chongqing Raffles City, in both emerging and established destinations around the world”, adds Ramchandran.

Each brand appeals to a distinct demographic or psychographic in different ways. “Kimpton Hotels & Restaurants, IHG’s luxury lifestyle boutique brand is fulfilling international growth ambitions. The recently opened Kimpton Maa-Lai Bangkok, with 362 rooms, including 131 serviced residences, is a great example of how Kimpton is bringing a fresh, new approach through design and a commitment to heartfelt human connections,” says Ramchandran.

IHG now sees branded residences as a key component of its overall luxury growth strategy. “This is a good time to be in the branded residences business. Since December 2019, we’ve had two InterContinental residences launches in Thailand and Vietnam, and both have received tremendous interest. This is testament to the strength of our brands, our guests’ desire to buy into the lifestyle they have come to love, and the growing demand for privacy and seclusion. Branded residences offer that, with the added benefit of access to world-class facilities and amenities.”



Six Senses Residences Antognolla, Developed by VIY Management and Alessio Carabba Tettamanti

The Covid-19 pandemic and branded residences

Covid-19 has transformed the way we live, work and travel. Developers are looking again at their product in response to the changing demand

Operators of branded residences have responded with new operational practices. With the associated economic downturn poised to be the greatest seen since the Second World War, what are the prospects for the sector?

New economic realities

The global economy is forecast to contract by 4.4% in 2020, the Eurozone by 7.9% and the US by 3.7%, according to Oxford Economics. But unlike the Global Financial Crisis, this downturn is not rooted in the banking sector. Interest rates are at record lows making mortgage debt affordable. Residential markets were one of the first property sectors to bounce back.

Institutional investors, meanwhile, are pursuing ‘beds and sheds’ strategies.

While the pandemic has disrupted multiple established sectors, most notably retail and hospitality, residential remains resilient where underlying supply and demand dynamics are favourable. Downside risks do remain, and a weaker economic recovery and weak employment markets may hit rental demand.

In spite of the wider economic turmoil, HNWI wealth is forecast to fall by just 4% in 2020 then rebound in 2021, according to Morgan Stanley. This is important, because affluent, globally mobile individuals are branded residences’ primary demand base.

The US will add the largest number of high-income households over the next five years, some 1.9m with incomes greater than \$250,000. The US is already the world’s most developed market for

branded residences. Rising US tech centres such as Seattle, San Jose and Austin, where existing supply is lower, offer most potential (see chart below).

Counties adding a large number of wealthy households, and at a higher than average rate over the next five years, include China (+169%), Israel (78%) and Germany (74%).

The product response

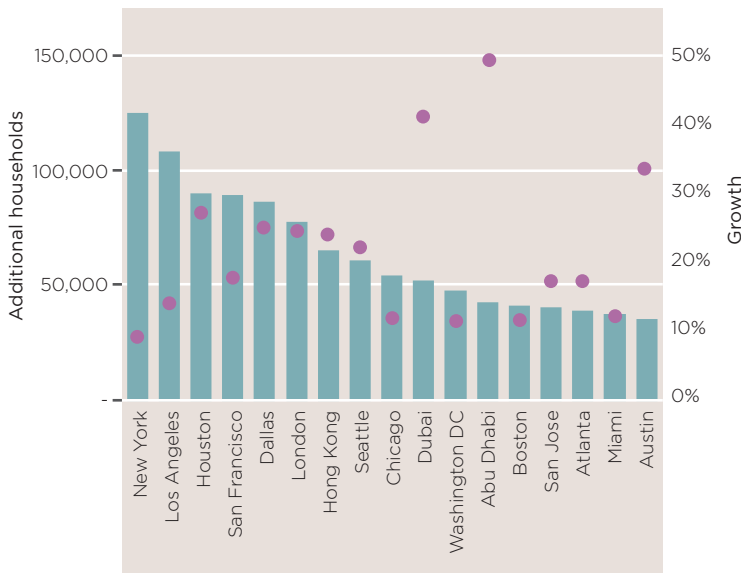
As activity returned in residential markets globally, changes to the way people live and work in the wake of the pandemic are shaping buyer preferences.

According to Savills Global Residential Market Sentiment Survey, a third of global markets reported increased interest from buyers looking to upsize their main

Locations adding the most wealthy households over the next five years

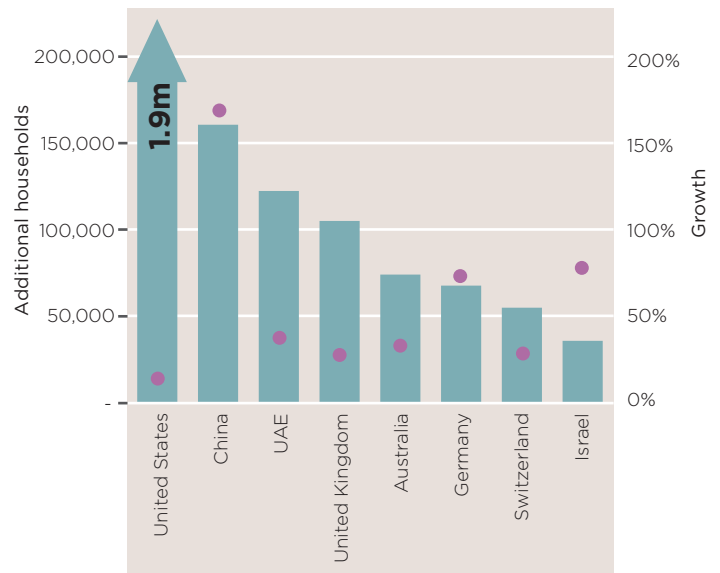
■ 5-year change in number of higher income households ● 5-year change in % of high income households

Top cities



Source Savills Research using Oxford Economics

Top countries



Source Savills Research using Oxford Economics



Rosewood Residences São Paulo, Brazil

residence. This growing desire for space, coupled with increased homeworking, could give resort schemes a boost. Golf resorts in particular may benefit, providing access to a sport made for social distancing.

At a scheme level, the balance of private to shared space may need to be reconsidered. Flexibility is key here, space that can be configured as an additional bedroom, study or even a home gym depending on occupier needs have become increasingly important to purchasers. Private terraces or gardens now matter more too.

The majority of branded residential schemes are towers. Additional cores, contactless lifts and wider circulation areas should be considered, but the trade-off is a loss of saleable residential space.

Shared amenities, historically a key selling point of branded residences will remain important, but their usage may change. Apps that allow residents to book facilities and cap occupancy levels will assist in the short-term. These apps also allow

interaction with the concierge, reducing the need for human contact.

Enhanced cleaning regimes and air filtration systems will play a role. The Ritz-Carlton in Amman (forthcoming), for example, is utilising an air-conditioning system based on UV-C light to neutralise viruses and bacteria in the air. Miami's Legacy Hotels and Residences goes a step further and will include a 100,000 sq ft healthcare facility on site.

Evolution not revolution

Most changes though, represent an evolution rather than revolution in branded residential design and operation. Fundamentally, a branded residence offers residents private space with the benefit of amenities when needed.

For this reason we are seeing an even greater emphasis placed on the sector, particularly from hoteliers looking to offset their exposure to hospitality in light of the challenges that sector is facing.

Meeting the climate challenge

Covid-19 has shown what the real estate industry can do when it comes to tackling an immediate threat. The innovation displayed by the industry to deal with the pandemic now needs to be applied to tackling its rising carbon emissions and contribution to the climate crisis at every stage of a building's lifecycle.

Sustainable development and management practices now need to be applied across the building and management process. ESG is rising on investor agendas, and consumers are taking note too. Occupier benefits may include lower running costs and improved wellbeing. Certifications such as LEED and WELL confirm those qualities in an asset, while local regulations are increasingly driving adoption.

The sales and marketing perspective

Rod Taylor, Savills International Residential Development Sales

The events of 2020 have had a huge impact on the way that prospective buyers view lifestyle and branded residential offerings. The way in which projects are being marketed has had to change in response. The limitations of travel have meant that developers and brands have needed to alter how they communicate with prospective buyers resulting in a heavy focus on digital marketing and virtual engagement.

The change in what buyers require has also affected how developers have had to design their offering, from their unit layouts, the configuration of a building through to their amenities and services.

High-speed internet, outside space and the ability to receive food and beverage safely will be required not only by branded residential home owners but also hotel guests and a branded residence will have to be designed effectively to accommodate these requirements.

Lifestyle projects which can offer visitors and home owners easy airlift with a remote destination feel will likely benefit from the changes in buyer requirements. We also anticipate a shift in how buyers are using their homes within branded residential projects, potentially wishing to use them

out-of-season, staying for longer periods or even as a base for working remotely.

Those projects which can accommodate their needs over longer periods without a compromise in the level of service or amenities they offer will fare better than those which are not able to do so. For example, a branded residential project which closes part of its hotel services during the off-season will not be as an attractive proposition to a buyer who may now wish to spend the larger part of the year in a home they previously only used sporadically during the peak operational months.





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Savills International Development Consultancy

Savills International Development Consultancy provides market data driven consultancy to developers, investors and brands in luxury residential and resort markets across the world. Services include pre-acquisition development consultancy, project feasibility studies, brand premium analysis and a range of branded residential consultancy services. Since 2007, Savills International Development Consultancy has provided consultancy services for over 250 prestigious branded and mixed-use projects throughout the world.

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