



SPEAKEASY SALON

Speakeasy Salon #5 – Serviced Apartments

Which trends are influencing the boom in serviced apartments? What are the development opportunities? What makes the segment's target market tick? These questions and more formed the topic of the fifth Speakeasy Salon powered by Internorga in Hamburg. This time, AHGZ and JOI-Design hosted Anett Gregorius from Apartment Service Consulting; Anja Müller of Adagio Aparthotels; Stephan Gerhard from Treugast Solution Group and 25hours Hotels; Stephan Jung from Inoventiq Group; Markus Lehnert, vice president development Marriott; Reiner Nittka from GBI AG; Matthias Balz of Internorga; and Christian Scheuerl from MPC Capital. As usual, the cross-industry exchange of ideas was moderated by AHGZ editor-in-chief, Rolf Westermann.

The market is growing

"Boarding house"? This phrase for extended-stay accommodation has long raised eyebrows in Germany. While the term "serviced apartments" improved the concept's reputation, many leisure guests are still unfamiliar with the expression, says **Anett Gregorius**, whose company Apartment Service Consulting provides 35,000 apartments in 120 destinations worldwide via the Apartmentservice platform. **Markus Lehnert** is driving the development of long-stay brand Residence Inn by Marriott in Europe and concurs there is a lack of clarity amongst guests. "We still must invest in a good deal of promotion in order to reach a 10% share of the market," he says.



Serviced apartments currently account for only three percent of Germany's hotel market, despite strong growth in the last 10 years, says **Stephan Gerhard**, founder of management consultancy Treugast Solution Group. However, he considers a forecasted 10% increase to be realistic. "On the investor side, the traffic light is green," says **Reiner Nittka**, CEO of GBI AG, a development partner in the expanding micro-apartment brand Smartments launched in 2010. "The market's development will clearly rise," he says.



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Investment market is too hot

But **Christian Scheuerl** of MPC Capital warns the investment market is once again much too hot. "The recession of 10 years ago has not been good for the industry as a whole," says the CEO of Micro Living / Student Housing. "We have to be careful the tender little plant 'serviced apartments' is not bulldozed because investors only pursue whatever brings in money."

Everyone agrees the serviced apartment boom is driven by social change. And according to Gerhard, megatrends not only shape society, but also the dynamics of long-stay accommodation. "The megatrends of individualization, urbanity and mobility significantly influence temporary living," he says.

Internorga project manager **Matthias Balz** agrees: "Above all, we sense a movement towards individualization, and therefore try to implement it in our approach."

When looking for new employees, providing temporary housing via serviced apartments helps companies convince candidates to relocate, says **Gregorius**, and therefore expands Apartment Service Consulting's target market many times over.



Nittka also has experience in this regard: "At first people laughed at us for providing employees with apartments," he says. "In the meantime, we have a whole series of contracts with companies in Berlin to house new staff until they've found their own apartments. Plus, it's no longer just consultants who use serviced apartments and smartments, but also many others who are new to a city, even students." On average, they typical stay lasts 70 days, he says.

"The three-phase lifecycle model of youth, working life and retirement is completely broken," continues **Gregorius**, "with younger generations living half the year here and the other half there. They want ready-to-live accommodation where they can move in straightaway."



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Long-stay can also be leisure

Business travelers remain the primary market for serviced apartments, with **Gerhard** explaining they account for 70% of overall bookings. But there are also signs of change. "Long-stay properties are not just for business trips," says **Anja Müller**, head of the European operations for Adagio Aparthotels, a joint venture between Accorhotels and the Pierre & Vacances group. "It's becoming more important to look at leisure markets, especially in major cities," she says. **Gregorius** says Apartmentservice has already seen an increase in leisure guests, with some concepts and locations experiencing a 40% share of reservations. **Lehnert** references Marriott's experience in the USA where extended-stay brands such as Residence Inn are initially discovered by corporate clients who bring along their families on subsequent trips.

Another roundtable topic was future target markets and lifestyles. "Everyday city life is going to change a lot," says **Lehnert**. "In the future, gym, lounge and concierge services will be part of the home, so demand for branded residences with facilities will also increase - even for mid-price, inner-city locations."

"Our lives are becoming much more flexible," says host and interior designer **Peter Joehnk** from JOI-Design. "Living must look different," says futurologist **Stephan Jung** of Inoventiq. "Generation Y will change jobs 17 times in their lives and move 15 times, so relocating must be plug-and-play." BMW's Mini auto brand, for example, has recently developed China's first co-living project, the Mini Living building in Shanghai as a solution for housing employees.

Things are changing for Adagio Aparthotels, too. "We're redesigning our public areas so we can become 'event managers,'" reports **Müller**, "and then, once or twice per week, organize the kinds of get-togethers guests have requested."





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Co-living on the rise

The concentration so far has been on long-stay apartments and studios, however future demand will be for co-living apartments with a large, communal kitchen, according to **Müller. Lehnert** considers this a realistic prediction, citing the success of a London property that features four private rooms linked to shared living and cooking areas. For **Nittka**, however, it is clear: "With Smartments' lean configuration, implementing kitchens is not possible."

An initial conclusion: "Megatrends show where the market for serviced apartments is heading, but we still need to better understand our target guests," says **Gerhard**. "No one trend applies to everybody. Our customers have individual needs, which means we need to build customizable apartments." While his plans anticipate massive growth, he also points out the sector's dependency upon the economy should not be underestimated.

Last but not least, **Gregorius** concludes that the fundamental premise of all long-stay developments should not be forgotten: the creation of temporary homes where guests can ground themselves without foregoing technological conveniences.