

Celebrating Milestones, Respecting The Past And Recognising The Future Of The Serviced Apartment Sector

GSAIR 2016/17 - The 6th Global Serviced Apartment Industry Report has stolen the summer headlines with the estimation that Serviced Apartments will hit the magical 1 million unit mark by the time the next report is published in 2018/2019.

What an incredible milestone for the serviced apartment industry, and what a year for us all to celebrate the continued growth, development and trajectory of this exciting sector as it defines, refines and re-engineers itself across the globe.

After a summer of inspiring sport, where personal, world and Olympic records were broken by global athletes who were given centre stage after 4 years (and sometimes a lifetime) of dedication and preparation, the reality of their achievements are recognised

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with medals and celebrations for their outstanding contribution to their fellow team members, their sport and their country.

The achievements in the serviced apartment sector are many, but when we record the definitive milestone of 1 million units globally, many of the industry founders will remember just how their journey started in this young sector and just how challenging it has been to get recognition for the product and solution.

The journey to 1 million units started slowly, the early operators, the entrepreneurs, the coal face sales people who had to win the hearts and minds of buyers and ask them to recognise the value of putting this alternative extended stay option into their programme, and for serviced apartments to be given the opportunity to run alongside the well-known and trusted hotels, had a big ask of them. My opinion is that they did a great job. The concept of course didn't quite take off as fast as the recent sharing community business models – but then the personalities involved were not all 'system savvy' – they were property, hospitality and sales people.

For the last 20 years at least, these sales people, MD's, brands and business owners have been endeavouring to show the value proposition to the buying communities in business travel, procurement, relocation, human resources and of course, global mobility of this 'new kid on the block' solution. The amount of SWOT analysis that has been completed in every serviced apartment business, I promise you, is astronomical.

These founders had the role of encouraging companies to become early adopters of a completely new concept, to take a slightly uneducated risk, but to trust the founders in their belief that this option was not just a blip on the landscape, but a credible sustainable accommodation solution that offered both then and now the absolute unique selling points of space, comfort, cost savings and an immediate immersion into in the local community.

The fact that we are now reaching such a critical mass has ensured that the

serviced apartment sector can take its rightful place at the table as an alternative in the accommodation sector and as an experienced, trusted and professional provider in the hospitality world.

As you thumb through the 116 pages of conversation, debate, interviews, contributions, information and graphics in GSAIR 2016/17, the report takes you on a global journey across world continents, recognising new entrants, current trends, global brands, local operators and the market forces that support the changes in supply and demand every day.

It talks to the leaders, the movers and the shakers that constantly keep the sector moving, that keep the debates alive, that want to legitimise the sector for health and safety, but want to keep the entrepreneurs still engaged. The majority of players want to continue to create a sector that doesn't become boxed in without personality, but one that creates a healthy diverse community with its own celebrated culture.

We are already lucky in our industry that we have created our own eco-system. We have notoriously increased and decreased our units with the use of corporate housing stock, much to the confusion of anyone who tries to ask 'just how many units do you own/manage/operate?'

Well known across the buying community as the sector that can 'ebb and flow' with increasing new demand or reducing during a down turn, we were the first to the table in the sharing community. We, in serviced apartments, have been using each-others units for 20 years to meet the needs of the clients that we service.

This is how corporate housing operators quickly become agents (or hybrids) providing global coverage through the use of the portfolio of other operators. Counting units and understanding the size of an operator became very difficult when you never knew who was the ultimate operator of the units... this challenge still exists today.

Enter the agents, who stand alone and only book into operator inventory. Service

is important to everyone, of course, so is a system – and some agents are only now realising the need to have one, and the biggest realisation is that buying a system is very expensive or time consuming and expensive to build - investing early is a must.

But what agents are truly global in their coverage, in their office locations, in their understanding of currency, tax, global data, single systems and security. Is it all about how fast the options come to the table, how great your reservations agent is, or do you need to lift the bonnet, and kick the tyres – GSAIR helps you to do this.

GSAIR talks to the individuals, the companies and the brands that are not concerned that sharing their ideas freely educates the competition, they are already ahead of the game and moving freely into new territories and service offerings without holding onto their last USP – they are busy creating their next. They are ready to share their thoughts and aspirations and are happy to debate and discuss their goals and future direction of their business and their markets.

Commissioned by Charlie McCrow, data compiled by Bard Vos, edited by Mark Harris and compiled by the Travel Intelligence Network (TIN) for The Apartment Service, the new 6th edition of GSAIR highlights the continued strong supply growth globally with increasing interest and demand from all buying communities.

The report has recognised three key requirements highlighted by the respondents of the survey that will continue this positive growth in the industry:

- 1) The continued need for product and service definition
- 2) User friendly technology
- 3) Business model transparency.

This report is the most detailed yet, featuring brand profiles, key statistics and the findings of the global surveys conducted amongst 10,000 serviced apartment operators, associations, buyers and agents.

Charlie McCrow, CEO of The Apartment Service advised in the report that 'sector expansion has brought a proliferation of new brands by operators who are personalising their offerings to different niche audiences, though few of these enjoy widespread consumer recognition so far. In addition, there could also be imminent brand consolidation, as Hilton have announced with their extended stay portfolio'.

This year's GSAIR surveys have shown that serviced apartment usage across the globe is continuing to increase. Two years ago, approximately three-quarters of corporates had sampled serviced apartments. Current research for the latest edition showed that 47.37% of corporate buyers have increased usage of apartments for business travel - a very positive growth in adoption across the buying community.

Importantly, creating clarity, transparency and product definition of provider's service model is paramount to building trust amongst buyers and investors, ensuring a continued interest and development of the sector.

Hotel-like services are only a priority for 35.38% of corporates, showing continued demand for corporate housing style serviced apartments as well as aparthotel products – this is an important factor to be considered when discussing future demand requirements for corporate buyers

But what about supply – how is it keeping up with demand...?

Charlie McCrow explained that 'supply is expanding across all global regions, driven by rising institutional and private investment and that incremental profits on offer make this investment class very attractive. At the time of the first GSAIR in 2008 there were 401,997 apartments in 6,722 locations. Eight years later supply of apartments has more than doubled to 826,759 apartments worldwide. Supply is up 10.5% year-on-year and has increased in every global region'.

Importantly, creating clarity, transparency and product definition of provider's service model is paramount to building trust amongst buyers and investors, ensuring a continued interest and development of the sector. Having greater transparency around distribution channels will ensure customers know what they are buying, and from who.

The need for education about the serviced apartment product, its suppliers and best

practice in deployment is no less important now than it was in 2008, when the first GSAIR was published.

Our role as leaders in our industry is to respect our history to enable everyone to fully engage with the future. When young athletes are standing on the podium, accepting their medals and representing their country, who in the audience is looking at the credits to give a 'pat on the back' to the dedicated, tenacious, relentless, strategic, courageous, ambitious and trusted coaches who helped these global players to become the best in the world?

Key Findings

- Growth in the supply of serviced apartments is up 10.5% to 826,759 since the launch of GSAIR 2015/2016 and has doubled in the last 8 years
- Post-recession corporate re-engineering and re-structuring has encouraged higher adoption rates of serviced apartment solutions – 47.37% of corporate buyers increasing usage of serviced apartments since the last survey
- Duty of care remains a high agenda item for global mobility buyers and corporate buyers
- Operators are diversifying accommodation products to cater for new buying trends.



JO LAYTON

MD Group Commercial Sales, The Apartment Service. Jo Layton has joined The Apartment Service as Managing Director – Group Commercial Sales. She has successfully established The Apartment Service's new Alliance brand as part of her overall remit to develop the company's successful agency, network and Roomspace brands. Layton joined from BridgeStreet where she was responsible for sales and marketing throughout EMEA and APAC.

CHARLIE MCCROW

owns The Apartment Service, Roomspace and The TAS Alliance and has been publishing GSAIR in its current format for 10 years.