GSAIR

THE GLOBAL SERVICED APARTMENT

INDUSTRY REPORT

2023

EMEA

Ariosi

PUBLICATION

Travel Intelligence Network

IN ASSOCIATION WITH

OASIS COLLECTIONS

ROOM SPACE

forenom

SKYSIDE International

Global Serviced Apartment Industry Report EMEA 2023

in association with:

Oasis & Oasis Collections, Skyside International, Forenom, Roomspace, res:harmonics, Staycity Aparthotels, Wilde Aparthotels by Staycity, Charles Hope, Appart'City and SilverDoor

CELEBRATING
10TH EDITION

Published by Ariosi
www.ariosi.com

Supported by Travel Intelligence Network
www.the-tin.com

Designed by EXP
www.expconsultancy.com

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Report Methodology
GSAIR EMEA 2023 has been responsibly compiled by undertaking extensive research using primary sources including conducting interviews and curating and collecting self-written pieces from contributors both in and closely aligned to the serviced apartment sector. For this edition we have focussed on primary sources, with secondary sources kept to a minimum. Where secondary sources are used, information sources are fully attributed.

Contents

Welcome

Welcome to the first regional publication in the new look GSAIR!

By Sacha Sandhar
Head of Insights, Ariosi

We're excited to bring GSAIR EMEA to you at a time in the industry's evolution when the region shows so many incredibly positive future indicators – piqued investor appetite, transformative technological advancement, growing buyer understanding and one of the strongest post-pandemic recovery arcs in hospitality.

The tenth edition of GSAIR, launched at the Charlotte Street Hotel on 22nd June 2023, highlighted the continuing importance of the EMEA market in the global serviced apartment industry. London remains a key destination for the business traveller with Dublin, Paris and Dubai being the next 3 most cited by corporates as being amongst their top 5 destinations.[1]

In this publication we explore further how the findings from the global survey are reflected locally in the experiences of respected industry partners. In the publication's feature article, Ufi Ibrahim shares how hospitality should gear up for the transition to a more sustainable future. We also hear from Stuart Godwin how room2 are incorporating sustainability into all their properties.

We learn about the key destinations for business travel across Africa from René Stegmann. Wesley Shelling shares his experience of the market in mainland Europe and Martin Kubler describes the landscape across the Middle East. Supply challenges experienced in Africa are explained by Trevor Ward and he signposts a future outlook which gives reason for optimism and Samuel Toribio gives the lowdown on supply in Europe.

Deborah Heather outlines the current state of play in relation to the proposed introduction of serviced accommodation licensing across the UK and Sally Richards shares her vision for the future of hospitality tech and answers the question...what is middleware?!

We hope you enjoy reading about all the above and much more besides in GSAIR EMEA!

1. Global Serviced Apartment Industry Report 2023

Editorial team

Sacha Sandhar
Head of Insights
Ariosi

A qualified accountant, Sacha joined SilverDoor in 2019 in Quality Assurance, within the Partner Relationships department, after several years of working in finance across a number of different commercial analysis roles. He then became International Expansion Manager before progressing to Head of Insights upon the inception of Ariosi Group Limited. Sacha travels extensively for both business and leisure. He speaks fluent German, Punjabi, Hindi, Urdu, and Spanish.

Mark Harris
Supporting Editor

Mark joined the business travel industry in 1990, has been a Director of Travel Intelligence Network since 2005 and originated GSAIR. He was voted the business travel industry's Personality of the Year in 2006 and has notched up four Business Travel Journalism Awards. TIN's output includes over a million words in reports, white papers and blogs, co-creation of the Serviced Apartment Awards and hosting many others. After lunch, he is chairman of the PitchingIn Northern Premier League and an FA councillor.

Acknowledgments

We would like to thank the GSAIR EMEA contributors for their time and invaluable support! They are:

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It’s all about capital

GSAIR 2023 highlighted the ever-increasing importance of sustainable accommodation options to agents and corporates with 64% of agents saying it is important to their clients.[2] What does this mean for the hospitality industry and how can we be ready? Ufi Ibrahim explains...

New regulation will transform prospects of attracting capital

By Ufi Ibrahim
CEO Energy & Environment Alliance

When it comes to sustainability, most businesses in the hospitality and lodging sector have been focused on energy related regulation, such as the UK minimum energy efficiency standards and energy performance certificates. The reason is that a failure to meet the required standards could result in a ban on the commercial use of a building.

Coupled with the huge spike in energy costs, such regulation has encouraged improvements in energy efficiency and thereby, the operational carbon performance of many hotels and serviced apartments.

Improvements in energy use have largely been achieved through behavioural change and low capital expenditure, such as switching to more efficient light bulbs. However, achieving more substantial improvements will require substantial capital expenditure; and that’s a challenge, given high interest rates and the sums required.

However, the pressure to invest in transformational change is about to increase, starting with new, mandatory climate disclosure requirements, which are expected to have a sobering effect on global financial markets, akin to rules initiated following the stock market crash of 1929. Back then, regulators grappling with ways to avoid another great depression granted powers to the Securities and Exchange Commission (SEC), which was licenced to regulate business practices. This led to the creation of globally accepted accounting and auditing principles which, even today regulate business practices worldwide. Given this proven track record of success, it should come as no surprise that almost 100 years later, regulators are adopting the same principles to tackle growing concerns over misinformation and greenwashing.

New sustainability and climate disclosure requirements were launched in June at the London Stock Exchange. These new rules, governed by the International Financial Reporting Standards (IFRS) and International Sustainability Standards Board (ISSB), aim to consolidate and rationalise sustainability reporting globally. They were drafted in conjunction with world securities regulators from 130 countries, all of whom are expected to mandate them in their jurisdictions over the coming months. The US (SEC), Singapore, Hong Kong, the United Kingdom, Australia, South Africa and Japan have already done so; and the EU has confirmed interoperability between the IFRS/ISSB and European reporting requirements. They will take effect in the 2024 financial year.

So, financial reports in 2025 will be very different to the audited accounts of the past. First, annual reports will include non-financial, as well as financial risks and prospects. Just as financial information is audited, non-financial information will have to be assured by independent auditors. The non-financial information, which, at the outset, covers general sustainability and climate-related material disclosure, will have to be conveyed using a common language, allowing investors to compare performance across any given sector or market.

2. Global Serviced Apartment Industry Report 2023

Furthermore, sustainability and climate disclosures must be connected to financial reports, detailing the projected impact on cash flows, capital expenditure, profits and losses. Investors and financial markets will use this information to assess asset values. The provision of capital, be it equity or debt, will soon rely on climate and sustainability disclosures as much as on financial statements. As with the introduction of globally accepted accounting principles, IFRS/ISSB sustainability standards will very quickly trickle down to businesses of all sizes.

So, what does all this mean for the lodging industry? It means that sustainability must be embedded throughout the entire business, with responsibility shared by all the functions and executives in the organisation including the CEO, Chief Financial Officer, Risk and Compliance Officer, HR, the investment committee, and the board.

This is the start of a challenging period of transformation for our industry. It's a period in which we will need to re-engineer the way we design, construct, refurbish and operate our buildings. We will need new controls and, processes, including board level oversight, applying the same level of rigour to non-financial information as we apply to formal financial statements.

With more than 600 green certification programmes, the majority of which are based on self-reporting, investors are at a loss when it comes to the reliability of information and comparability of operational, asset or portfolio performance.

That is why we established the Energy & Environment Alliance (EEA); to unite hospitality and lodging industry leaders and to advocate a standardised approach. In doing so, we aim to prioritise initiatives that are scientifically robust and commercially sustainable and discourage those that are not.[3]

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3. Over the past few months, we have worked in partnership with Kings College London to launch the first ESG Executive Education programme specifically for hospitality industry leaders. It will cover all the upcoming new regulation and much more besides, including the implications for attracting capital. So, if you are responsible for managing or investing in hospitality, and you want to be thoroughly briefed, please sign up.

Opening the door at room2

Quickfire Q&A with Stuart Godwin

Have Lamington calculated their scope 1, 2 and 3 emissions?

We wouldn't be doing a very good job if we hadn't! The answer is Yes since 2019.

What's a hometel?

Product offerings in the aparthotel category vary greatly. We created the hometel category to set a new product standard based on what we expect to see, so that it meets our customers' needs. It's a place where our guests can be the best versions of themselves.

What is the most sustainable feature of a room2 property?

There's no one thing where you can say, "I've done that. That's solved."

It's many things. Taking out dishwashers from our build specs gave a 1% energy saving. Solar on the roofs provides around 5% of our energy needs. In-room light and movement sensors mean we don't have key cards to switch off appliances when someone leaves, again reducing consumption.

Water restrictions to reduce water consumption and critically hot water consumption. This offers a further energy saving.

Sustainability's a culture built through our team. We keep chipping away.

Are there any new sustainability initiatives coming at room2?

We're putting a lot of emphasis on third party accreditation. Without it we are marking our own homework. In today's world it's a massive risk to say one thing and not be it. When we launched, there wasn't a clear framework of net zero accreditation. But fast forward 2 years, and our industry now has specific targets. We're always in pursuit of progress and driving our industry forward. In Belfast we are aligning to the WELL accreditation which is more commonly seen in offices but it's about enhancing wellbeing in environments. So we're excited to align with that.

How do you vet your supplier sustainability and ESG credentials?

We have a supplier checklist including 5 different standards. For example, we looked at purchase to pay systems recently. There was one which uses teams in India to outsource invoicing and because of concerns over welfare, we didn't proceed to engage them.

Bottom line: if they've got no ambitions or road map towards an improved sustainability positioning, we just won't look at them. Shortly, we'll be consolidating our entire supply chain to only suppliers who share similar visions.

Top tip to easily implement something sustainable in a serviced apartment offering?

Well what's the low hanging fruit? Recycling. We have them at home, so why not in apartments? The answer is: because it's easier to just chuck rubbish out. So the first tip is be prepared to do more work and also that it will cost more, then hope that at some point someone will be willing to pay a little bit more for it.

Other than that:
- Fitting LED lights is pretty easy.
- Use water restrictors.
- Align to renewable energy supplies generated from green sources.

Are all room2s build projects or refurbishments?

Southampton was a refurb. It was an office building which was converted.

Chiswick was a new build. Belfast and York are new, and Manchester will be a mix of new build and an old building.

Lamington openings over the next 12 months?

Room2 Belfast opening in October 2023 will be 175 keys with meeting and event spaces, gym, laundry, all day café & bar, coworking, tea shop and concession space supporting local suppliers.


staycity™
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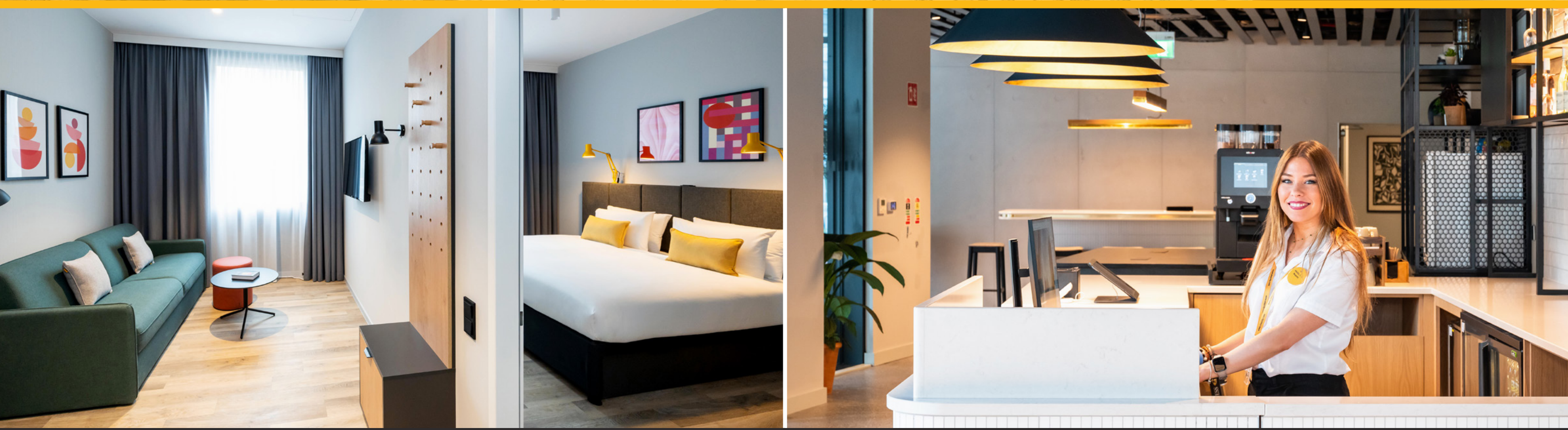
Half Apartment,
Half Hotel



Traveller preferences

The top 4 preferences of the corporate traveller are connectivity, in-apartment cooking facilities, a designated workspace and in-house services according to the GSAIR survey.[4] Gavin Pereira, founder of Check-In-London, a London based serviced apartment agency shares what he is seeing in terms of emerging traveller needs.

In conversation with Gavin Pereira

How cost conscious are serviced apartment customers?

Business travellers, project workers, groups, and longer leisure stays (3-6 weeks in prime locations) are returning to pre-pandemic booking habits by allowing time to research all accommodation options to match their organisational and personal needs.

Corporates are balancing travellers' preferences in terms of location, service, space, and amenities, against procurement objectives around ESG and duty of care. Although price is usually a priority at the planning phase, service, reviews, accreditations, and overall value are ultimately the deciding factors.

Despite an overall increase in supply in tier 2 and tier 3 locations across cities like London, some locations still carry a premium. However, when location is flexible – as with intern placement groups or short term project workers – travel time becomes more important. The London Underground's Elizabeth Line means people can travel from Canary Wharf to Tottenham Court Road in under 11 minutes.[5]

After location, floorspace is the next most important criteria, especially for travellers on extended stays in cities like London. One bedroom apartments are most requested for travellers staying 28 nights or longer, although senior executives request additional bedrooms to accommodate family visiting during the weekends or holidays.[6]

Designated workspaces and internet speed

As of 2023, corporate customers are no longer requesting designated workspaces because their trip purpose is to meet with clients or colleagues at an office or project site. Instead, they expect reliable, high speed internet suitable for when they choose to work from the apartment, together with a decent work desk separate to the dining table when space permits.

This is where professionally managed serviced apartments triumph over other categories of accommodation due to greater floorspace in each unit and a more consistent quality of amenities.

Top level executives might request a separate bedroom or room to be used as an office.

Although corporates are not specifying a specific internet speed, some agents like us ask operators to disclose the internet speed available in their apartments so that customers have a point of reference. This usually averages about 150 mbps[7] in London region, although some have connections of up to 500 mbps to enable guests to receive calls online without any interruptions.

Traveller wellbeing

The increased awareness around wellbeing and mental health brought about by the pandemic has evolved further. Customers now want to find out more about

4. Global Serviced Apartment Industry Report 2023
5. TFL.gov.uk
6. Check-in-London reviewed 200 bookings between June 2022-July 2023 for stays over 28 nights. 58% booked 1 Bedroom Apartments vs 21.5% choosing to book Studios.
7. Megabits per second

the local area and experiences on offer, like being near parks so they can go for a walk or run. Close proximity to entertainment venues, popular cafes and supermarkets puts travellers at ease.

Corporate buyers increasingly select or prefer apartments with a 24 hrs reception or an on-location guest services team and this allows the traveller to have some form of onsite human interaction while they settle into a new location.

Emerging traveller preferences

Requests for pet-friendly apartments rose by 20% during the pandemic. However, due to the cost of living crisis and the return to office, these have slowed down, although pets still remain popular with relocation stays.

Corporate customers now want a seamless digital booking experience, backed by the human touch of specialist consultants to help them navigate the planning, selection, and pre-stay phases.

This is because of the overwhelming amount of information available online and the time required to make sense of the myriad of options, and because customers can benefit from the on-demand experience with lower rates and time saved.

“Professionally managed serviced apartments triumph over other categories of accommodation due to greater floorspace in each unit and a more consistent quality of amenities.”

Key destinations and rates

The 2023 GSAIR survey shows that serviced apartment usage in on the rise once again, whether for business travel (up 53%) or assignment working (up 38%) year-on-year.[8] So, where are they travelling to, and why? Wesley Shelling, Martin Kubler and René Stegmann share their insights...

Europe
By Wesley Shelling

A combination of pent-up demand and emergency travel saw average rates reach an all-time high in 2022 for most Eurozone destinations.

However, since the turn of the new year, that additional demand has tailed off, with key business travel destinations across Germany, Spain, Ireland, France, and The Netherlands all seeing occupancy levels return to what would be considered normal - not a word to be used often in recent years!

Working in tandem with this, average rates were down 11% for the first quarter of 2023 and fell again by a further 3% during the second quarter. Good news for the many client segments who have expressed increased sensitivity around managing cost as part of their renewed travel policies. Latest trends suggest rates will stabilise through Q3 with some seasonal fluctuation around tourist hotspots.

Whilst relocations into these destinations have been pared back in the second quarter, we've seen a steady uptick in business travel from corporate clients booking directly with us, as well as clients arranging their travel through a TMC.

We're seeing the highest demand for business travel in cities such as Dublin and Amsterdam, particularly within the financial and professional services sectors, something we expect to continue into 2024.

Middle East
By Martin Kubler

In the wake of Covid, Middle Eastern markets faced a slow recovery initially. However, an increase in demand driven by the war in Ukraine bolstered the industry, benefiting Gulf states, particularly the UAE and Bahrain. Saudi Arabia, with its ongoing touristic and economic opening and numerous mega projects, saw a rise in serviced apartment supply and usage.

While European and US markets experienced economic challenges and high inflation, key Middle Eastern markets like Jeddah, Jordan, and Qatar saw healthy gross operating increases in the first half of 2023. The construction pipeline also exhibited promising growth of around 8% in projects and 6% in rooms year-over-year.[9]

The outlook for the serviced apartments industry in the Middle East remains positive due to three principal factors.

First, an expanding business landscape. The region's status as a global business hub attracts expatriates and corporate travellers, with Gulf powers like the UAE and Saudi Arabia effectively mitigating inflationary pressures through economic strategies.

Second is tourism growth. Successful efforts to diversify economies and promote tourism led to an upsurge in leisure travellers, aided by a decline in the competitiveness of Airbnb.

8. Global Serviced Apartment Industry Report 2023
9. LE: Middle East construction pipeline grows 8% - hotelbusiness.com


Wilde
APARTHOTELS
BY STAYCITY
"I have the simplest tastes.
I am always satisfied with the best."
Oscar Wilde

Third is the growth in flexible visa options. The Introduction of golden visa options in many Middle Eastern countries enables longer stays for visitors and attracts professionals likely to favour serviced apartments over other accommodation options.

In the coming year, Dubai, Abu Dhabi, and Jeddah are expected to be key growth areas, attracting a mix of regional and international operators and brands like The Address, Fraser Suites, Staybridge Suites, and Rotana.

Africa
By René Stegmann

After Europe and the Americas, Africa is becoming one of the most popular locations for business travellers. Serviced apartments in some of Africa's most buzzing cities are in high demand as they continue to attract more business travellers and appeal to a larger crowd.

The most booked destination in Africa for serviced apartments is Lagos, Nigeria. Nearly half of the city's population conducts business, and its citizens are reported to have a mutual commercial mindset. 70% of new business owners all around the world target Lagos for future business opportunities.[10]

Côte d'Ivoire is one of the most politically stable countries on the continent. That's why many business tycoons choose to extend their projects there. Casablanca, Morocco is amongst the cities with the most business investments. Morocco is also the first African nation to invest in other African countries.

Johannesburg, South Africa is the largest city in the southern half of the continent. Given the government's continued efforts and investments to improve infrastructure, we predict that Johannesburg will certainly continue on this upward trajectory. Nairobi, Kenya has the largest stock exchange in Africa, and the influx of tourism in this region certainly contributes positively to its economy.

Amongst the five biggest international industries in Africa, Agriculture makes up 15% of the continent's GDP.[11] Africa's banking assets are comparable to that of European nations' such as Russia.

Mining is another major market. Most of the natural resources that the continent produce is traded globally. Africa has the majority of the world's most precious resources and minerals including diamonds, gold, phosphate, and platinum.

Nineteen out of fifty-four African countries are amongst the world's most significant producers of oil and gas.[12] Finally, the telecommunications sector is competitive and lucrative in Africa, with plans to develop this industry by extending into rural areas.

A combination of a rise in input pricing and an overall increase across Africa in investment and activity suggest a general rate rise across the continent. Nigeria will witness an overall increase in prices in all sectors, including the housing and hospitality sector.[13] Casablanca, Morocco presents amazing investment opportunities that provide for even more growth in the sector. Business travel in East African countries is predicted to show a steady increase, and Nairobi is at the centre of this development due to Kenya's positive investment climate.

10. How Africa, https://howafrica.com/top-7-business-destinations-in-africa/
11. McKinsey & Company, Africa's path to growth: Sector by sector | McKinsey
12. McKinsey & Company, https://www.mckinsey.com/featured-insights/middle-east-and-africa/africas-path-to-growth-sector-by-sector
13. Africa's tourism: A global destination for investment and entrepreneurship | Brookings

Credit: Rotana Burgu Arjaan

“We’re seeing the highest demand for business travel in cities such as Dublin and Amsterdam, particularly within the financial and professional services sectors, something we expect to continue into 2024.”

Alternative models

According to the 2023 GSAIR survey, corporate usage of alternative accommodation models such as home stay and co-living are growing as corporates evaluate the potential cost savings and traveller preferences.

25% of corporates are considering using co-living products.[14] We hear from Jermaine Browne of re:shape living, Juha Hämäläinen, Mark Houston and Ulrike Tognon of ARIV Coliving as to all things alternative models.

Jermaine Browne

Our vision of co-living and alternatives is creating dynamic spaces where residents and guests forge meaningful relationships and lifestyles. Our alternative living brands are tailored to different needs in different locations. For example, ARK Coliving is curated to embrace urban dwellers seeking a vibrant community led experience whether they stay for a few nights or months.

In the UK, we've seen the rise of innovative alternatives blurring the lines between hospitality and residential, exemplified by brands like The Other House and Locke Living. These appear to have mastered seamless living in beautifully designed and luxurious self-contained serviced apartments. Our approach puts greater emphasis on the shared economy model and being an affordable alternative.

Looking ahead, we envision a convergence of different models, all anchored in the principles of community, flexibility, and enhanced lifestyle experiences. It's a dialogue that echoes the desires of modern resident, commuter, and nomad – the quest for connections and curated living, rather than just a place to rest.

Juha Hämäläinen

Forenom operates an extensive portfolio of 9,000 units, comprising serviced apartments, aparthotels, hostels, corporate housing, and a flexible project housing section. The company also has its own agency across Europe, giving it a comprehensive view across the sector.

The Nordic serviced living market has witnessed a significant increase in new capacity, The mainstream serviced apartment category, which includes a wide range of options from corporate housing to co-living, has experienced substantial growth in the Nordics. Brands such as Noli Studios, Unity, Bob W, and Forenom have collectively added 2,700 new units across the region in just a year.[15 16 17 18]

Pure co-living, featuring shared apartments, has been introduced by brands like Umeus, Allihoop, and Evergreen, adding 500 new units in the same timeframe.[19 20 21]

Home share has rebounded in 2023, surpassing previous levels, with the Nordic capitals boasting a total of 26,000 Airbnb listings. Copenhagen has the highest number of listings, while Stockholm has the fewest, mainly due to challenging regulations. Oslo has experienced the most significant growth, doubling its listings within a year.[22 23 24 25]

The serviced living sector is expected to expand significantly, especially flexible concepts which are able to accommodate stays from short-term to over a year.[26] However, pure co-living with shared apartments is only expected to grow modestly due to travellers' privacy needs.

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14. Global Serviced Apartment Industry Report 2023
15. Noli Studios: https://nolistudios.com/en
16. Unity: https://unity-living.com/en/about-unity/
17. Bob W: https://bobw.co/
18. Forenom business intelligence database
19. Umeus: https://www.umeus.no/
20. Allihoop: https://www.allihoopliving.com/
21. Evergreen: https://evergreen.rent/
22. https://www.airdna.co/vacation-rental-data/app/dk/default/copenhagen/overview
23. https://www.airdna.co/vacation-rental-data/app/fi/default/helsinki/overview
24. https://www.airdna.co/vacation-rental-data/app/no/default/oslo/overview
25. https://www.airdna.co/vacation-rental-data/app/se/default/stockholm/overview
26. Interview with Natalia Nikola, Head of Serviced Living Noli Studios/Nelio Concepts

According to Forenom market research, low-cost project housing solutions are anticipated to increase substantially, primarily driven by planned major infrastructure, industrial, and energy projects. Home share will continue to grow at a moderate pace. Hotel chains have not yet introduced new extended stay portfolios on a large scale in the Nordics, but this is expected to change in the future.

Mark Houston

Charles Hope Living is a build-to-rent management (BTR) company with plenty of experience in the serviced apartment industry under our sister brand, Charles Hope Apartments.

We predominantly operate in multifamily properties (those with different unit types) in the BTR sector but there are other models in the alternative space such as HMO's, co-living accommodation, PBSA's (purpose-built student accommodation) and assisted or residential retirement living.

All sectors have seen increased demand because they provide complete and convenient solutions including furniture, fitness facilities, and communal areas. The increase in demand for BTR rentals has also been inflated by a higher percentage of private landlords now selling property, as inflated interest rates have made letting a property no longer profitable for many.

70% of global institutional investors are forecast to become active in the suburban BTR market within the next five years; a big increase on the current 42%.[27] However, increased inflationary pressures on building materials, rising energy and borrowing costs are escalating the pressure on developers from investors to control costs whilst maintaining a healthy yield.

There are always opportunities for those looking to capitalise on the increased rental demands. The pipeline for 2023 in the BTR sector at the start of this year was over 113,000 homes (including those in planning) taking the total UK BTR stock to 242,500 homes.[28] This trend certainly outpaces growth in the private rental sector.

Ulrike Tognon

Co-living is quite new in Switzerland, and ARIV Coliving is a start-up based in Zurich with its first property in Basel.

Co-living products usually target young people with lower budgets, who share kitchens or bathrooms or both. However, all ARIV units have private kitchens and bathrooms, which is essential for corporate clients, so we essentially offer a serviced apartment plus co-living space and coworking. Our corporate guests are very mixed in age.

Our building in Basel is a former hotel with 150 studios and one bedroom units, although our next ARIV Coliving, which opens in Zug next year, will include two bedroom units. We accommodate short stays of between 1 to 29 nights, although our focus is on bookings of 30 nights and more. Our average stay is five months.

Community is an integral part of the ARIV Coliving concept. In Basel we have 1,500 square metres of communal space. There's a coworking space where everyone can go. The space has a printer and private cabins to make calls. Switzerland is not a place where you meet people easily, so our communal spaces enable a sense of community.

Our average guest is aged in their early thirties; they're mainly corporate clients in a student or trainee programme, but sometimes managers too. We even have couples in their eighties living with us, while their own homes are renovated.

We also have families, although that's not typical because we don't have two bedrooms here. There will be more 2 bedroom units in Zug, allowing us to host more families there.

Looking ahead, I believe that co-living will grow because it focusses on the social aspects of a stay, especially when you retain some key private facilities.

"We envision a convergence of different models, all anchored in the principles of community, flexibility, and enhanced lifestyle experiences."

27. https://www.knightfrank.com/residential-investment-report
28. https://www.savills.co.uk/research_articles/229130/339547-0

EMEA Supply

Opportunities and challenges for the Serviced Apartment industry in Europe

Europe
By Samuel Toribio

Europe's serviced apartment market has experienced remarkable growth over the past few years, driven by an increasing number of business travellers, corporates preferring apartments over hotels for long stays, and a preference for more flexible and comfortable accommodation options. Moreover, in the last 2 years, the industry has expanded its footprint from the traditional markets (UK, Ireland, Germany) towards Southern Europe with relevant projects in Lisbon, Madrid, Barcelona, Milan, Athens...We see opportunities aplenty for two reasons as follows:

- **Broader audience**
  As more projects are deployed, this segment is expected to attract more clients from the non-traditional corporate sector to digital nomads, workation programs and b2b2c clients coming from self-booking tools. Furthermore, the rise of new platforms entirely focused on this audience will enable a new demand driver.

- **Disrupting new markets**
  Second/third tier cities will be a hot spot as investors will find better deals from a yielding point of view but also uplifting cities like those mentioned above (Southern and Eastern Europe) will benefit from this, as the current options are limited.

Whilst these opportunities are exciting, unavoidable headwinds are being faced and will continue to provide obstacles, which the industry needs to overcome, particularly the following:

- **Inflation and price increases**
  Recent inflation levels have had a massive effect on prices, and this has created a gap between apartment and hotel ADRs that for shorter stays was not as noticeable. Deducting extra costs (like cleaning fees) from the price might be a solution to make apartments “look” cheaper to clients.

- **Alternative real estate projects**
  While serviced apartments have enjoyed a steady rise in popularity, they are facing stiff competition from co-livings, which have gained traction among the millennials and digital nomads. Europe is experiencing a boom on co-living projects. Quality-wise, some of them offer 40%-50% cheaper rates than current city serviced apartments for premium corporate travellers.

In a nutshell, Europe has a brilliant outlook in the serviced apartment market, but BTR (build-to-rent) projects pose a question mark as to where the limit will be.

Middle East
By Kurtis Murphy

The Middle Eastern serviced apartment market continues to grow and mature with many new openings across the region. As the region develops, product standards are evolving to appeal to a more international consumer.

In the UAE, there has long been a clear focus on attracting international inbound tourism and this continues. It is much more typical now to find businesses operating during Ramadan than it was five years ago, and in 2022 we also saw an alignment of UAE weekends with the internationally recognised Monday to Friday business week.

It is not just tourism that has driven sector growth here; the UN Expo and COP28 are clear indicators that this region is keen to attract international businesses to establish permanent bases in the region. The UAE’s historically more conservative neighbours - Saudi Arabia and Qatar - are emerging as heavyweights in the sporting world; the 2023 World Cup, Liv Golf, World Championship Boxing, the Saudi Football League are undoubtedly generating demand and interest in the region. KSA’s $500bn Neom megacity on the Red Sea coast, eventually projected to become home to 9 million people and supporting the Kingdom’s aim to become less dependent on oil, has already driven significant numbers of relocations to the region.

While this is all generally positive for the GCC economy, for extended stay guests and corporates, it can cause spikes in the year of low availability and higher rates.

SilverDoor Apartments has increased their portfolio by over 4,000 units over the last 12 months in growing markets across the Middle East including Bahrain, Israel, Oman, Qatar, Saudi Arabia, Turkey and UAE.

Key players have established a strong foothold in the market over the years such as Rotana, IHG, Ascott, Dusit, Millenium Hotels & Resorts and Accor; many of whom continue to open new stock on an annual basis. Cheval Collection are also new entrants to the region with 131 rooms on the prestigious Palm.

The ability to offer sustainable options has rapidly become a hot topic across the industry and, while areas such as the Middle East have historically lagged behind in this area, the region is gaining ground here too. IHG's 'Green Engage' programme allows the hotels to choose from over 200 'Green Solutions' designed to help them reduce their energy, water and waste, and improve their impact on the environment. Similarly, The Ascott Group have partnered with Bureau Veritas to audit its Serviced Residences globally. There is great expectation for the Middle Eastern market to follow in a similar vein as companies look to hit carbon reduction targets in business travel.

Africa
By Trevor Ward

To describe Africa as undersupplied with serviced apartments is an understatement!

Africa's a huge continent, with 54 countries. This is more than a quarter of UN members. It has a population of 1.5 billion. That is about 19 per cent of the global total. However, according to Fino Hospitality,[29] at the start of 2023, international hotel chains had just 14 properties bearing their extended-stay brands in nine African countries (Algeria, the DRC, Egypt, Ethiopia, Kenya, Morocco, Nigeria, South Africa, and Tanzania)! With about 1,550 units, that's an average of 110 units per property, ranging from the 164-unit Somerset Westview in Nairobi, Kenya to the 48-unit Executive Residency by Best Western, also in Nairobi.

Marriott, one of the biggest operators in Africa, alongside Accor, lead with four properties under their Element, Residence Inn, and Marriott Executive Apartments brands, with Accor, Ascott, BWH, Dusit, Frasers, Hyatt, IHG, Pan Pacific, Rotana and Wyndham having one apiece. Most of these properties opened in the last five years.

It's a 12-hour flight from Cairo to Cape Town (N to S), and 9 hours from Dakar to Dar es Salaam (W to E), and these long distances, with arduous road journeys, and other factors mean that there is strong demand for extended stay accommodation. So why so few branded properties? In fact, with the exception of notable markets such as Nairobi, Cape Town and Johannesburg, there's a shortage of any extended-stay hotels. Well, there are many reasons, picking on just two, much of Africa has lagged behind other regions in terms of modern hotel development, and new entrants, both owners and the hotel chains, have focused on core full-service brands. And a lack of understanding of the extended-stay sector means that both owners and lenders have shied away from getting involved.

Looking to the future, there appears to be some traction in terms of development. According to our annual pipeline survey,[30] the chains have signed management or franchise deals for 37 new extended-stay properties with 5,300 units, which is about 6 per cent of the total hotel development pipeline in Africa. The average size of an upcoming extended-stay hotel is 147 units, quite a lot more than the existing supply. Marriott again lead the pack, with 13 new properties coming into the market in the future containing 2,100 units. However, the Ascott are also doing well, with 8 properties containing 900 units. Of the total, about 50 per cent are already under construction, the remainder are still waiting to break ground.

29. www.finohospitality.com
30. https://w-hospitalitygroup.com/pipeline-report/

Licensing and compliance

The regulatory framework for serviced apartments across EMEA is highly fragmented. To contrast the current landscape across the region, Deborah Heather examines the UK government's proposed introduction of serviced accommodation licensing despite the presence of several accreditation schemes for serviced apartments, Stephen Martin sheds some light on compliance in mainland Europe, Adam Kane-Smith considers the main African markets which have a mature set of standards for the industry and Ozge Ozturk discusses the commonality and points of divergence in standards across the GCC.

Deborah Heather

Along with the entire UK hospitality industry, the accommodation sector is waiting for the results of various consultations on registration or licensing.

Scotland's licensing legislation is currently being reviewed, whilst the Welsh government are predicted to deliver a mix between Scotland's sledgehammer and England's expected light touch version.

Given existing legislation, legitimate, professional operators in England should have nothing to fear. Despite long-standing issues with bad actors operating without public liability insurance, or the right Health and Safety checks, anyone operating responsibly wants to protect their guests as much as possible.

In the eyes of the law, it's a case of mitigating risk. There's the added benefit that this is what consumers, business travellers and those that procure accommodation on behalf of others, want.

Operators who don't recognise their responsibilities can be managed out or made to conform by ensuring suitable checks and balances are in place. Registration is a simple education process for those with their heads in the sand, ensuring they are aware of their legal responsibilities.

Each of the devolved governments are trying to manage housing issues. In Scotland, the infrastructure of long term lets was nearly crippled by changing legislation to favour tenants which has since impacted short lets too.

Wales is looking to solve its second home problem but failing to understand that second homes operating commercially bring year round revenues, helping communities to exist. In England, where levelling-up and registration consultations are running concurrently, the risk is that consultation recommends using planning permission to solve housing issues, and that England also has a licensing system rather than a simple registration system.

The Channel Islands and Isle of Man successfully operate different versions of licensing. In the Isle of Man, the OTA's and Airbnb have never been a threat to housing, communities, or legitimate business operators, as it's manageable through already robust systems. The legacy licencing has always included appropriate planning permission and fire and health and safety checks for all accommodation providers.

For me, registration should not be a problem for professional or responsible operators, as it helps withdraw the bad actors from the market. The real issue is over complex, one-size-fits-all legislation, designed to solve housing issues rather than support business tourism and the communities it supports.

Stephen Martin

Following the release of ISO 31030 (Travel Risk Management) in September 2021, we have seen increasing demand for serviced accommodation to obtain a safety-based accreditation.

Across EMEA region, we deliver our Compliance Accreditation (health & safety centred) to clients in 19 countries, encountering varying national standards.

Our Compliance "global standard" cannot be applied verbatim in all countries, but the content and level of verifications required for each accreditation module can be achieved by approaching each one from the perspective of what needs to be verified. For example, a Fire Risk Assessment (FRA); widely recognised and understood in the UK, but not necessarily a system used in other countries. There are other mechanisms by which the output of a FRA can be verified, from annual inspections by the fire department to a governmentally applied license (incorporating fire safety assessments), renewable annually.

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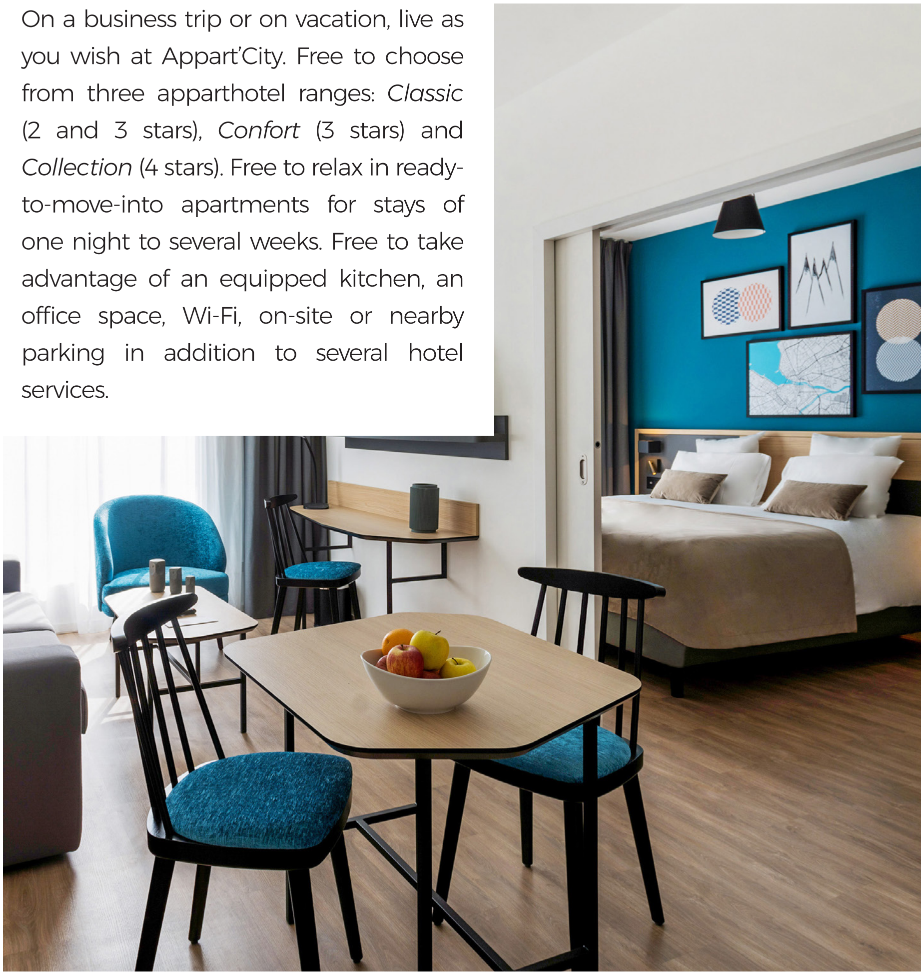

By applying this approach to other criteria, we can verify that the standard is being upheld globally. Serviced accommodation providers are required to make prescribed pieces of evidence available to us so we can help them achieve compliance, as required by their corporate clients.

In European countries like Switzerland, the state operates a more top-down approach to safety regulation in accommodation providers' properties. This means operators are not used to requests from accrediting bodies for evidence that the building is fire safe, for example.

For them, the fact that the property is provided with a permission to operate through insurance is evidence enough of building safety.

The challenges we encounter, and the way in which we meet them, allow us to work with serviced accommodation providers across countries to achieve continuous improvement in safety standards, to help to make serviced accommodation recognised as safer and better for everyone.

Adam Kane-Smith

The regulatory framework in Africa varies from country to country. In South Africa, the Short-Term Accommodation Act of 1993 requires all serviced apartments to be registered with the Department of Tourism and to comply with a number of safety and quality standards.

By contrast, in Nigeria there is no specific regulatory framework for serviced apartments. Instead, they are subject to the same laws and regulations as any other type of property.

The specific risks and mitigations required for serviced apartments in Africa will vary depending on the region. However, the common risks include fire safety, due to the prevalence of old buildings and poor fire safety standards; security to protect guests from theft and other crimes, such as CCTV cameras, security guards, and access control systems, and health risks including malaria, typhoid, and cholera.

Licensing requirements for serviced apartments also vary. In some countries, serviced apartments are required to be licensed as hotels, while in others they may be licensed as a different type of property, such as a guesthouse or bed and breakfast.

When it comes to sustainability, Africa may lag behind the initiatives being taken in Europe and the U.S., but there is a growing awareness of the benefits of operating more ecologically. Some examples include using energy-efficient appliances; reducing water consumption, recycling, and composting.

Ozge Ozturk

In the UAE and Qatar, serviced hotel apartments are a part of the hotel classification and fall under the "Tourism Establishment" category. The Department of Economic Development in the UAE and the Qatar Tourism Authority in Qatar, are the governing bodies which issue licenses to operate as a hotel or a serviced hotel apartment, based on compliance with the respective tourism licensing laws which set out certain pre-requisites to be met. These mostly relate to safety and the existence of certain minimum facility and service standards. One of the pre-requisites for obtaining a license is the achievement of certification from the civil defence and food control authorities. Health and safety measures are constantly audited by the governing bodies across the establishments, with fire drills taking place twice a year, and HACCP audits taking place regularly.

In the UAE and Qatar, serviced hotel apartments are not allowed to serve alcohol, tobacco or shisha, as per the regulations for that category. However, hotels and serviced hotel apartments co-located in the same complex, are able to serve alcohol and shisha at designated outlets, if they have obtained a separate licence from the respective government bodies.

All tourism establishments are inspected annually and on a random basis, for the validation and/or extension of the licences and for compliance audits.

In Istanbul, individual apartment owners can rent their apartments by using Airbnb etc. and they usually provide housekeeping services too upon request. A license is needed for them as residents' identities must be declared to local law enforcement. However, as there are thousands of individuals who rent their apartments in this way; it is very hard to control and there is probably a high proportion which operate without a license.

As a summary, all accommodation facilities including motels, aparthotels, serviced apartments, and hotels (1 to 5 stars) need a license.

There is not a different definition in Turkish law between serviced apartments & hotels and all are obliged to have a tourism license.

When it comes to sustainability and how properties are built, there is a move towards regulation. 2023 has been designated the year of sustainability in the UAE. [31]

31. https://uaeyearof.ae/

Credit: Rotana Burgu Arjaan

"Registration should not be a problem for professional or responsible operators, as it helps withdraw the bad actors from the market. The real issue is over complex, one-size-fits-all legislation, designed to solve housing issues rather than support business tourism and the communities it supports."

Hospitality Tech

The GSAIR survey showed the appetite amongst serviced apartment operators to adopt technology that supports them offering a more digitised stay, with PMSs having been widely employed, followed by self-service check in, mobile apps, and digital access control systems.[32] Sally Richards, Managing Director of RaspberrySky Services, with over 20 years' experience within hospitality technology provides her insights into the digital customer journey now and in the future.

In conversation with Sally Richards

Sally, could you start by giving a bit of background about yourself and RaspberrySky?

Sure, RaspberrySky Services started nearly 18 years ago. As the industry has evolved, so has the kind of projects that we do. My background is travel agency, tour operator, airline and hotels. I came to consulting with a really good understanding of supply and demand. A lot of the business that we get is from the demand generators as well as from supply, whether that's hotel or serviced apartment, hostel, or campsite, OTA, Tour Operator etc.

That's an incredible background of experience. So specifically, what technology elements of the typical hotel or serviced apartment customer journey do RaspberrySky Services support with?

More recently, our focus has really been on technical audits, reviewing our clients' IT stack. We undertake commercial reviews and those generally lead to a system requirement. We then conduct the technical system RFP processes and if required, we can help the client implement the new solution into their business with project management services. A big part of the implementation is business process reengineering. Often organisations decide that they'll change a piece of kit, for example their PMS, but then try to "shoehorn" the old processes into the new technology leading to them not fully realising its benefits, so reengineering the process is very important. You also need to engage the teams to ensure you change their "hearts and minds", not just the technology stack.

I've been in the industry all my working life, and so many clients give me fairly fluid briefs..."Our occupancy has gone down but we don't know why." I call it a "point of pain" brief and we investigate where the issue lies and then recommend and implement solutions.

What do you consider to be the main areas of change from a business and customer perspective, over the last 18 years?

I think the light bulb is going on that we can't dictate how the customer interacts with us. Whether it's digital, traditional or hybrid, it's our role as a hospitality organisation to enable all of them. We often see, particularly in full service markets like luxury, the belief that the guest wants to walk in, go to the front desk, have that human interaction and fill out the paperwork. But the reality is that the luxury guest is changing, and they don't want to check in at the desk, they want to check in online.

They want to get to their room, instant message the concierge and not to have to go down to reception or pick up an in-room phone. It's about realising there aren't two different guest types - traditional and digital, but there's a hybrid depending on how you're travelling, when you're travelling and for what purpose. So we need to offer the guest choice in how they interact and be aware that it may change, but however they decide to interact, just make it seamless.

32. Global Serviced Apartment Industry Report 2023

Data is more important than ever - the single view of the customer, that enables you to understand and anticipate their needs. But we have a load of data silos in our industry. A lot of data, but not a lot of intelligence. We know what we want to achieve, but it's difficult to consolidate and pull and I think that's a really big focus.

And then there's data ownership. In the future you will not own the customer data - the customer will own and control their data and decide who will have the right to use which data sets.

Middleware is also now a huge growth area enabling better integration of systems, but it will also help with providing a single view of customer data.

What is middleware?

Middleware enables you to connect all your systems, such as your PMS, through one central platform and share data. No silos mean that you can then pull that data out and manage it. Everything interacts with just one layer and no 1-1 systems. You're then less reliant on any one system, making it easier to replace it, as your interface is with one central system via APIs. Yes, it means a new piece of kit that you probably didn't have before, but it gives you much more flexibility. Some examples are IReckonU and Hapi Cloud.

Got it! How do you see this trajectory of change continuing to evolve for the business traveller with the customers that you work with, for example?

Business travellers want flexibility and it's now a diverse demographic - digital nomads, bleisures etc. They want a more rounded experience. They want to be able to book more non-room elements online - scenarios such as the business traveller who wants a meeting space and somewhere to eat in a property but no bedroom reservation or perhaps they want a bedroom but only to conduct a daytime meeting. We are seeing system capability evolving to support a range of inventory types and without being restricted in being linked to a one night stay, with the ability to book online.

Coworking spaces, retail outlets and community spaces, are increasingly a feature. The property becomes more of a destination as opposed to a collection of rooms with an unused central space. You increasingly see these mid-scale, limited service offerings with more funky spaces... a nice bar, groovy restaurant, and convenient retail fostering more of a community and now you can even have subscription models covering your coffee, workspace etc.

"The light bulb is going on that we can't dictate how the customer interacts with us. Whether it's digital, traditional or hybrid, it's our role as a hospitality organisation to enable all of them."

Finally, Artificial intelligence...

The buzzword of the moment, right?

Do you see it playing a part in every aspect of hospitality now, or are there any aspects where a human is still better?

You would hope a human is still better in a lot of cases! But where AI and machine learning is brilliant is taking away all those repetitive tasks that a human being is doing today, to automate so that the human can actually interact with a guest and offer some kind of service. I don't think it's going to replace humans entirely, but it is certainly going to automate repetitive tasks.

Machine learning is already here. We need to be aware of it, but I personally am more interested in the virtual reality (VR), the mixed reality, the extended reality. How will we evolve the physical and the digital world together to enhance experiences? That's the fun stuff! VR devices will become more user-friendly moving from massive VR goggles to the overlay being in your glasses for example. That's the future. But I would just be happy if people weren't still asking the question, 'should I move my key systems to the cloud?'!

It's true! I'm still working with hotels that have on premises PMSs, and it's a big change for people. In serviced apartment and hotel back of house there's still a lot of paper and manual processing. Automation and integration through APIs...that's where the opportunity is.

Glossary of terms

Several acronyms or abbreviations are used in this publication. These are as follows:

ADR:	Average Daily Rate.
Agent:	Used more generally to describe an intermediary, either individual or company, booking travel or accommodation on behalf of another party.
AI:	Artificial Intelligence.
Aparthotel:	Fully furnished and equipped apartments, which include hotel services such as manned reception and cleaning. Typically used for shorter stays and suitable for business and leisure use.
API:	Application programming interface.
Assignment working:	A short or long term stay, undertaken to perform a specific task or project based trip. Stays can last between 30 days and three years[33] and are temporary, whereas Relocation (see below), is permanent. Assignment workers are often referred to as assignees.
B2b2c:	Business to business to consumer.
Bleisure:	Bleisure trips combine leisure with business, usually by tacking extra days onto a business trip.
BTR:	Build To Rent.
Business travel:	A journey specifically taken for work purposes, usually but not always up to seven days. Business travel excludes daily commuting, leisure trips or holidays.
CHPA:	Corporate Housing Providers Association.
Coliving:	Coliving refers to accommodation where multiple unrelated people can live together. Units usually contain large communal spaces as well as private bedrooms. Developments often feature social areas and programmes designed to foster a sense of community.
Corporate housing:	Residential apartments, packaged up to include servicing and bills, typically bookable for a minimum of 30 nights, either let and maintained by the operator on an ongoing basis or rented specifically for a particular housing requirement and length of time, after which they are handed back to the owner. Corporate housing is also the term used in the U.S. to describe serviced apartments.
Digital nomad:	A person who earns a living working online in various locations of their choosing, rather than a fixed business location.
EEA:	Energy & Environment Alliance.
EMEA:	Europe, the Middle East, and Africa.
ESG:	Environmental, Social, and Governance.
Extended reality:	An umbrella term encapsulating Augmented Reality (AR), Virtual Reality (VR), Mixed Reality (MR), and everything in between.

33. https://www.crownworldmobility.com/wp-content/uploads/2013/10/13-jan-CWM-white-paper-changing-world-of-international-assignments.pdf

FRA:	Fire Risk Assessment.
GCC:	Gulf Cooperation Council.
GDP:	Gross Domestic Product, the monetary value of goods and services produced in a country in a given period of time.
GSAIR:	Global Serviced Apartment Industry Report.
HACCP:	Hazard Analysis Critical Control Point.
HMO:	House in Multiple Occupancy, a building, or part of a building (for example, a flat) in which more than one household lives and shares an amenity, such as a bathroom, toilet or cooking facilities.
Home Stay:	Generic term for products like Airbnb, Onefinestay, or home rental.
IFRS:	International Financial Reporting Standards.
ISSB:	International Sustainability Standards Board.
Mixed reality:	a medium consisting of immersive computer-generated environments in which elements of a physical and virtual environment are combined.
Nordics:	The region consisting of Denmark, Norway, Sweden, Finland and Iceland, the Faroe Islands, Greenland and Åland.
Occupancy:	Percentage of occupied bedrooms / apartments during a set period.
OTA:	Online Travel Agent (e.g. Expedia, Booking.com).
PBSA:	Purpose Built Student Accommodation.
PMS:	Property Management System.
QNDC:	Qatar National Development Council.
Relocation:	Relocation (also referred to as Relo), involves permanently moving an employee, and family, to another city or country.
RFP:	Request For Proposal.
SEC:	Securities & Exchange Commission.
Serviced apartment hotel:	Terminology used in the UAE for the classification of serviced accommodation in the issuance of licenses.
Serviced living:	Generic term to describe the expanding number of emerging extended stay concepts. Fully furnished accommodation including kitchen facilities, with some private and communal spaces.
TMC:	A Travel Management Company manages the business travel requirements of an individual or organisation, in line with their corporate travel policies, where relevant.
UAE:	United Arab Emirates.
UK:	United Kingdom.
U.S.:	United States of America.
Workation:	Working in a usual mode whilst travelling. In comparison with the term digital nomad, it is generally considered to denote a less permanent state of working travel.

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