

WINDROSE

A magazine by Feuring - Visionary Hotel Development

Change

» Thriving New Builds » Repositioning » Transactions » Advisory Services
» Column » Feuring Inside

2017 / 01

A black and white portrait of Berno-H. Feuring, a middle-aged man with glasses, wearing a dark suit, white shirt, and striped tie. He is sitting at a desk with his hands resting on it. The background is slightly blurred, showing what appears to be an office setting.

*»Nothing is as constant
as change!«*

Berno-H. Feuring

BERNO-H. FEURING

Editorial

Dear Friends!

“Consistency is the last refuge of the unimaginative” Oscar Wilde once said. How good it is that the hospitality sector has never had to worry about too little imagination and always seems to walk through crises a lot more “consistently” than most other asset classes do. One of the reasons for this might be that it is part of daily hospitality business to deal with and find good solutions for people’s needs. We would even argue that over many decades no other type of asset class has reinvented itself quite as often as the hospitality sector has.

The hotel sector is quick in adapting to economic fluctuations with new products and brands. The best example for this is the boom in the midscale and economy segment. Whilst in the past, change usually happened from “top to bottom” as shown by the design revolution in the budget segment, the top hotel industry has lately started looking “down” for new ideas. Digitalisation, segmentation and process optimisation are just a few of the topics that were previously not attributed to high-end hotels. However, care should be taken, as not every trend in the budget segment can be successfully copied “bottom to top”. Our current development pipeline shows how this can work: With the Jaz in the City Stuttgart, Hyatt Place Frankfurt Airport and me and all Mainz we are “at the forefront” in realising new products.

These “new” projects have also encouraged us to give our Windrose magazine a different look. After no fewer than 58 years of company history it only seems right to look back on our achievements. For this reason, we not only briefly reflect on many projects we have realised since the last edition of Windrose, but also introduce a new blog. From now on we will take a look at projects we were formerly involved in and which have meanwhile undergone a change. In this edition we have re-visited the Hotel Excelsior Gallia in Milan.

But above all we are dedicating this new edition of Windrose to our mentor and “Senior”, Berno-H. Feuring, whose 80th birthday we were happy to celebrate on April 2nd. Without him, neither this company nor its constant will for change would exist.

We hope you enjoy reading our new Windrose and get a lot of inspiration from it.

Sincerely yours,

BARDO-M. FEURING

MATTHIAS LOWIN

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Imprint

Thriving New Builds

Every year again we realize that there are no limits to the hotel industry's diversity. Whilst one would expect the consolidation process in the international hotel industry to reduce the number of brands, the opposite is true. In fact, most of the recent mergers and takeovers by the large hotel companies have hardly resulted in compromises on the brands. On the contrary, new brands seem to be rolled out on a weekly basis. Why is this the case?



The development of new hotel brands

Do we really need new brands?

One of the most frequent questions we hear when we hold company presentations, is, whether there really is a need for more new rooms? Of course, each location is afflicted with different circumstances but usually we have two counter-questions for every location: 1) Does it offer all travellers the kind of accommodation they are looking for? and 2) does it use its market potential to the full? In other words, the questioning of quantities is too short-sighted. Today, more than ever, the concept decides about demand.

Generalists and specialists

New hotel brands are created in advertising companies and creative workshops and no longer focus on stars and classifications but on age groups, fashion trends and lifestyles. Nowadays, large hotel chains concentrate on market coverage and this

take the risk on specialists in the budget segment. This in turn has resulted in the continuing boom in the development of budget products. Supported by the thriving German economy, demand for investments in such specialists is meanwhile higher than supply and this has also initiated the development of specialists in the upscale hotel categories. And as always, clever hotel chains are reacting with customised products.

The new lifestyle hotels

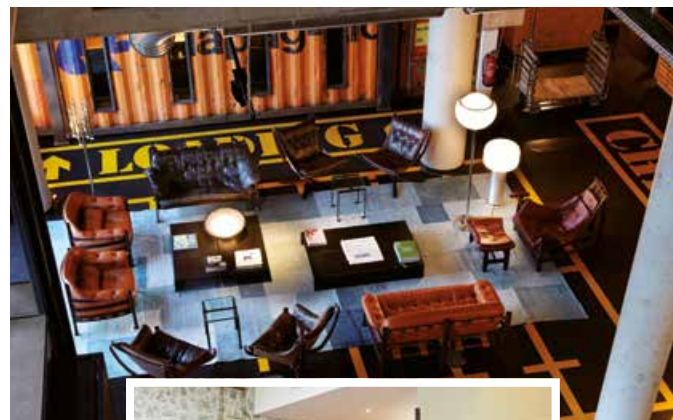
In the upscale segment, W-Hotels in the USA undoubtedly took on a pioneer role in terms of the "new lifestyle hotels" with a chain affiliation. In 2010, the first W in Europe opened its doors in Barcelona. The brand has its main focus on design and lifestyle and less on service and gastronomy. This leads to high average rates combined with slim operating

Nowadays, large hotel chains concentrate on market coverage and this strategy calls for individual products to suit different markets and locations. This trend has resulted in the creation of two types of brands: The generalists and the specialists.

strategy calls for individual products to suit different markets and locations. This trend has resulted in the creation of two types of brands: The generalists and the specialists. The generalists – or all-rounders – are suitable for a wide variety of hotel properties and locations, are easy to adapt and hence to be made suitable for second-party utilisations. As investors' favourite they generate the highest investment volume in the three- to four star segments. Specialists, however, are concept-orientated products which only became generally accepted on the German investment market as a result of the meteoric rise of MotelOne. However, investors remained cautious and during the last few years were only prepared to

IMAGES BELOW AND RIGHT:
25h, Hamburg/Hafencity

The hotel brand 25h is one of the best examples of successful target-group-oriented positioning.





IMAGES LEFT:
»JAZ in the City«, Stuttgart

IMAGE BELOW:
Hyatt Place Frankfurt Airport



Development packages for new hotel products

The development of a hotel as an operator-run property always calls for hotel specific know-how both on the part of the developer and owner and far beyond the required operator standards. The

The more specialised the hotel property and the higher its quality standard is, the more effort and experience it will require to assess and to fix the project costs in advance. This applies all the more to the development of a new brand.

structures. Despite the great success, the W Barcelona and similar products without a chain affiliation immediately had, the expansion of specialist chain products continued to be rather sluggish in continental Europe. However, since 2015/2016 this line of business is gaining momentum, even if for the moment mainly in the classical hipster markets UK, Amsterdam, Madrid and Paris. In 2016, Accor invested in the specialist, 25hours, after having created its own label Mama Shelter in co-operation with trigano. IHG is also planning the market launch of its brand Kimpton in 2017, Hyatt is developing its third Andaz hotel in Munich, Hilton is presenting Canopy and Marriott Starwood is adding Moxy, AC Hotels and Alofts to its repertoire and is working on six new W-hotels in Europe. In Germany, Deutsche Hospitality is presenting its first Jaz in the City in Stuttgart (please refer to page 08) and Lindner is making its debut with its first me and all hotel in Dusseldorf.

more specialised the hotel property and the higher its quality standard is, the more effort and experience it will require to assess and to fix the project costs in advance. This applies all the more to the development of a new brand. The smaller a hotel chain or the younger the product is, the fewer product specifications will be available. Whilst large hotel companies will deliver a detailed development package when the contract draft is set up, small companies will often only supply a marketing presentation and perhaps some specifications about individual fittings and equipment. For years now, the development of such development packages, i.e. of building- and FF&E standards for new hotels, and brands has been one of Feuring Group's core skills. This is the reason why we are not only assigned by investors to help launch their new hotel brands but also by hotel chains to regularly examine their standards.



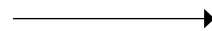
Sandra Rainer-Pösel, Director Advisory Services,
Feuring – Visionary Hotel Development

Close to heaven – Floating on cloud seven

Germany's first JAZ hotel is being developed in one of Europe's most thriving new business locations. The widely visible residence- and hotel tower »CLOUD N°7« stands for lightness and joie de vivre, and – from early summer 2017 onward – will enrich Stuttgart's hotel market as the new trendsetting lifestyle product by Deutsche Hospitality, formerly Steigenberger AG.



166 rooms and suites, a spectacular roof patio with a view over the regional capital, approx. 350 m² conference space, an exclusive fitness- and SPA area as well as a modern and trendy restaurant with adjacent bar are to jazz up Stuttgart's hospitality scene as of 2017. International visitors to Stuttgart and residents alike will be addressed by the amenities that CLOUD N° 7 will offer. Thanks to the ideal location within the new Europaviertel behind the main railway station, they will enjoy easy access to sightseeing highlights, culture venues and public transportation. People visiting Cloud No. 7 by car will be introduced to an ultra-modern, fully automatic parking system: Cars will be conveniently handed over to the system, which will then safely park and re-deliver them autonomously and anytime. The new JAZ hotel on floor -2 to 7 will be Deutsche Hospitality's third hotel opening in Stuttgart and will increase the operator's total room capacity in the city to approximately 400 rooms. The upper floors will house a number of exclusive flats and business apartments for tourists and businessmen and will give them a place to relax and unwind in the middle of the buzzing city. They will literally find "a room with a view".



» We want to offer life quality.
With the combination of
excellent hotel services and
exclusive residences we
are creating entirely new
perspectives for Stuttgart.
Right from the beginning,
Feuring has accompanied our
project in a very professional,
fair and pragmatic way.«

—
TOBIAS FISCHER
Schwäbische Wohnungs AG



Guests from all over the world will find a wide range of shops and restaurants in the immediate neighbourhood of the hotel. The new shopping centre, Milaneo, which has already opened, is located directly in front of CLOUD N° 7. Moreover, the Europaviertel is also an attractive office location for many companies.

The hotel itself also holds a lot to be discovered: With its modern futuristic design by the young interior design company, GePlan, combined with many innovative features, such as electronically controlled round showers, a lobby with



ABOVE:
Restaurant on ground floor

LEFT:
Lounge on the sixth floor

BELOW:
SPA- and wellness area

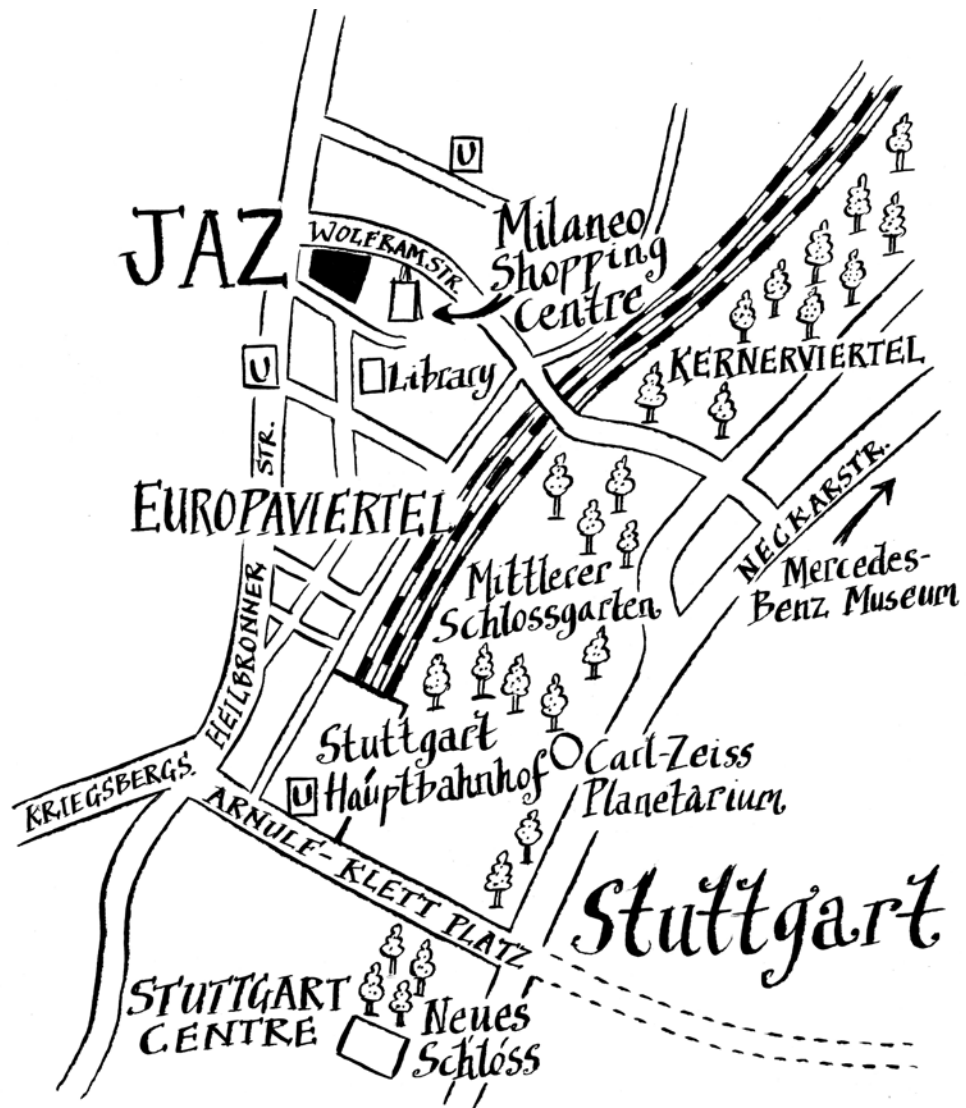
» With our JAZ-concept we are putting our stakes on a new target group. According to the maxim “change is the only constant in life”, the JAZ-concept doesn’t just want to keep up with the times but aims to be one step ahead. Today, hotels need to be conceived completely differently. We are very grateful that we can count on Feuring’s support in this challenging process. For many years now, our companies have had a very co-operative partnership. Together, we can look back on numerous hotels that have been successfully opened.«

PUNEET CHHATWAL
Deutsche Hospitality

the latest media-gadgets and a SPA with adventure showers and an ice fountain, the new hotel is sure to become an absolute attraction in Stuttgart.

Construction work started in autumn 2013 and is now heading towards the home stretch. The owner, Tobias Fischer, Managing Director of Schwäbische Wohnungs AG, and his project team are very eager to endeavour on the final sprint and to complete the project.

Feuring has accompanied the development of this exciting project right from the very beginning and in spring 2013 was able to procure Steigenberger Hotels AG (now Deutsche Hospitality) as the operator. As was the case during the entire planning- and construction phase, Feuring will continue to closely supervise the project in its role as hotel consultant – jointly heading for a near-term inauguration of the property.



Stuttgart and the new Europa-Viertel north of main railway station

»Hyatt Place« enters Germany

*Hyatt's prize-winning select service brand
enters the field
with 312 rooms at Frankfurt Airport*





Detail from the hand-drawn map on the wallpaper in the rooms



Gateway Gardens, one of the largest airport city developments in Europe is witnessing the creation of 312 innovative guest rooms and suites, endowed with a spectacular styling by JOI Design. The Hyatt Place hotel at Frankfurt Airport is expected to go into operation in the new urban development, Gateway Gardens, at the beginning of 2018. Well in time and in the scope of a forward purchase agreement, Union Investment secured the approx. 3,006 m² large plot from the vendor, developer, lessor and Feuring Group affiliate, Europahotel Baufeld 11.3 GmbH & Co. KG. Upon completion, Union Investment will purchase the hotel from Feuring Group for its open-ended public property fund, Unilmmo: Global. Feuring Group will then operate the Hyatt Place in its role as lessor for the following thirty years. For Hyatt it is the launch on the German market of a brand that already is very successful on an international level and the fifth project under this flag in Europe.

Worldwide, there already are 270 Hyatt Place hotels and many more are under development. In the



USA, the brand already is an upscale product of high acclaim that combines Hyatt's hotel know-how with a highly efficient management, tailor-made for the modern and frequent traveller also found

» *The Hyatt Place Frankfurt Airport deal sees us exploiting an opportunity to acquire a hotel project in the established Gateway Gardens location. The anticipated growth in passenger numbers and associated overnight stays will benefit not only the Hyatt Place hotel but also the wider district*«



ABOVE:
Steady progress on the building site

LEFT AND BELOW:
One of the mock-up rooms set up during the building phase



—
ANDREAS LÖCHER
Union Investment Real Estate GmbH

The hotel's reception- and restaurant areas gently merge with the "Gallery", a central guest lounge with a living room atmosphere. With an average size of 26 square metres, the spacious rooms are considerably larger than usual in this segment. The standard rooms include a work area and a sofa bed for connecting passengers and families with children and offer comfort that is near to sensational at Frankfurt Airport. For Matthias Lowin, Managing Director of Feuring and initiator of the project, this room concept is absolutely set up for the future: "With this room concept Hyatt is creating a one-of-a-kind product at Frankfurt Airport."

As yet, work is still in progress on the railway connection in the new business quarter, Gateway Gardens, but from 2019 onward, trains will run regularly. From the future S-Bahn stop, ideally located right opposite the hotel, passengers will reach the city centre in around ten and the airport in just about two minutes. The Frankfurter Kreuz with direct connections to the country's motorway network is just around the corner so that the Hyatt Place will also be very easy to reach by car. Around 5,000 people are already working in companies that have established themselves at Gateway Gardens. LSG Sky Chefs, DB Schenker or Condor have set up their company seats in close proximity to the future Hyatt Place Hotel. In accordance with the principles of sustainable building, the hotel will achieve the LEED silver certification.

at Frankfurt Airport. With its state-of-the-art and sophisticated design, smart high-tech features and a casual service concept, the product deliberately distinguishes itself from other select service hotels.



Further information about the brand:
<https://place.hyatt.com/en/hyattplace.html>

Hotel Market Airport: The thrilling world between luxury and layover

An area with a size of 20 square kilometres – the equivalent of approx. 20 football fields - with its own clinic and operating room, fire brigade, police station, two railway stations and sacral buildings for each world religion, which provides 81.000 jobs and has 211 residents. That is quite an accurate description of Frankfurt's »Airport« district and is exactly why it is such a fascinating place to be.

With a passenger volume of around 61.0 million in 2015, Frankfurt Airport is the third largest airport in Western Europe. Like its larger “colleagues” in Europe it is located just outside the city. Currently, the urban development Gateway Gardens is bringing even more attractions, offices and hotels in direct vicinity to Frankfurt Airport. Amongst them is the Hyatt Place hotel, an in-house project development by Feuring, presented on page 12 – 15.

But why does an airport need hotels, whilst guests could stay in the supposedly more attractive city centre? The answer to this can be split up in two: On the one hand, globalisation and easier travel have caused an exponential rise in the number of passengers all over the world leading to a substantial increase in passengers stopping over at international airports. On the other hand, airports act as catalysts and do not only encourage airport-related companies to settle nearby but also give a boost to the economic development of the whole region. They are also hubs for all means of transport so that international companies in particular like to hold

their (international) events and conferences there in order to allow participants to travel to and from meetings as conveniently as possible and to provide them with adequate hotel accommodation. So-called involuntary layover guests, however, stay at airport hotels because they have to. These are usually people whose plane cannot depart or land because of a technical defect or bad weather conditions, for example. Depending on the type of aircraft affected, this means that large groups of about 100 – 500 passengers and crew members need accommodation nearby the airport.

The fact that airport hotels are mainly built because of the enormous increase in global tourist and traffic flows and the economic boost that goes along with this can also be illustrated chronologically. According to Hilton, they opened their worldwide first airport hotel in San Francisco in 1959. This coincides with a milestone in the history of civil aviation: In 1957, the Boeing 707 was the first jet to be launched by one of today’s most dominant global producers. Whilst in the beginning, air travel was regarded as pure luxury, the market gradually opened up for everyday passengers. Paid passenger kilometres increased from about 0.5 billion in 1970 to about 6.5 billion in 2015, a rise by factor 13 or of 5.9 % per year. Over the years, this has resulted in the creation of several other major airports all over the world. These offer the most significant (inter-continental) long distance flights to and from their home country or region. In 2015 there were 21 global airports that carried more than 50 million passengers per year and Atlanta Airport (USA) was the largest airport worldwide to check in more than 100 million passengers (i.e. around 101.5 million) in one year.

The micro airport hotel market is therefore largely influenced by the local and regional economy, the number and kind of companies nearby as well as the international significance of the airport in question. Another interesting aspect is that under certain conditions the hotels in the city centre and those at the airport will either develop into one single, two separate or two “connected” hotel

Target groups for airport hotels

- 1. Individual travellers**
- 2. MICE**
(Meetings Incentives Conventions Events)
- 3. Leisure**
(e.g. before or after a long journey)
- 4. Airline Layover Guests**
(unscheduled accommodation of passengers)
- 5. Airline crews**
- 6. Fair and exhibition visitors**
(depending on the airport’s location)

The micro airport hotel market is therefore largely influenced by the local and regional economy, the number and kind of companies nearby as well as the international significance of the airport in question.

market(s). For example: Provided that international fairs and exhibitions take place in the city centre and that there is enough hotel accommodation in town, the airport hotel market will tend to remain detached from the city market. If, however, there are not enough beds in the city centre, the hotels at the airport will also benefit from existing MICE business. There are a number of other supply- and demand factors that can be of significance for certain airport hotel markets:

- Passenger numbers and -development
- Airline headquarters at the airport
- Distance to the city centre and the exhibition centre
- Distance to the airport, public transport connections to the city, the region and the country
- MICE facilities
- Existing hotels nearby the airport as well as in the city and region.

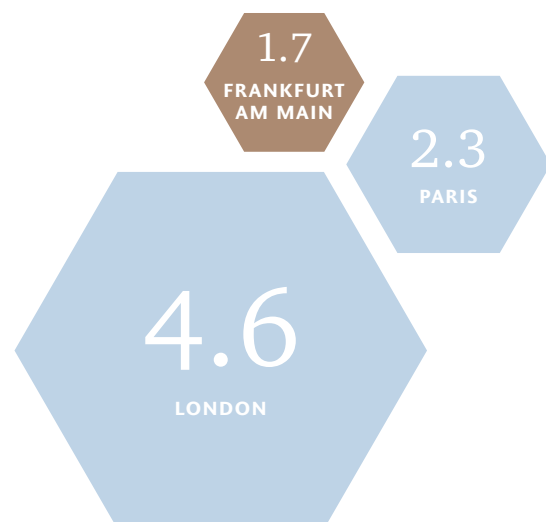
The following comparison between the three largest airports in Western Europe – based on the ratios tables on page 19 – will illustrate this in more detail.

As can be concluded from the figures, the passenger volume at the respective airports – and in particular the adjusted number of passengers per year after deduction of people in transit – determine(s) the size of the existing hotel market. If the adjusted figures are taken as a basis, it becomes obvious that in London, Paris and Frankfurt the number of beds per passenger is on a similar level. In Frankfurt however, this figure is slightly higher, which can be put down to the fact that both the city centre and the exhibition grounds are quite nearby and easy to reach.

This also leads to the fact that the micro market at Frankfurt Airport has a comparatively strong benefit from the city's touristic attractions and MICE-business as reflected by the small difference between the RevPAR of the city- and airport hotels. Another positive influence on the hotel market at Frankfurt Airport is that the city is characterised both by tourism and business. A clear indication for this is the short average length of stay of approx. 1.7 days whilst an average of 2.3 to 4.6 days in London and Paris reflects that these cities accommodate a lot more tourists. In general, this guest segment is not interested in staying at airport hotels, especially if these are at a large distance from the city centre as in London or Paris. Here, the airport hotels are a lot more dependent on actual airport business.

Something all airport markets have in common is the extremely high density of brand-affiliated hotels. At Frankfurt Airport the brand density amounts to 91.4% – which is far above the German average but the lowest in comparison to the other major international airports. As hotels at airports want to

Average length of stay in days



Figures	LHR	CDG	FRA
Number of passengers (2015)	74,985,748	65,766,986	61,032,022
CAGR 2011–2015	1.94%	1.91%	1.97%
Share of transit passengers	30%	31%	55%
Number of airline bases	2	2	3
Arrivals (total city)	18,580,000	15,023,000	5,104,961
CAGR 2011–2015	5.31%	-1.02%	7.14%
Length of stay 2014 (days)	4.6	2.3	1.7
Distance to city centre	30.6 km	22.5 km	11.6 km
Travel time public transport	40'	39'	15'
Distance to exhibition centre	33.8 km	4.6 km	9.6 km
Travel time public transport	83'	8'	20'

Hotel market data	LHR	CDG	FRA
Number of businesses	34	39	27
Rooms	9,563	8,146	5,379
Up. Upscale/Luxury	43.5%	28.7%	41.3%
Upscale	18.5%	18.2%	25.8%
Midscale	30.8%	17.4%	17.0%
Budget	7.2%	35.8%	15.9%
Branding	98.6%	99.1%	91.4%
Rooms per passenger	0.047	0.045	0.032
Projects: Businesses	3	0	3
Rooms	1,048	0	814
Occupancy (city, 2015)	82.1%	76.4%	69.8%
CAGR 2011–2015	0.0%	-1.1% ¹⁾	1.5%
Room rate (city, 2015)	194 EUR	252 EUR	126 EUR
CAGR 2011–2015	6.1%	1.9%	2.7%
Diff. RevPAR city/airport (2013)	70 EUR	126 EUR	20 EUR

1) In 2014 the occupancy rate was 80.3 % and had been on a relevantly constant level since 2011. Assumedly the fall in occupancy in 2015 was due to the negative influence on tourism by the terrorist attacks on the offices of "Charlie Hebdo" on 07.02.2015 and during the friendly soccer match between Germany and France on 13.11.2015.

address guests from all over the world, it is essential for them to be linked to the large sales-and-marketing systems of the well-known hotel chains.

The airlines based at an airport also have an influence on the respective hotel market. In this context the quantity of airlines is not as important as the standard of those airlines that land and depart from this airport. This in turn has an influence on the structure of the hotel market at the airport.

From a hotel-specific aspect Frankfurt Airport is basically almost perfect, i.e. an ideal type, as it not only benefits from city tourism and the MICE-business but beyond that also records the strongest growth in passengers and arrivals. The reason for this is that Frankfurt Airport is based on a very favourable concept. It was not only conceived as an ideal aviation location but also as an international hub where planes, the railway and motorway are ideally connected with each other and where the idea of smoothly running travel chains becomes reality.

Speaking about the fascinating world between luxury and layover: the Hyatt Place Hotel, planned by Feuring, will be positioned among the leading hotels at the airport and will convince with Hyatt's high quality standard. With its invitingly sized rooms, each of which includes an additional sofa bed, the first hotel of this brand in Germany is sure to impress all target groups at the airport.



For further information about the Hyatt Place Frankfurt Airport please turn to page 12–15.



Nico Schleucher, Junior Consultant,
Feuring – Visionary Hotel Development

Feuring creates budget design brand »4Rest«

»4Rest Hotels« is intended to be a brand that will mainly address travellers who have a sense for design and aesthetics but also value good rates and a casual atmosphere.

The planned properties will be so-called concept hotels with a focus on a stimulating design that will be easy to adapt for other locations by altering themes and modules. Guests of these hotels will be individual travellers, looking for stylish accommodation at an affordable price. And the new 4Rest Hotels will offer guests just that. First 4Rest projects are in the pipeline.

ABOVE:
Visualisation of the entrance area

RIGHT:
Visualisation of the reception area – the »Kiosk4You«



The hotel group's
new trademark

»I am very happy that I am now able to continue my co-operation with Feuring : after having successfully implemented two hotels in Switzerland, 4Rest is the first brand development we are doing together. The contemporary lifestyle product can be categorized as Concept-Hotel. It offers guests a comfortable lounge area with unconventional design themes that invite guests to linger and feel at ease – without neglecting the interesting economic aspects of a classical budget hotel. 4Rest is the answer to urban nomads' wish for a new kind of home away from home.«

—
OLIVER HOFMEISTER
OIKIOS GmbH



Largest IntercityHotel opened in Berlin

2013 also saw the completion and opening of the IntercityHotel Berlin Hauptbahnhof. With around 412 rooms, it is not only the largest IntercityHotel, but also the brand's new flagship. Feuring accompanied the entire development of the project up to its opening on behalf of the real estate company, CA Immo Deutschland GmbH.

The most conspicuous features of the newly developed hotel are the floor-to-ceiling windows and public areas. Other than in former IntercityHotels – the new food & beverage concept implements a direct connection of the lobby to the food & beverage area.

An expanded lounge with armchairs and niches allows guests to enjoy an undisturbed cup of coffee or drink before or after dinner and invites them to linger on and relax at any time of day. Thanks to its location directly at the main railway station of the capital with ideal connections to public transport, the IntercityHotel Berlin is the ideal business hotel for visitors of meetings and conferences. But tourists will find the location just as perfect. The airport is only fifteen minutes away, the government district is right on the doorstep and the Pariser Platz can be reached within just five minutes.



Project developments in Braunschweig and Duisburg

Launch of IntercityHotels in both towns!

In 2013 and 2014, Feuring first initiated the development of the future IntercityHotel in Duisburg and thereafter the new IntercityHotel in Braunschweig, pre-developed the projects and secured the plots. Following the completion of the concept ready for approval and the signing of the lease agreements with IntercityHotels GmbH, both projects were sold to the B&L Group in Hamburg in the middle of 2014. B&L has developed the projects. The IntercityHotel in Braunschweig officially celebrated its opening on February 15th, the IntercityHotel in Duisburg is to follow in 2017.

We are very pleased to have participated in these projects at their outset and that with the B&L Group we have also provided IntercityHotel GmbH with a long-term partner for the completion of their projects.



From Vision to Completion

Successful Hotel Consulting in Davos

After a three year construction period, the Hotel InterContinental Davos opened to the public in December 2013. Work on the building had started on April 4, 2010. For the InterContinental Hotels Group (IHG) this is the second mountain resort in the Alps since Berchtesgaden. The owner is a real estate fund by Credit Suisse AG who purchased the project at the end of 2010 from the developer.

Feuring was assigned as hotel consultant of the developer and in this role accompanied the overall project development until its opening.

The project comprises the hotel InterContinental Davos with more than 216 rooms and suites, as well as 38 residences.



ABOVE:
Interior view of the
hotel lobby, a room
and the lounge

RIGHT:
The hotel on the
»Stilli«

The Repositioning of Hotel Assets

What are the steps, a hotel owner should take when a long-term lease agreement with the current hotel company is running out? What are his options? Which is the right kind of operator agreement for the presumably outdated property and is the current operator's strategic fit still appropriate for the location and market?



Currently, a lot of lease agreements, closed in the nineteen-eighties and -nineties, are running out. Both private and institutional investors are therefore faced with the question, how to deal with these expiring hotel operator agreements. For some years now, Feuring has been registering a rise in the call for professional consulting services regarding the repositioning of hotel properties and operator transfers. In the scope of mandates for the greater area of Frankfurt, Cologne city centre, Hannover and in a prime Berlin location, Feuring has already supported quite a few clients in successfully repositioning their properties.

This “restructuring boom” does not come as a surprise. It is the result of the situation at the end of

This “restructuring boom” does not come as a surprise. It is the result of the situation at the end of the eighties and the beginning of the nineties, when more and more hotel brands and -chains appeared on the German market and many lease agreements were generally closed with a term of 20 or even 30 years.

the eighties and the beginning of the nineties, when more and more hotel brands and -chains appeared on the German market and many lease agreements were generally closed with a term of 20 or even 30 years. It is therefore only natural that these days a lot more operator agreements have already been or are being renegotiated. All those years ago, a lot of hotel owners signed an assumingly safe and carefree fixed-rate lease agreement with a hotel company and then “tucked it away” in their desk drawers. If, in the course of time, members of the original asset management team were replaced or the hotel was sold, it often happens that when the lease agreement expires, the current owner is hardly aware of the true state of affairs nor has full knowledge of those regulations of the agreement, relevant to the operator-run property.



Feuring's Expert Tips:

1. **Timely analysis** of the property's possible future, i.e. at least 3–4 years before the current agreement is due to expire.
2. **Compile contract documents** and arrange their assessment in terms of the owed state of the property upon expiry of the agreement.
3. **Professional review and inventory of the property** incl. examination in terms of a) use by alternative operators and b) future marketability.
4. **Examine the owner's investment budget** and obtain/compile an initial appraisal of potentially necessary renovation- or refurbishment measures.
5. **Examine strategic alternatives:** stay in or exit?
6. Following the appraisal of the hotel's key business figures (if available), **carry out initial exploratory negotiations with potential operators** in order to get an impression of the property's appeal and determine indicative economic parameters.
7. **Seek negotiations with the current lease-holder regarding a prolongation of the agreement.** Weigh out mutual interests and options.
8. **Weigh out strategic alternatives** and take up concrete negotiations.

The majority of expiring lease agreements are fixed-rate agreements which – from today's point of view

The majority of expiring lease agreements are fixed-rate agreements which - from today's point of view - are simply "out of proportion" because of the consequently exaggerated indexing-system they are based on.

– are simply "out of proportion" because of the consequently exaggerated indexing-system they are based on. For this reason, many owners have to detach themselves from the yields achieved in the

past and the comfortable status quo. Due to the altered market constellation, it will in most cases not be possible to close a new lease agreement with comparable returns and securities. In addition to this it happens quite often that owners - despite achieving high revenues – will not have made sufficient provisions for necessary refurbishments and hence the property's upgrade.

These circumstances are making negotiations with current or future hotel operators more difficult. Depending on the state of the property in question, an operator will only be prepared to close a new agreement if – as a result of (substantial) investments – the property has become marketable again. The very unpopular alternative to this is a hotel downgrade. The majority of owners tend to not have

The majority of owners tend to not have enough investment freedom to be in a position to offer their hotel to other hotel chains (with the appropriate investment commitment) before the old lease agreement has expired.

enough investment freedom to be in a position to offer their hotel to other hotel chains (with the appropriate investment commitment) before the old lease agreement has expired.

Whatever happens, it is always very important to carry out a qualified assessment right at the outset of renegotiations, both from a legal point of view and in terms of the state of the building. After having determined the operator's obligations regarding the condition of the building upon expiry of the lease agreement (lease obligations), a review and inventory of the building will reveal any discrepancies between the owed and actual situation. Often, there will be a substantial investment backlog, quite frequently on behalf of the hotel operator and more specifically if the lessee had to pay a lease rate which – towards the end of the agreement – no longer was in line with the hotel's realistic earning potential. In some cases, of course, the lessor will also not have fully met his maintenance and repair obligations

In a further step, it is necessary to clarify the owner's strategic objectives. Often, repositioning plans will go hand in hand with contemplations to sell.

Basically there is the option to

- a) keep the property long-term,
- b) sell the property without an operator or
- c) sell the property after its successful repositioning with an operator agreement.

Fundamentally, all strategic alternatives will require good knowledge about the future economic success of the hotel. Depending on the level of transparency of the original (lease) agreement set-up, some owners will have no or hardly any access to business figures about hotel operations so far. This circum-

stance will make it very difficult to determine whether the hotel is or was run economically and cost-effectively. If business figures are basically sound and economically successful, it will make sense to weigh out the hotel's own "market strength" and to actively seek discussions with other potential operators in order to negotiate under "open-market" conditions.

If the situation at the outset is not very transparent, it will be all the more indispensable to prepare any

If the situation at the outset is not very transparent, it will be all the more indispensable to prepare any subsequent steps with great diligence. Especially if the owner does not have any or hardly any know-how, he should always call in a very experienced hotel consultant.

subsequent steps with great diligence. Especially if the owner does not have any or hardly any know-how, he should always call in a very experienced hotel consultant. Only with sound insight about the hotel property's competitiveness; the current operator's obligations regarding the state of the building upon termination of the lease agreement (discrepancies can easily cost millions of Euros); the owner's own investment budget or -commitment and a clear understanding about any available kinds of operator agreements with their specific yield- and risk profiles, will the owner be able to enter into eye-to-eye negotiations with potential leaseholders.



Dr. Frank Peter Ohler, Legal Director &
Mathias Schotten, Senior Consultant,
Feuring – Visionary Hotel Development.

Various reasons, one target...

As already outlined in our special article, the reasons for a repositioning to become necessary can be manifold. These include project developments of an inferior quality, out-of-date operator agreements, concepts that are no longer marketable or obvious quality shortcomings. At the end of the day, however, all repositioning measures have the same objective: they want to create a conceptual, high-quality and above all a market-compliant new product, whether as a hotel or other form of real estate. An example of this is our mandate for today's Lindner Hotel City Plaza Cologne

Lindner Hotel City Plaza Cologne

Lease agreements are frequently closed over a long period of time and often the fixed lease that was agreed on tens of years ago is much harder to achieve under the present market conditions than it was at the beginning of the lease. Whenever this is the case, hotel operators tend to save on maintenance-, repair- and renovation measures and only do what is absolutely necessary in order to keep guests coming. If – for whatever reasons – the leaseholder and owner cannot agree on a follow-up operator agreement, it often takes great efforts on behalf of the owner to find a new operator solution.

Feuring accompanied the owner in the transfer from the previous to the present lease holder, Lindner,



»During the tenant change of the hotel in Cologne, Feuring's team supported us with their excellent know-how and professional project co-ordination.«

OTTO LINDNER
Lindner Hotels AG



ABOVE:
Lindner Hotel City Plaza Cologne

and in documenting the state of the property and the inventory. The aim was, to examine and document any possible claims by the owner against the previous lease-holder and to support the owner in exercising these claims. An adequate and comprehensive documentation about the actual state of the building and a hotel-specific appraisal of the extent of required maintenance- and renovation measures are necessary and valid instruments in this but can only be carried out with adequate knowledge of the real estate- and hotel industry. Feuring also took on the role of co-ordinator and intermediate between the technical- and hotel experts and acted as the legal representative of the owner. Evidently, Feuring's work contributed to the parties being able to come to an amicable agreement.

Apart from the Lindner Hotel City Plaza Cologne, Feuring was more recently also involved in the repositioning of a number of other hotels. Amongst them were four- to five-star hotels in Berlin and the Rhine-Main region.

Transactions

The hotel investment market in Germany is booming. This is not least due to the strong economic climate and good resistance to crises that have given Germany the reputation of being a »safe haven«. Apart from developing and successfully positioning hotels on the market, Feuring is also involved

in the field of real estate transactions. Feuring addresses potential investors, advises on hotel-specific and operational issues and helps arrange the successful sale of properties. In this role Feuring tries to unite the interests of investors, operators or lessees in order to ensure the long-term success of the investments.

Targets achieved!

Successful completion of a longstanding advisory project

After nearly seven years of advisory work, Feuring's sale & leaseback project, initiated in 2008, came to a successful closing in 2014 as a major portfolio transaction.

In the course of a multi-step process, a total of nine IntercityHotels were sold to, primarily, institutional investors. Following this, the hotels were renovated and some of the elder buildings underwent extensive refurbishments. Back in 2008, the first four IntercityHotels in Erfurt, Freiburg, Magdeburg and Nuremberg were able to step out of their existing lease agreements and could subsequently be successfully sold.

The second part of the sale & leaseback project did not only include the sale of the IntercityHotels at Frankfurt airport and in Rostock but also of the two new hotels in Darmstadt and Mainz, developed by Feuring and initially kept in their portfolio. A further hotel in Hamburg-Altona also found a new owner. The overall project finally came to crowning glory with a portfolio transaction in cooperation with Invesco Real Estate in 2014.

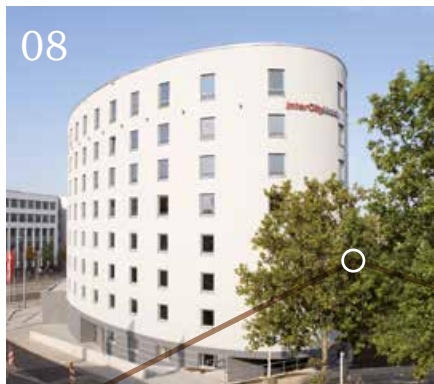
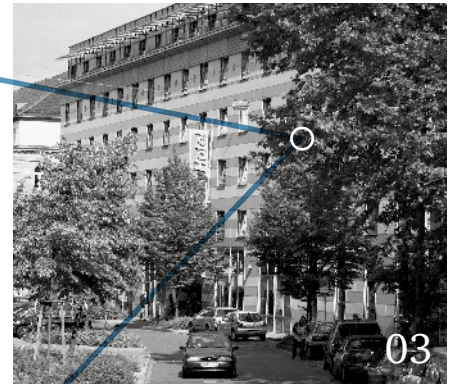
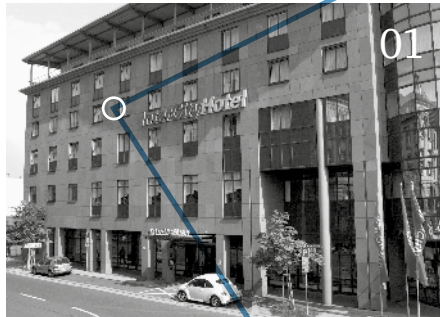
Just like the first portfolio transaction, the second transaction was successful thanks to the combi-

nation of target-group-oriented three- to four star products with a clearly defined quality standard and outstanding inner-city locations, as well as the prospect of a longstanding and sustainable cooperation between very experienced and reliable partners.



»Feuring gave us their very professional support throughout this process and has always been cooperative.«

JOACHIM MARUSCZYK
IntercityHotel GmbH



PORTFOLIO-TRANSACTIONS 2008:

- 01. ICH Erfurt
- 02. ICH Magdeburg
- 03. ICH Nuremberg
- 04. ICH Freiburg

PORTFOLIO-TRANSACTIONS 2014:

- 05. ICH Frankfurt Airport
- 06. ICH Rostock
- 07. ICH Darmstadt
- 08. ICH Mainz
- 09. ICH Hamburg Altona

Interview with Marc Socker

*Senior Director – Hotel Fund Management, Europe
Invesco Real Estate*



More and more institutional investors are interested in German real estate, including hotels. In your opinion, what are the decisive reasons for those investors?

The German real estate market is considered to be one of the attractive investment regions in Europe

due to the size of the market and the country's relatively stable economy. Germany is Europe's largest economy and has proven itself to be resistant to economic downturns. As institutional investors are risk averse, we believe that the German real estate market offers a potentially safe haven.

From an investor's viewpoint, the liquidity and large size of the market is a great advantage, in addition to its transparency, favorable financing conditions and supportive legal and tax systems.

From a hotel sector perspective, much of the above holds true and in our experience institutional investors prefer operating lease contracts – as opposed to management contracts – and this is typically the most common operating framework for hotels in Germany.

Hotels stand out as suitable institutional investments mainly because of their stability of income, which we

Hotels stand out as suitable institutional investments mainly because of their stability of income...

think is best penetrated through a hybrid operating structure, made out of a fixed minimum rent and a performance-driven variable component:

» *Stability of income:*

- Long-term nature of contracts
- Long-term notice periods in case of required extensions or reletting
- Voids are not very common in hotel lease agreements
- Property maintenance works are generally ongoing while the property is in operation before and after the reletting, hence no requirement for a "yield-up" upon lease expiry.

» *Strategic growth sector*

What are the prospects for future investments by international investors in German hotel properties?

Based on the strong lease market in Germany and the fact that there are several strong hotel markets within Germany such as Frankfurt, Munich, Berlin, Hamburg, Dusseldorf, Cologne and Stuttgart – as opposed to most European markets where some-

times one or two cities dominate – the outlook looks strong for further future investments.

Hotels, at the same time, are becoming more common and mainstream within Germany. This is true for banks, developers, operators and investors.

There is huge potential in the hotel sector for brand consolidation and growth. The sector's growing sophistication, standardisation and transparency should lead to a continued growth in investment opportunities.

Finally, the general supply/demand outlook in the German market is attractive right now, in our view, in terms of the short to medium term trading outlook, as well as the potential for further development. Given that some of the largest infrastructure projects in Germany currently are taking place at the leading airports in the country this would seem to suggest there will be a large increase in tourism arrivals into the country, both from a leisure and business perspective.

When considering the investment in a hotel property, one of the core decisions to be made is about the type of operating agreement, i.e. management or lease agreement and the many hybrid facets in between the two types. How important is this question in terms of your fund and investment structures?

It is certainly a very important question and it very much depends on the specific fund or investor requirements, as well as on what level of income versus total return the preference against the risk profile is.

These are some of the factors that need to be taken into account:

» *Pro lease:*

- Risk aversion favours income stability as optimally provided through lease contracts.
- Regulatory restrictions limit many investment vehicles to exclude direct operational responsibilities (Bafin, etc).

– Rise of very skilled third party operators to assume franchises and in turn provide leases to institutional owners and somewhat offsets the corporate brand company’s increasing difficulty to justify balance sheet obligations that come with new leases, while offering “best of both worlds”: local operational focus and expertise a brand can’t offer, with global distribution network and brand recognition to maximise demand.

» *BUT: Markets change:*

- As the sector grows more sophisticated, standardised and “main stream” and as the investor class grows towards investors’ increased comfort, together with compression in returns, this might lead those that are able to do so from a regulatory perspective (i.e. private individuals or less regulated funds) to move up the risk curve to also take advantage of the strategic upside the operational control over the hotel might provide (needs skill and expertise, but we have recently helped one of our separate mandates set up a structure that does exactly that.
- Changes in accounting policies make leases less incentivising to operators than in the past, which

Changes in accounting policies make leases less incentivising to operators than in the past, which in turn makes them more rare (valuable for those leases that remain in the market), but might encourage regulatory adaptations to allow institutional investors more flexibility on the operating structure, similar as is already standard in the US.

in turn makes them more rare (valuable for those leases that remain in the market), but might encourage regulatory adaptations to allow institutional investors more flexibility on the operating structure, similar as is already standard in the US.

– We probably won’t achieve a lease-free MC-dominated landscape in Germany, but with increasingly international investor interest and operator base, it is likely to become more diverse on the operating structure front as well.

Do you experience this discussion concerning lease or management agreements only in Germany or continental Europe? What are your perceptions of this subject in other European countries or even in the rest of the world?

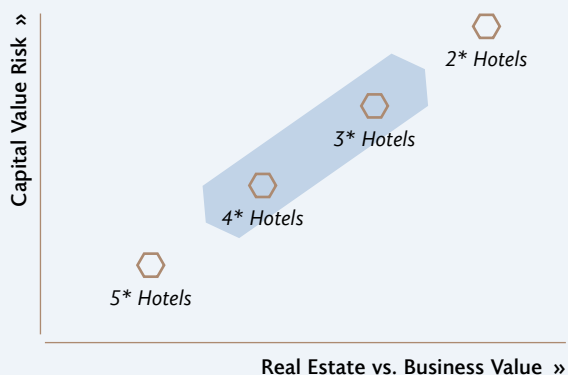
German investment vehicles are in most cases certainly more regulated in a way that restricts direct operational exposure. Nonetheless leases are also very common in France (although often more fully variable rather than fixed or hybrid structures), the Nordics, the Netherlands and the UK (in the latter mostly, but not exclusively, in the economy and budget sector), and a similar trend, i.e. operators pushing from more MC and franchise (asset light) expansion strategies, or – for very strategic opportunities, acquire out-right .

Invesco Real Estate recently acquired four mid-class IntercityHotels in a portfolio transaction. Would you generally agree that the present focus of investors tends to concentrate on the three- to four star segments as the trading statistics seem to imply? To what extent are upmarket or luxury hotels still of interest to institutional investors?

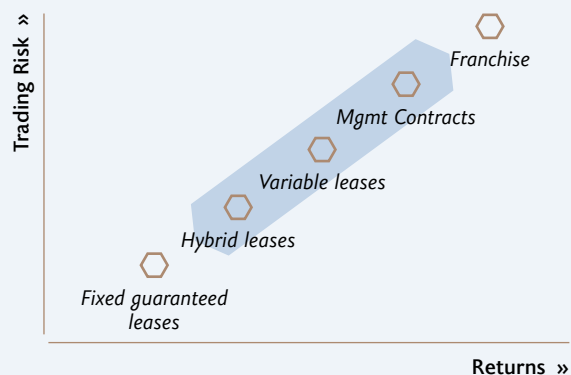
Invesco Real Estate believes that the mid-market segment of the hotel sector provides an attractive balance of real estate and business value, while the combination of investing in leases and a limited number of management contracts provides investors with the opportunity to benefit from the expected upturn in hotel trading while protecting the downside through minimum guaranteed rents and performance levels.

Upmarket and luxury hotels can also be of interest but the volatility in the performance and the inherent operating structures (rare to find leases) make it

Risk/Return/Value Balance by Hotel Quality



Risk/Return Balance by Investment Profile



a tougher proposition for institutional investors to embrace

For each of your hotel investments the hotel operator partnering in the investment plays an important role. According to your experience, what are the relevant criteria to decide for a hotel partner?

We could answer this question with a two-fold analysis:

- » *Operational skills, brand coverage and recognition:*
 - First and foremost, the individual hotel property needs to „stack up“ on its own, to ensure that the underlying business of each asset fully supports the rental obligations while contributing positively to the tenant’s financial position.
 - For this, we would consider the tenant’s operational track record in general, and under a given brand (if franchise), with the given product and in the market we’re considering in particular.
 - Therefore, for example, we have done such a large number of sale/lease-backs in the past, as there we have the operator’s track record through historic performance for this very asset already reflected in hard numbers to ensure optimal operational stability going forward.

» *Covenant strength:*

- We would normally expect a topco guarantee from our tenant in support of its obligations under a lease for additional security.
- Moreover, we need to make sure that our particular asset, even if it has met the individual tests on rental coverage etc as outlined above, is not negatively impacted by topco difficulties that distract the operator from maximising the asset’s operational performance.

Apart from the return on investment and the quality of the location, what would you identify as decisive factors for your investors when considering a hotel property investment?

Decisive factors that Invesco Real Estate identifies when making a hotel property investment are the following:

- » *Relationship with operator*
- » *Diversification – does it fit our existing portfolio?*
- » *Sustainability of rental*
- » *Liquidity on exit*
- » *The “green or sustainability” factor is also increasingly relevant today*

Dear Mr. Socker, thank you very much for your time and valuable opinion.

Advisory Services

Within our advisory services, we provide analyses and concepts for hotel properties along the entire value-chain. In detail, this involves elaborating market analyses and feasibility studies, setting up utilisation concepts and calculating costs and profitability. We furthermore act as consultants in the development of hotel

projects up to their opening. Feuring also deals with financing requirements and operator procurement. In order to ensure that a hotel has the right positioning once it has gone into operation, Feuring offers Operational Asset Management services with the purpose of keeping a critical eye on and guiding hotel operations.

»me and all« hotels soon presented in Mainz

*Lease agreement with Lindner Hotels
has been successfully signed*



Under the heading “Trigon”, the Mainzer Aufbaugesellschaft MAG and J. Molitor Immobilien GmbH are together developing a mixed-use project in Mainz. Besides the future me and all hotel by Lindner, the plot with a total size of 6,700 m² will also encompass flats and an office building, which will include a German Red Cross rescue service base. The hotel with 160 rooms will be located in the Binger Strasse in direct proximity to the main railway station and is to be completed by the end of 2018.

The design of the new me and all hotel Mainz is a tribute to the nearby train station, a central hub in the Rhine-Main region, and to its historical Neo-Renaissance style entrance hall. Antique elements such as historical indicators above the lifts, extravagant crystal chandeliers, Chesterfield sofas and ornate wooden shelves are to characterise the hotel. Typical for the me and all concept, a large lounge on the ground floor, that will merge together with the check-in area and the bar and work zones, will be at the heart of the hotel. The lounge will also be a location for regular readings, living room concerts and other events with regional artists and performers. One of the special features of the me and all Mainz will be the fitness- and wellness area, spread over two floors and remarkably large for a city hotel. The highlight will be the sauna garden on top of the roof which will offer a magnificent view over the historic part of Mainz.

*With their urban, casual and easy flair,
the hotels mainly address city- and
business travellers as well as urban locals
who want to live, work and communicate
in a pleasant and cosy atmosphere.*

Besides Lindner Hotels & Resorts, me and all hotels are the second brand by Lindner Hotels AG. Developed in 2015, the first five me and all hotels are to open their doors in the city centres of Dusseldorf, Hannover, Kiel, Berlin and Mainz by the end of 2018. “In the new me and all hotels we are putting our stakes on sophisticated design that will be oriented towards the local architectural situation without slipping into a kitschy

cliché”, says Otto Lindner, Member of the Board at Lindner Hotels AG. “As in Lindner Hotels & Resorts, we will neither copy nor repeat any features.”

With their urban, casual and easy flair, the hotels mainly address city- and business travellers as well as urban locals who want to live, work and communicate in a pleasant and cosy atmosphere. “With me and all hotels we would like to embody the lifestyle of urban nomads, who want to be inter-connected at all times and in all situations of daily life and who put a lot of emphasis on using the newest technology and a lively but unagitated atmosphere”, Andreas Krökel, Board Member Operations, Sales & Marketing of Lindner Hotels AG, outlines the new concept.

In the scope of the new development of the me and all hotel Mainz, Feuring was responsible for the overall concept of the hotel property and the procurement of the lease and also organised the pitch for the selection of an interior designer.

IBB Hotels open hotel in Ingelheim

After a long processing period, a new IBB hotel with a total number of 109 rooms and suites is being created in Ingelheim am Rhein. It will be in direct vicinity to the so-called "Neue Mitte", the new quarter in the centre of Ingelheim, and will also be near the local station and the cultural- and conference hall "KING". The hotel opening is planned in July 2017 at the latest.

The key factors for IBB Hotel Collection, based in Passau, to decide on a hotel in Ingelheim, were the proximity to the Rhine-Main region, the high economic density in Ingelheim itself and the attractive location vis-à-vis the new conference centre. Dirk Gemünden, Managing Director of J. Molitor Immobilien GmbH, comments this as follows: "With the establishment of a modern town hotel, we are rigorously pushing forward the positive development of Ingelheim's town centre". Vladimir Saal, Managing Director of IBB Hotel Collection, adds: "With the pulsating metropolitan Rhine-Main region at its doorstep, Ingelheim is an excellent location for a hotel by IBB Hotel Collection". IBB operates hotels in Germany, Poland and Spain, and for 2017 three openings in Paderborn, Danzig und Valletta/Malta are already in the pipeline. Recently, IBB also opened a hotel at Berlin-Airport.

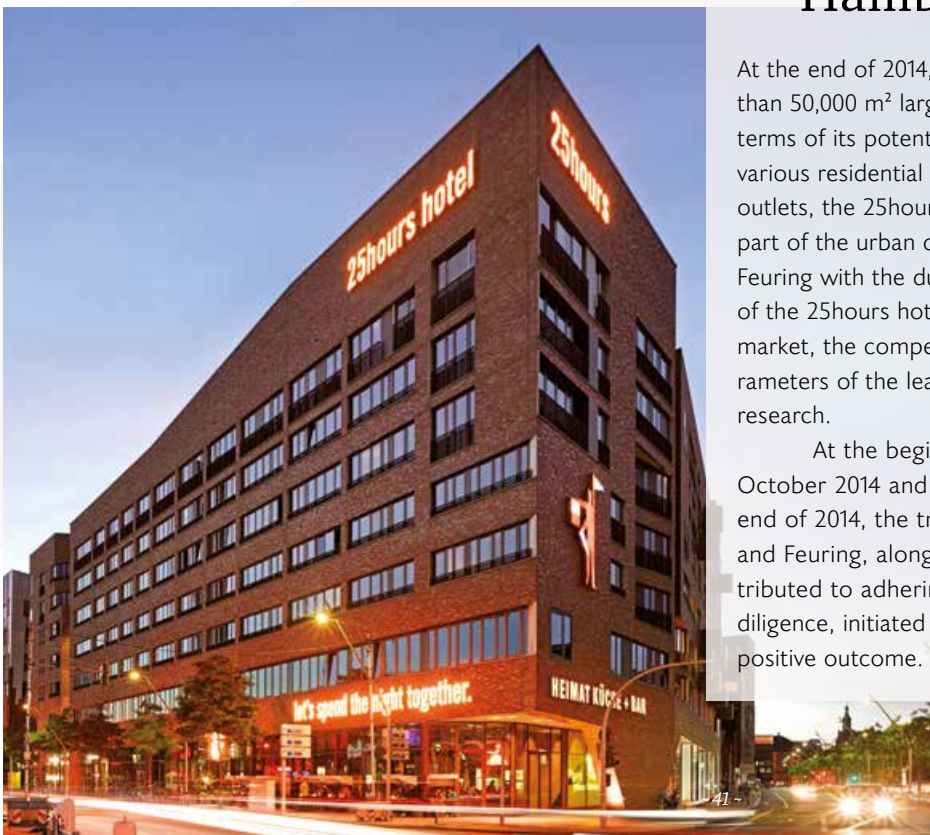
Feuring supervised the overall concept and procured the lease for the hotel project in Ingelheim.



25hours hotel Hamburg Harbour City

At the end of 2014, Hines Immobilien GmbH assessed a more than 50,000 m² large building site at HafenCity in Hamburg in terms of its potential, profitability and purchasability. Besides various residential buildings, commercial premises and retail outlets, the 25hours hotel Hamburg HafenCity was an integral part of the urban development in Hamburg. Hines assigned Feuring with the due diligence examination for the purchase of the 25hours hotel. The quality of both the location and the market, the competitiveness of the hotel product and the parameters of the lease agreement were at the focus of Feuring's research.

At the beginning of the assignment in the middle of October 2014 and with the aim of signing the contract by the end of 2014, the tricky project had a very ambitious timeline and Feuring, alongside other project partners, largely contributed to adhering to the tight schedule. Overall, the due diligence, initiated and carried out by Hines Berlin resulted in a positive outcome.



Hotel Indigo Dresden

New inspirations in the »Elbflorenz«

It is no longer a secret that the East German cities and their hotel markets are catching up. For several years now, the number of visitors has been growing steadily and it comes as no surprise that the hotel markets are calling for more capacities. In this context, Aberdeen Asset Management assigned Feuring in mid-2016 to carry out a due diligence for the purchase of the planned Hotel Indigo Dresden. It is located vis-à-vis the new art and cultural hot spot “Kraftwerk” in the centre of the square “Wettiner Platz” in Dresden. This hotel is part of the urban development by Revitalis Real Estate AG.

Feuring was responsible for the assessment of the location- and market conditions and for the analysis of the concept for the hotel Indigo. The principal was particularly interested in the profitability forecast for the project, as well as in the appraisal of the legal and economically relevant definitions in the lease agreement. Especially taking into account the location and conditions on the local hotel market, the project was considered to have a positive future.





»Moxy« soon in Darmstadt

Feuring assisted in setting up the concept and advised the owner in negotiating the lease agreement.

In 2017, Darmstadt is celebrating its 20th anniversary as “City of Science”. With its close vicinity to Frankfurt and the region’s international airport, to Wiesbaden, Mainz, Offenbach and Aschaffenburg and with its good railway- and autobahn connections, Darmstadt is ideally embedded in the Rhine-Main region with its steadily growing economy. For many years now, the city has been a highly attractive location with a hotel market that seems particularly suitable for the select-service hospitality branch. Up till now, there is not a lot of available accommodation and in recent years quite a large number of hotel rooms were taken from the market because they had come of age

In 2016, Feuring could bring in its sound knowledge of the market in supporting both Unit Gesellschaft für Projektentwicklung mbH and the investor from Darmstadt. The urban development “Quartier West Darmstadt” includes a “Moxy” hotel – a Marriott brand with the aim of addressing the rapidly growing millennium generation with a contemporary standard of accommodation at a fair price. The product puts a lot of emphasis on stylish design and a modern atmosphere, as well as on the newest technology and sustainability



Hilton  Frankfurt Airport

Hotel Asset Management

*Hotel operator and owner –
together towards success*

The probably most substantial structural change in the hospitality sector, with a rise in hotel management agreements, took place several years ago and resulted in the decoupling of properties from operations. However, this was not the only cause for the structural change. It was far more due to global players like Hilton, InterContinental or Hyatt completely pulling out of the traditional rent- and lease agreement models, mainly as a result of prevailing accounting standards. At the same time, the introduction of certain regulations on the financial market also put most institutional investors in Central- and Western Europe in the position of no longer being able to close management agreements. As therefore the most important investment group is not in a position to enter into management

As therefore the most important investment group is not in a position to enter into management agreements whilst the major hotel operators are only prepared to close exactly such agreements, the next structural change is slowly but surely taking place and has already taken hold of the German hospitality sector.

agreements whilst the major hotel operators are only prepared to close exactly such agreements, the next structural change is slowly but surely taking place and has already taken hold of the German hospitality sector. In order to deal with the highly adverse situation, new players have entered the field in less than no time.

These new players consist of independent hotel operating companies that are at the same time the franchise holders of several global hotel groups, with whom they have in some cases also closed so-called multiple development agreements. They can therefore also be characterised as special-purpose

entities with a high dependency on hotel chains. This means, that no longer are only properties being

This means, that no longer are only properties being decoupled from operations, but that now properties, operations and brands are being decoupled from each other. This growing complexity is increasingly having an influence on project developments and the subsequent operation of hotels.

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In future, these circumstances will make it all the more necessary to engage an experienced asset manager who has a sound understanding of the risk positions involved in the operating construct of hotels and enough experience to deal with them efficiently. Another important aspect is that the operating companies do not (yet) dispose of the same level of all-round operational know-how as the brand providers do. In future, it will be even more essential to strategically steer hotel investments in order to

In future, it will be even more essential to strategically steer hotel investments in order to guarantee and maximise returns.

guarantee and maximise returns. Below, we would like to give you some insight in our business segment Operational Asset Management and will illustrate how various projects started out and what their successful outcome looked like.



ABOVE:
 „The Squire” – futuristic architecture that resembles an ark

RIGHT:
 Hilton Frankfurt Airport and Hilton Garden Inn



Hilton and Hilton Garden Inn The Squire, Frankfurt/Main Airport

The hotel property, which received several awards and swiftly advanced to one of the most successful hotels in Germany, is operated under a management agreement by the Hilton hotel chain. For around five years, Feuring supervised both hotels in the scope of its Operational Hotel Asset Management on behalf of Officefirst Immobilien AG (previously: IVG) - subsidiary “The Squire GmbH & Co. KG”. From the pre-opening phase onward, Feuring organised mutual advisory board meetings with the hotel management and the owner in order to determine necessary processes, exchange information and make fundamental decisions. Feuring moreover supplemented

the hotel operator’s monthly reports by analysing and commenting them. In doing so, it was very important to carefully weigh up the interests of all partners against the long-term positive development of the hotel property. The analyses carried out in the scope of our hotel development and hotel consulting services regularly helped the hotel owner in making important decisions. After five fruitful years, our mandate was successfully concluded in 2016.

Hyatt Regency Dusseldorf – Everything done right

When back in 2006 Feuring was assigned to be the hotel consultant for the development of a five-star hotel in Dusseldorf's "Media Harbour", the task to successfully establish a new hotel on this highly competitive market with many excellent upscale hotels was a real challenge. But once again it became evident that success is based on the ideal interaction between a market-adequate concept and the right operator. Feuring supervised the project throughout its development and also provided its Hotel Asset Management services for six years after the hotel opening. During this period, the Hyatt Regency was not only able to establish itself but also became one of the best known and above all economically most successful hotels on the hotel market in Dusseldorf. In the middle of 2016, the previous owners were able to sell the hotel very successfully. It was the most expensive single asset transaction on the German hotel market that year.



Hilton Garden Inn Davos braves the crisis

Feuring supervised the development of the Hilton Garden Inn Davos and from the beginning of the pre-opening phase onward also brought in its asset management services. In 2017, the hotel is meanwhile in its fourth operating year. During the last four years the course for the hotel in the famous Swiss mountain location, which is host to the annual World Economic Forum, could be set. This was achieved in close co-operation with the hotel operator, Hilton, and the owner and will ensure the stable operation of the hotel despite the increased exchange rate of the Euro and the subsequent fall in demand from its most significant source market, Germany. We are very proud that despite the growing competition in Davos, the Hilton Garden Inn Davos is so successful and are convinced that by gaining new source markets will continue on its positive course.



The
Excelsior Hotel
Gallia Milan

Long time no see...

Ever

since the official opening on 29th February 1932, the Excelsior Hotel Gallia of Milan has been one of the most prestigious hotels in Italy.

The construction of the hotel, designed and built by Giuseppe Laveni and Aldo Avati, was completed in 1927 when Piazza Duca d'Aosta was still open countryside with isolated cottages and tenement blocks on the outskirts of the city.

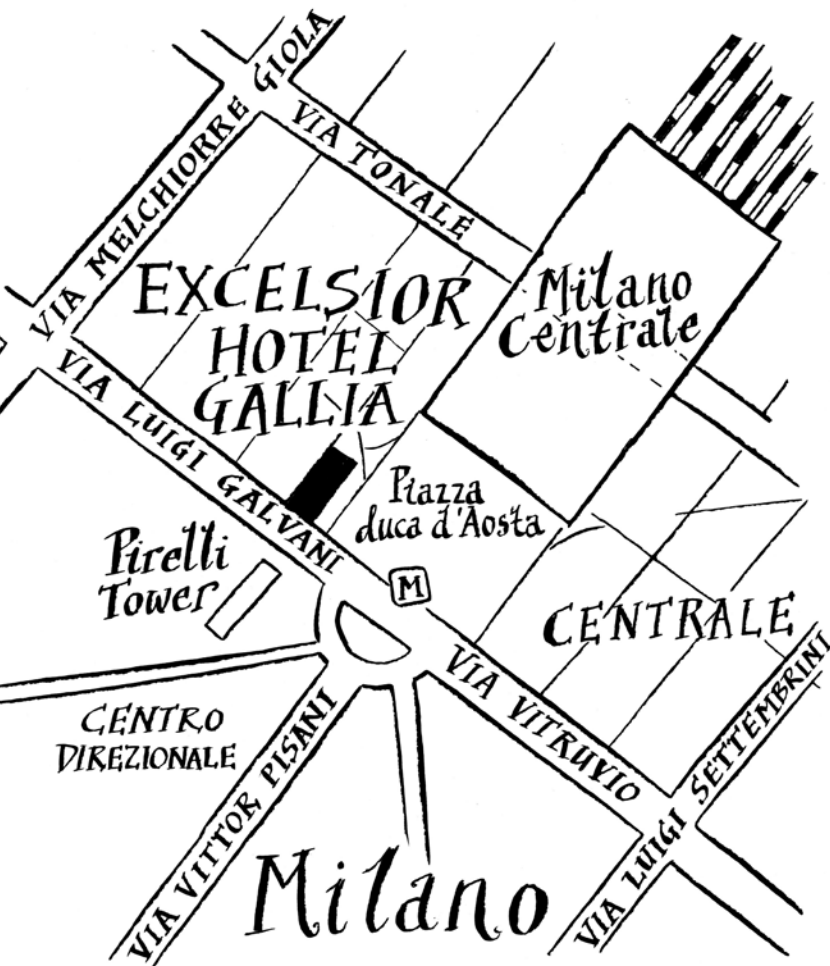
According to the calculations of Carlo Gallia, who was already the owner of Hotel du Nord in Piazza Fiume (now Piazza della Repubblica), "The Gallia", as it is still furtively called by its regular guests, should be completed at the same time as Milan's Stazione Centrale but in the end, the hotel was finished long before its monumental contemporary.

As a result, this luxurious building with its elegant Liberty-style façade – today still under the protection

of the Italian Institute of Fine Arts – stood out in all its majestic splendour on one of the quieter sides of the large square.

Carlo Gallia attended to all aspects of the building with lavish care: he insisted on spacious halls and public rooms, wide corridors and large windows. Nothing was spared in his search for magnificence and luxury, to such an extent that the Milanese bourgeoisie did not hesitate to criticise what they saw as his pretentious ambition to give the city a hotel that would equal the best in Europe.

And so it was. The Duke of Bergamo, who attended the inauguration ceremony, called it "truly regal", and it immediately became the most prestigious place in Milan for the banquets and meetings of aristocrats and bourgeoisie alike. Its vocation for hosting meetings, congresses and business negotiations was an immediate success. But that was not all.



ABOVE:
The »Gallia« on the square at the main railway station in Milan

In a publication by the Touring Club Italiano of 1932 Laveni and Avati wrote, "favoured by so many and such rapid developments in communications, and so advantageously located as to ensure that its guests can find tranquillity while still having easy access to city life, the hotel is as comfortable and convenient for travellers as it is for tourists and businessmen or people who want an extended stay in order to take advantage of all the attractions, Milan has always offered".

Over its lifetime of more than eighty years, the Gallia has been restored at various times. One of the most important restorations was undertaken between 1990 and 1992 after the hotel was acquired by THF – Trusthouse Forte, which subsequently became Forte Plc.

The Excelsior Hotel Gallia has always been Milan's "place to be" for business meetings, press conferences or congresses, but also to spend a holiday in an elegantly refined and traditional atmosphere in the middle of Lombardy's regional capital.

The golden book of the Gallia includes the signatures of such celebrated guests as Arturo Toscanini, Ernest Hemingway, Albert Sabin, Maria Callas, Mikhail Gorbachev and Madonna – not to mention the countless number of other VIPs who chose – and still choose – the elegant hotel for their visits to Milan.

From 1986 and up to the point when the hotel was taken over by Forte, Feuring – on behalf of Forte – accompanied the project at various stages of its development. After undergoing a complete renovation, the hotel initially became a Forte Exclusive hotel and when Forte took over the Air France brand "Le Méridien" at the end of the nineteen-nineties, was repositioned as a "Royal Méridien".





IMAGES:
Impressions of the current »Gallia«



Over the last two years, the building has once again undergone a complete makeover under the new owner and has re-opened as a Luxury Collection Hotel by Starwood Hotels. The new roof patio “Terrazza Gallia” offers a magnificent view over the Piazza Duca d’Aosta where – only in autumn – thousands of starlings collect above the Piazza itself and in the trees just outside the hotel. A true spectacle! But the hotel meanwhile also offers probably one of the best SPA- and wellness facilities in Milan and considerably more rooms than before. The Katara Suite on the 7th floor with a size of around 1,000 sqm is one of the largest suites in the whole of Italy.

So the “Gallia” is sure to remain Milan’s “place to be”.



To avoid misunderstandings, we would like to point out that we were not involved in the recent refurbishment.



Feuring inside

Feuring Hotelconsulting GmbH in Mainz continues to grow and therefore hired two additional employees in 2016. Sarah Marie Schuch and Nico Schleucher support the Feuring-Team in the fields of hotel development and advisory services.

Nico Schleucher

Numerous new projects in Germany and the rest of Europe are requiring more time and effort. In March 2016, Feuring therefore enlarged its team with Nico Schleucher as Junior Consultant. Mr. Schleucher rounded off his long-time experience in the operational service industry with a bachelor degree in Hotel- and Restaurant Management at Heilbronn University, where he specialised in Controlling and other hotel-specific subjects such as Asset Management, Development and Feasibility. In the scope of his bachelor thesis, Nico dealt with the analysis of hotel operator building standards. Following his internship at Feuring in 2012/2013, he gained more experience by taking part in the Young Managers Programme at Sheraton Frankfurt Airport, where he then worked as Front Desk Manager. Meanwhile the 26-year-old has returned to Feuring's head office in Mainz.

»Project development is always a very exciting field of work anyhow, but the asset class “hotel” makes it all the more fascinating. I am inspired every day anew by its high interdisciplinary nature and creativity.«

»I find it extremely fascinating to unite the complexity and individuality of a hotel property with the strengths and characteristics of the core touristic markets and to let new ideas become reality.«

Sarah Marie Schuch

She took up her job as Junior Consultant at Feuring in November 2016. After completing her professional hotel training with an additional qualification in Hotel Management at the Steigenberger Airport Hotel Frankfurt, she went to Malta where she gained international experience in the scope of a trainee programme at the Kempinski Hotel San Lawrenz. Following this, Ms. Schuch studied at the Johannes Gutenberg University of Mainz and completed her studies with a B.Sc. degree in Economics and M.Sc. degree in Management. Besides this, she also worked as a tutor at Mainz University. Throughout her university studies, Sarah jobbed as a working student for the prestigious Hyatt hotel group in Mainz. This and her internship at Feuring gave her even more valuable practical experience. She is very happy to have joined the hotel specialist.

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