

WINDROSE

A magazine by Feuring - Visionary Hotel Development

60th Anniversary
Project Development
Investment Management
Feuring Inside
Advisory Services
Column

Future!

2019 / 10



In the Mood for the Future!

Dear Friends,

Since 1959 when he founded the company, Berno-H. Feuring's main concern has been his passion for the future. Not only did he "infect" his family with this enthusiasm but also his many business partners and friends in the world of international hospitality. New concepts, new markets, a new kind of design, new co-operations, new business models – the hotel industry is a fantastic playground for visionary people. Our 60th anniversary is a good reason to stop briefly in order to look back and reflect.

Whilst during the nineteen sixties, Feuring opened his Europahotels and was regarded as one of the pioneers in operating chain hotels in Germany, in the seventies he became more and more devoted to hotel development and strategic consulting for hotel chains and investors. This swerve not only happened because of his personal interests but was also driven by a changing market environment. The large international hotel chains had begun to make their entrance in Germany and Europe and to fascinate the hotel world with many new ideas. Feuring's maxim was: Help shape the future! To this date, more than 425 new hotel projects have arisen from this attitude and these have not only had an impact on the shape of hotel chains in Germany but have also set new standards in terms of design and functionality. One of these hotels is the Le Méridien Munich, which we would like to introduce to you in our column "Life Cycle Hotel Property".

Back in the seventies, nobody would probably have expected that 40 years later we would be operating hotels again. We meanwhile act as leaseholders and asset managers of thirteen hotel businesses in six European countries. Not only can we rely on several long-time business relationships that have grown with us over the years, but we have also found new partners for the creation of exciting new ideas.

This 10th edition of Windrose will show you a new aspect of our company. It introduces the field of Investment Management and presents our activities in Italy, Austria, Spain, The Netherlands - and Germany, of course. You will also find a lot of interesting information in the articles written by our team of hotel experts.

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

BARDO-M. FEURING

MATTHIAS LOWIN

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HYATT PLACE

Hotel Development — Quo Vadis

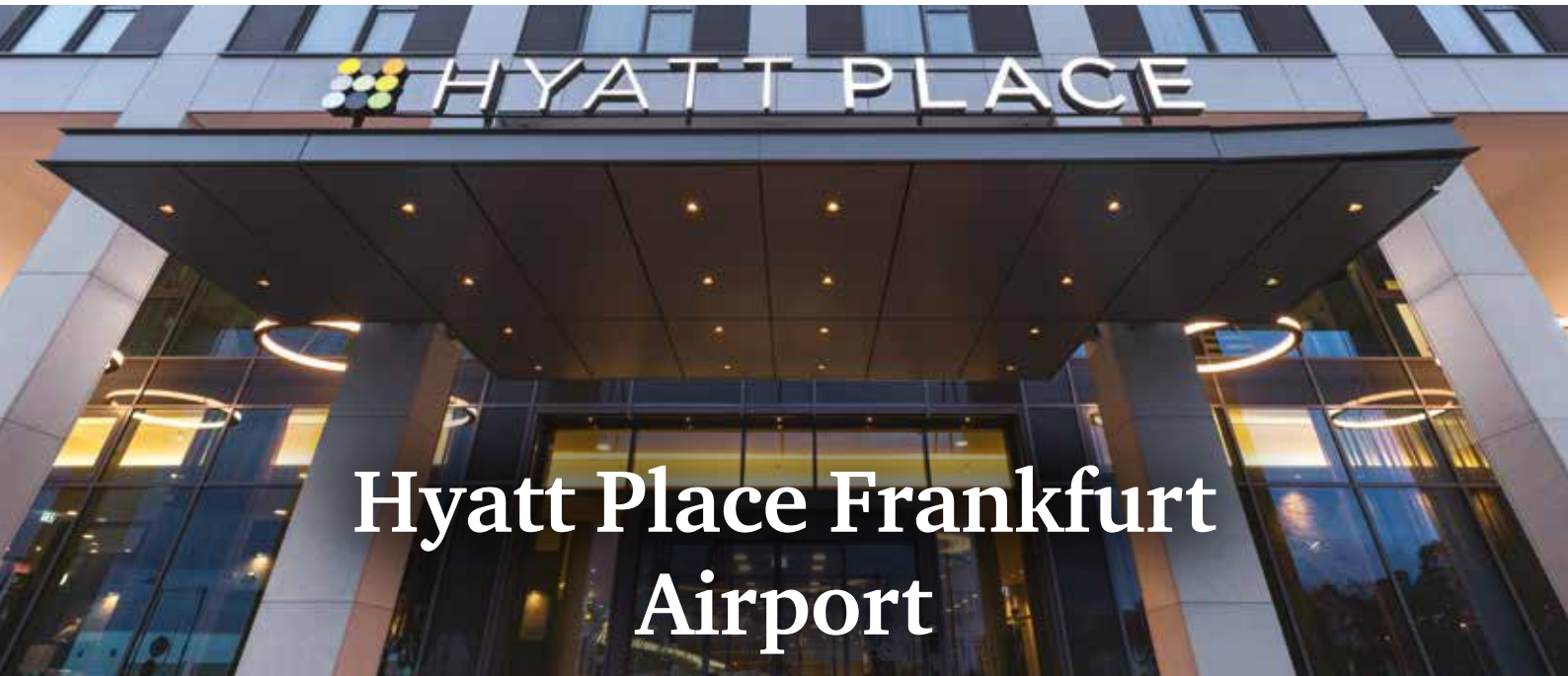


Inspiring, Unique & Experience

What influence do Instagram and Co. have on the current hotel development environment and what exactly does Instagramability mean? In a world that is becoming more virtual almost every day, hotel developers should bear in mind the future marketing potential in the social media at a very early stage of planning. For, in future, those hotels that neglect to provide any “inspiring” and “unique” impressions for the social media will merely be marketing “rooms” rather than “experiences”.

More than 20 years ago, individual design hotels with a chain affiliation were already showing what a difference it makes from an economic point of view to market experiences rather than rooms. Most hotel companies reacted to this by developing their own boutique and design brands. It therefore comes as no surprise that in 2018, individual design hotels, such as the Cavo Tagoo on Mykonos, for example, also headed the list when it comes to the number of Instagram followers (1.3 million). Today, some of the most successful hotel chains on Instagram are Four Seasons and the W- and Edition hotels by Marriott, whose followers promote the hotels on the web with numerous spectacular photos.

Nowadays, hotel designers consciously create their individual Instagramable spaces: Places that are particularly suitable for shooting selfies or unique photos. In our Hyatt Place at Frankfurt Airport it is the bar with its natural moss decorations. In the Maxx by Steigenberger in Vienna, the lobby with its ceiling full of crystal chandeliers as well as the rooftop Spa really stand out. In our Venice project – which we will introduce to you in our report, Hotel Investments for Institutional Investors – guests will find their Instagramable moments in the inner courtyard. But the following pages will tell you more!



Hyatt Place Frankfurt Airport

A new hotel at the heart of Europe

With the opening of the Hyatt Place Frankfurt Airport on January 4th, 2018, the continuously growing business district Gateway Gardens now boasts a further prestige property. The brand's first hotel in Germany largely benefits from its exposed location in direct neighbourhood to Frankfurt Airport, at the heart of Europe and at one of the most mobile spots in Europe. Once the last building has been completed, up to 25,000 people will have found a job here. The concept and mission of the presumably most central location in Europe, is to connect companies, organisations and human beings with each other.

Decisive for the choice of the building plot was its direct neighbourhood to the green park grounds as the centre of the district and the ideal connection to the new S-Bahn line with its immediate access to the train stop on the long side of the hotel towards the north. In future, guests staying at the Hyatt

Place Hotel Frankfurt Airport will only need a few steps to the S-Bahn-stop and from here will reach Terminal 1 in no time at all and Frankfurt central railway station within minutes. This is one of the location's distinct advantages.

With its good location, excellent transport connections to Germany's largest airport as well as its outer appearance and modern design, the new Hyatt Place hotel fulfilled all quality standards demanded of the project, but also convinced with Hyatt International's outstanding expertise in the management of hotels.

Union Investment purchased the hotel property during the project development phase and accompanied the project through to completion. The acquisition took place within the framework of a forward purchase agreement for the open-ended mutual property fund: Global. "With this purchase, the fund management pursued the strategy of increasing the share of hotel properties in special assets whilst at the same time increasing the geographical diversification of the portfolio", says Union Investment's fund manager, Björn Thiemann. "The Hyatt Place and the entire district will largely benefit from the expected increase in passengers and correlating overnight stays. The long-term lease agreement and the modern product, run under a brand that is also well known on an international level, are a guarantee for the profitability of the investment", Thiemann adds.



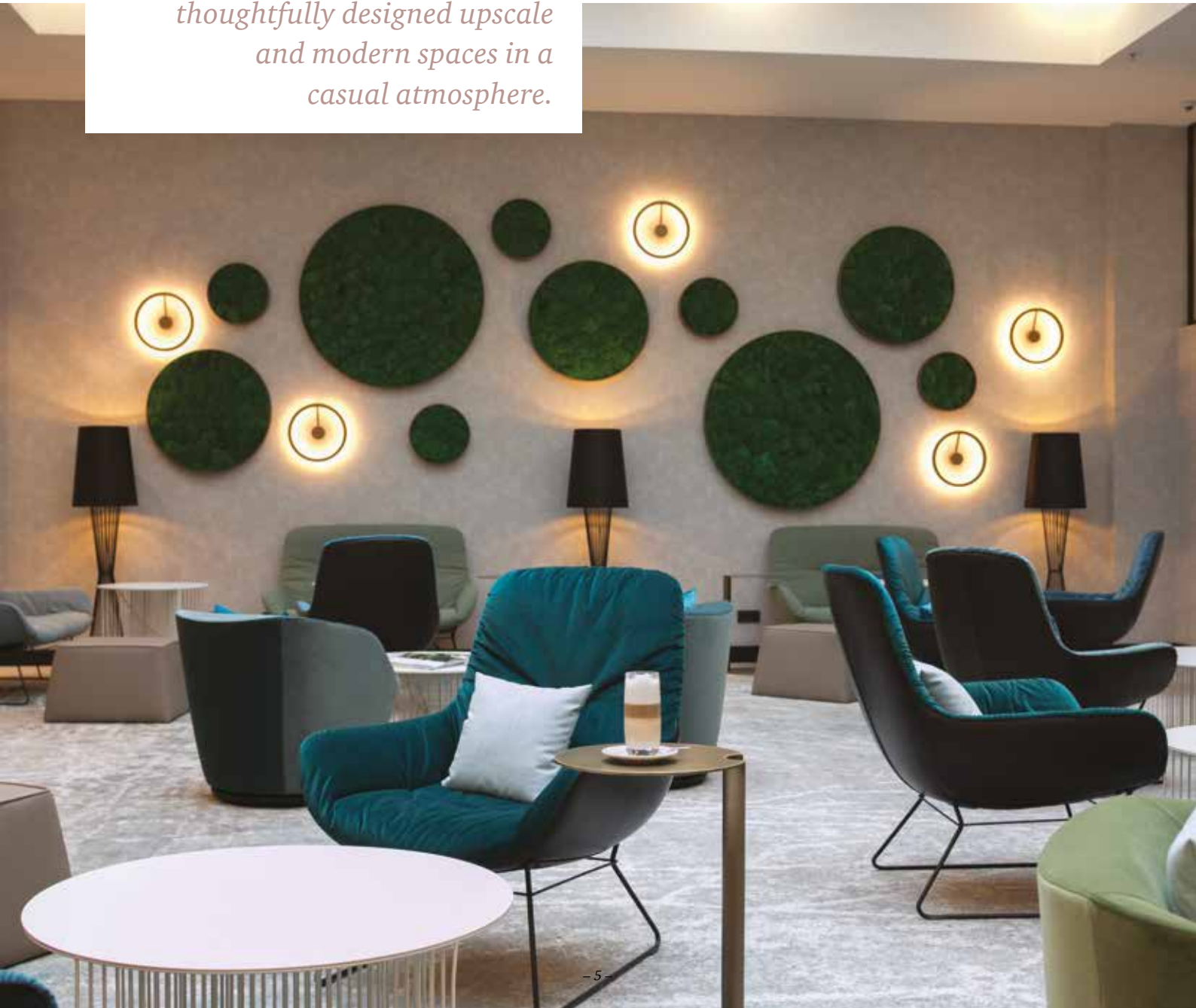
More than a year has passed since the Hyatt Place Frankfurt Airport opened and the hotel is enjoying increasing popularity. True to the slogan “Welcome to a different Place” it combines thoughtfully designed upscale and modern spaces in a casual atmosphere where travelers from all over the world find comfortable and seamless experiences – an uncomplicated Select Service concept, which appeals to business or leisure guests as well as families.



«Feuring takes the time needed to understand its customers and to efficiently lead them through the maze of options, today’s international brands offer.»

Peter Norman, Senior Vice President, Acquisitions & Development at Hyatt Hotels Corporation

True to the slogan “Welcome to a different Place” it combines thoughtfully designed upscale and modern spaces in a casual atmosphere.



Market Penetration by International Hotel Companies in Germany

International hotel sector in transition

In recent years, the international hotel industry has gone through a period of restructuring and consolidation, impelled by numerous mergers and take-overs. This has resulted in the creation of numerous hotel brands, i.e. brand families, gathered under one brand-umbrella such as Accor, Marriott/Starwood, IHG, Hilton or Hyatt, for example. The increasing diversification of the different brands and their individual line-up to fit the requirements of a growing number of travellers with different origins and financial backgrounds played a major role in this process. All major hotel chains now follow the strategy of meeting, to the highest possible extent, demand generated by any segment, i.e. from the budget- up to the luxury segment. This restructuring was triggered off by the strong increase in global prosperity, which had an effect on international travel and tourism and in turn increased demand for accommodation to a previously unimaginable extent. The increased brand awareness by the major operators has created a very competitive market environment for the global hotel groups, both in the established markets Europe and the USA but also in the more dynamic destinations.

This increased accommodation demand and the necessity to create hotels in the strategically relevant destinations at an ever-increasing speed has put the international hotel companies under pressure to invest their capital resources in expansion measures. However, the large hotel companies cannot take on these investments by themselves. In the early 1990s, the hotel industry reacted to this problem by separating operations from the property that more and more often belonged to someone else. Initially, this only happened in the USA where the hotel sector more and more often was the provider of management services or brand licences under franchising set-ups, rather than being the conventional operator and leaseholder.

For the large hotel companies, i.e. the owners of wide varieties of hotel brands, the decision to give up the ownership of their properties was obvious as their core business is operating hotels. The process of the international hotel industry selling their real estate portfolios went on well into the first decade of the new millennium and meant that they had the necessary financial resources to facilitate the ever-in-

Brand bonding became more significant when the rates of growth in the developed markets started to slow down.

creasing need for expansion by means of purchases and take-overs. The resources, that until then had frequently been held in property companies were “turned into money” and invested in the development and diversification of brands.

Brand development and branding

The leading hotel companies recognised the significance of brands and their contents at an early stage. Brand bonding became more significant when the rates of growth in the developed markets started to slow down. Binding guests to and establishing guest loyalty vis-à-vis a particular brand became the main focus in the marketing strategies of all major brand owners. With the rising demand in accommodation in the rapidly expanding economic markets, brand equity and - along with this - brand awareness, became more and more important in the decisions made by this consumer, i.e. guest group. These new source markets therefore have the biggest influence on the growth behaviour in the developed travel destinations and especially in Europe as the largest agglomeration centre for international accommodation demand.

The European accommodation market

Every year, Europe welcomes more guests than any other continent. It is the destination with the strongest demand all over the world. Europe is considered to be the largest beneficiary of increased travel. However, hotel accommodation in Europe is characterised by a high level of fragmentation, especially when it comes to hotel chains and brands. This means that only a small share of the hotels is associated with a large hotel chain or one of its brands. Whilst in the USA, around 70% of all hotels are operated under a brand, in Europe there are less than 40% with a brand-association and depending on the European destination, there often is a strong diversification.

For this reason, all major global hotel companies are developing brand expansion strategies for Europe. The US American brands, in particular, stand in direct competition in obtaining market shares in Europe. Compared to the USA, this market share on the European accommodation market is still relatively low but the large com-

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panies have made enormous efforts in order to increase their brand presence in Europe. In order to be successful, the hotel companies have to consolidate a critical amount of hotel businesses under their brand umbrellas in order to be taken notice of and increase their market shares. This has caused a high level of diversification in brand portfolios, beyond any supply- and demand elements.

Study

Increased tourism from the strongly developing economic markets is also causing vastly increased accommodation demand on the German market. As a consequence, global hotel groups are also expanding more strongly within Germany. This raises the question about what the international hotel chains in Germany look like nowadays.

In order to examine this question from different points of view, Feuring, in 2018, initiated an in-house study about the penetration of the German market by the large international hotel chains. In particular, the study wanted to examine the prevailing opinion that brand penetration by hotel chains in Germany only amounted to 25% and therefore showed a significant deviation compared to other markets.

In order to obtain information about the penetration of the accommodation market in Germany by the international hotel sector and to obtain plausible figures for the comparison with other specific markets, the collection of data was limited to two parameters. The study only took those destinations with at least 300,000 inhabitants and only those hotel groups with at least 20 hotel companies into account. Another criterion was that the main bulk of hotels run by these companies disposed of at least 100 rooms.

The aim of the analysis was to clarify to what extent the international hotel industry has penetrated large destinations and – conclusive to this – whether this penetration is indeed stronger in sought-after destinations.

In a subordinated step, we followed two analytical paths: Initially, we examined in how far there is a clearly perceivable difference in the segmentation of the product positioning on the one hand and between those desti-

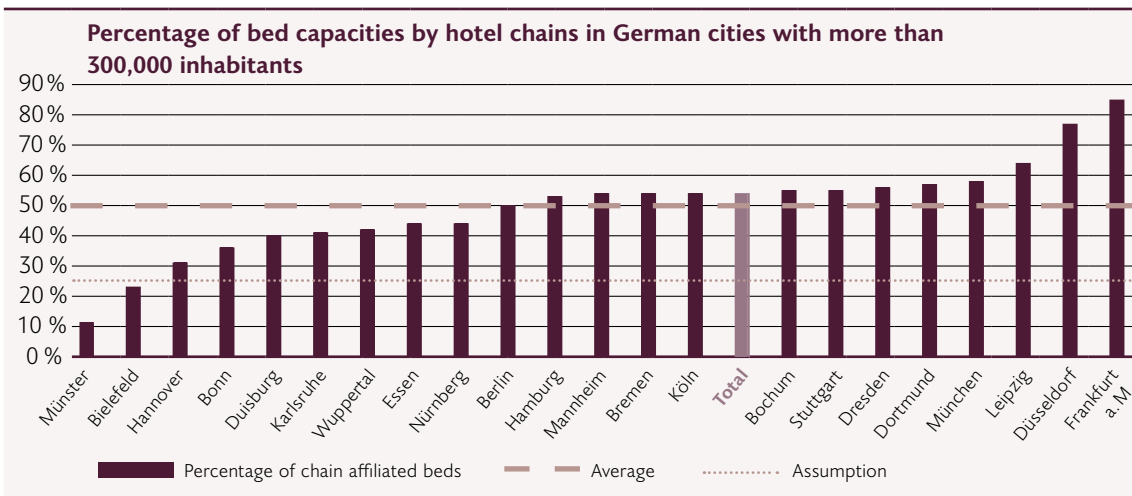


nations in the rather secondary locations on the other hand. Typically, one would assume that the strongest markets would have greater potential in terms of “assortment depth” and brand penetration.

Subsequently, we compared a number of selected international destinations in terms of market penetration by international hotel chains with those German destinations that generally show the strongest demand. The study gives a brief overview about the results of our observations.

We can summarise our individual findings about the German hospitality market as follows:

An analysis of the market penetration in cities with more than 300,000 inhabitants makes clear that the above-mentioned presumption does not apply to the greater part of cities examined by our study. A closer look at the percentage of available bed capacities with a hotel chain affiliation reveals that merely the city of Munster lies below the 25% mark, mentioned so frequently. Overall, the major German cities have a market penetration of 55%. Two cities (Frankfurt and Dusseldorf) even lie above the presumed USA mark of 70%.



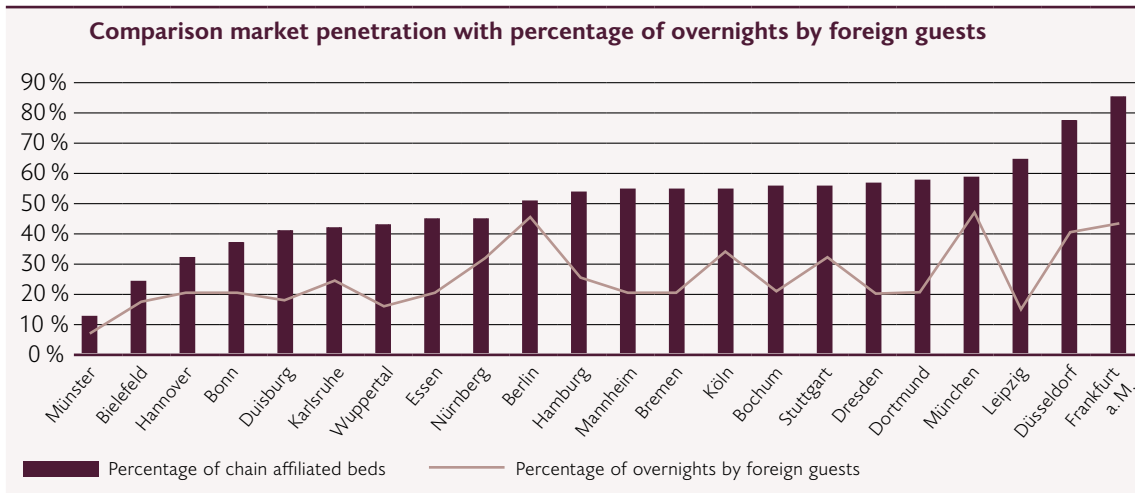
This diagram does not allow an overall conclusion about the market penetration by hotel chains in Germany. However, it does make clear that depending on the location, the share of chain hotels in Germany strongly varies. It also shows a distinct correlation between the size of a city/ the number of inhabitants and the market penetration. The interaction of further factors leads to the conclusion that the largest markets are also the most attractive locations for the hotel chain industry.

On the one hand, the absolute accommodation demand in these cities is higher than in others. Cities with more than 600,000 inhabitants account for nearly 20% of all overnights in Germany and

for above 75% of all overnights in all cities with more than 300,000 inhabitants.

On the other hand, these metropolitan cities furthermore account for the highest percentage in overnights by foreign guests. With the exception of Hamburg, all cities with more than 600,000 inhabitants lie clearly above the average figures for cities with more than 300,000 inhabitants (approx. 25%). In 2016, the share in total overnights by foreign guests in Berlin, Munich and Frankfurt, for example, was above 45%.

The conclusion from this is that these cities can be regarded as the forerunners for the expansion of global hotel chains on the German hotel market.



The expansion of the hotel chain industry in Germany has arrived at a turning point. The brand penetration and the presence of hotel chains in the metropolitan cities is huge. In Frankfurt on the Main, for example, 80% of all beds have a chain affiliation. The turning point can be understood in so far that hotel chains are gradually expanding more and more in secondary and tertiary locations. Even though it is expected that the market penetration in the metropolitan cities will continue to rise in the coming years, the secondary locations (e.g. Mannheim, Karlsruhe) will very likely have higher growth potential. An indication for this is the number of planned projects in Mannheim until 2021. With ten projects already announced, Mannheim can expect an increase in the share of chain-affiliated beds of 70%. However, in metropolitan cities such as Berlin and Cologne, the increase is expected to remain below 10%.

Of course, this analysis does not contradict the thesis that only 25% of all German accommodation capacities have a brand affiliation. Admittedly, the decentral, federal character of the country makes a comparison with other European countries seem difficult and ultimately those destinations that are well-known all over the country remain of particular interest to the brand owners. In order to analyse this, we also examined information about foreign destinations, such as Paris or Barcelona, for example, and then compared the figures with comparable cities in Germany, such as Berlin, for example. The results were very surprising as Berlin

(51%) and Barcelona (53%) revealed a comparable market penetration, whereas Paris (48%) has slightly fallen behind in comparison.

Increased global tourism and the rise in demand for accommodation in Germany that goes along

Germany is an enormous source market for accommodation demand from other countries

with this, allows the conclusion that the most significant reason for market penetration by hotel brands is the overall measurable demand and the percentage of foreign demand in individual destinations in connection with this. The stronger foreign demand for a destination is, in absolute figures, the higher is the share in brand penetration. At the same time, these destinations can compete with destinations in other European cities in terms of brand penetration and are on a comparable level. As Germany is an enormous source market for accommodation demand from other countries, the market penetration is highest in those locations where national and international demand coincide, such as in Frankfurt or Dusseldorf, for example.

Matthias Lowin, Managing Director,
Feuring Hotelconsulting GmbH



IntercityHotel Frankfurt Hauptbahnhof Süd

Arriving at the Main Railway Station

The new IntercityHotel Frankfurt Hauptbahnhof Süd was erected in direct neighbourhood of Frankfurt main railway station. With its 414 rooms, it is both the brand's largest hotel and its new flagship. Just like all other new brand additions, the IntercityHotel Frankfurt Hauptbahnhof Süd bears the signature of the Italian architect Matteo Thun. Living trees and a moss-covered wall in the entrance hall help clean and refresh the air in this area and the inner courtyard planted with ivy rounds off the environmental concept. Nature is also part of the theme in the rooms, restaurant and conference rooms.

The hotel features six combinable conference rooms with a total area of 190 m², as well as a restaurant and a bar. With its central location, it furthermore offers ideal connections not only to long-distance and regional trains and busses but also to the city's public transport system. Both the city centre as well as the exhibition grounds can be reached by S-Bahn within a few minutes. The hotel opened its doors back in December 2018.

The IntercityHotel Frankfurt Hauptbahnhof Süd is a significant part of the urban development of the grounds to the south of Frankfurt main train station. The building is located right near the new long-distance bus station and a newly erected public carpark. The hotel is operated under a lease agreement. The real estate company CA Immo Deutschland GmbH is the owner and investor. On behalf of CA Immo, Feuring provided its services and worked hand in hand with the entire project team. The decisions made during the steering committee meetings, organised and carried out by Feuring, were integrated in the process workflow and ensured the completion of the project right on schedule.



Hotel Investment for Institutional Investors

According to a market study by Colliers Germany, special and open-end funds were involved in around 36 % of all hotel transactions in Germany during the first six months of 2019 and were hence by far the largest buyer group. With 25 %, they only ranked second behind the so-called owner-occupiers in 2014. Whilst back then, private investors played more or less the same role as these funds and asset and fund managers were represented to a far less extent, the situation has changed significantly during the last five years. During this process, the number of investors with a capital market orientation steadily increased so that hotels have become part of the “mass market” in real estate investment.

This, however, holds quite a number of challenges for hotel developers and investment managers. Apart from the low-interest environment, increased demand is causing capitalisation rates to fall, resulting in lower yields for investors. At the same time, these kind of investors are governed by the German Investment Code, which does not permit the meanwhile commonplace management agreements or at least not in their direct form. Since, in particular, top hotel properties are usually operated within this kind of set-up, institutional investors require special solutions in order to be able to purchase. Such solutions not only give this investor group the opportunity to buy new properties but – depending on the configuration of these solutions – also present them with higher potential returns. On the following pages, we will give you some insight on initiatives of this kind that have already proven to be successful.



MAXX by Steigenberger Vienna

Design highlight in the Margareten District

The MAXX Hotel Vienna, the first hotel in Austria under the new Deutsche Hospitality brand MAXX by Steigenberger, also is the first hotel, Feuring Group - in its function as lessee of the property - is running in Vienna. During the entire acquisition process, Feuring provided its advisory services and on February 1st, 2019, took over the hotel from the previous operator. The latter opened the hotel in 2013 and operated it until the transaction was completed.

The city hotel is located in the fifth district of Vienna, right near the Margareten Gürtel, within walking distance of the Mariahilferstraße and in direct vicinity to the metro station Margareten Gürtel and the Vienna Raimund Theatre. The hotel features 195 rooms - including 21 suites, a restaurant and a bar/bistro, 4 conference rooms with daylight for up to 120 people as well as a spa and fitness area. The spa on the 7th floor takes guests straight to a rooftop terrace where they can enjoy a magnificent view over the entire city. The hotel is the perfect place both for business- and leisure guests.

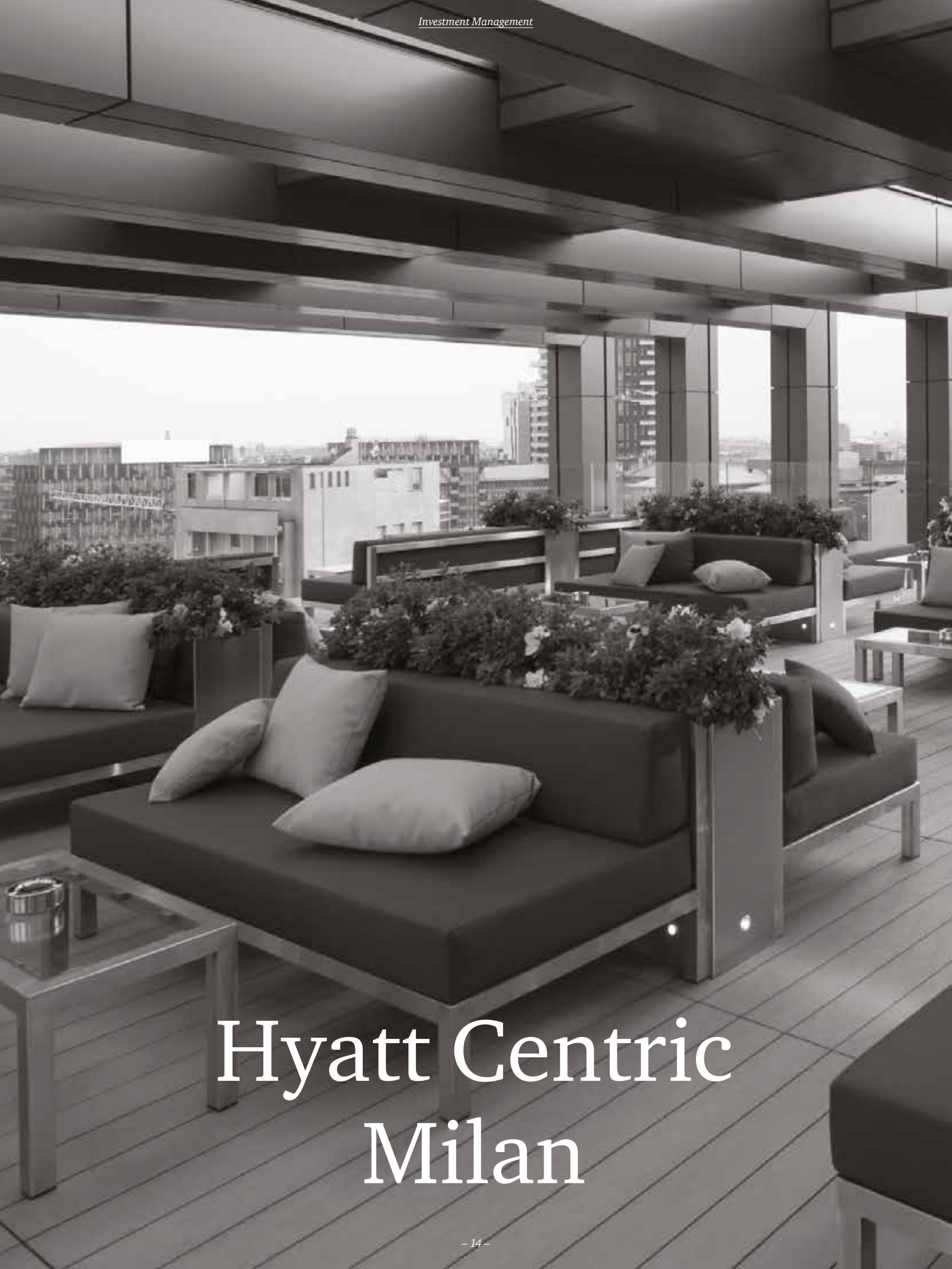
The building, designed by the British architect, David Chipperfield, was fitted out by the South Tyrolean architect and interior designer, Matteo Thun.

Deutsche Hospitality is operating the hotel under a long-term management agreement. The owner is an institutional investor who has commissioned Feuring to carry out the Asset Management of the property.



«I am very happy that with the new MAXX by Steigenberger Vienna, we were able to successfully complete another project based on our long-time partnership with Feuring and look forward to our future work together with great interest.»

Matthias Heck, Chief Financial Office (CFO), Deutsche Hospitality



Hyatt Centric Milan

A Room with a View

The district Porta Nuova, which in the south borders on the shopping and fashion district Brera, has been declared as the new financial district by the municipality of Milan and constitutes the most vigorous urban development cluster in Milan with a wide range of partly renowned high-rise buildings. The district is well located between the railway station “Stazione Centrale” and Milan’s second largest railway station “Stazione Garibaldi”. Meanwhile, companies such as UniCredit, BNP Paribas and several other financial institutions as well as the regional administration of Lombardy have settled here.

The new Hyatt Centric Milan Centrale is located just between the two railway stations and within walking distance to Porta Nuova. In 2018, an institutional investor acquired the property and since May 1st, 2019, it has been operated as a Hyatt Centric hotel. Since the beginning of 2019, the hotel is gradually being adapted to the Hyatt Centric standards and the completion of this refurbishing work is planned for the end of 2019. Guests can look forward to the new design of the hotel’s public and F&B areas, cre-

ated by the interior architects GEPLAN DESIGN from Stuttgart in cooperation with a number of Milanese artists. The hotel has a total area of approx. 9,600 m². The new district, Porta Nuova has established itself as a modern and very international district with good connections to the airports Malpensa, Linate and Bergamo.

The modern hotel has 141 generously spaced rooms and suites. Some of the suites on the 12th floor are equipped with a private Turkish bath and terrace. At the top of the building, guests will find a roof-top-bar with a magnificent panoramic view over the city skyline. Amongst other things, the wellness area boasts a Roman bath, a salt cave, a sauna and a Turkish bath.

Hyatt has closed a long-term management agreement for the hotel with Feuring. Feuring has also taken on the Asset Management of the property on behalf of the owner.



CAPTION:

- | | |
|----------------------------|-------------------------------|
| 1. Hyatt Centric Milan | 4. UniCredit Forum |
| 2. Milano Centrale Station | 5. Stazione Garibaldi Station |
| 3. Bosco Verticale | 6. Porta Garibaldi |

Hyatt Centric Venice



A Venitian HideAway

The journey from Marco Polo Airport to Murano takes only 20 minutes with the private hotel shuttle boat. This way, it is much shorter than the car journey from the airport to the Piazza San Marco in the old town. Upon arrival on the island of Murano, guests await a beautiful and comfortable hotel. It is very well located with a Vaporetto-Station right opposite the hotel entrance and fits in perfectly with the existing old building structures. For insiders, the Hyatt Centric Murano Venice is the ideal place to be as it combines short distances – including to the old town – with an idyllic calm in the evening when the hotel transforms to a true refuge.

The property is part of a small portfolio (see page 10) comprising two hotels acquired by an institutional investor in 2018. Both hotels have been rebranded and opened their doors as Hyatt Centric Hotels on May 1st, 2019.

The Hyatt Centric Murano Venice boasts 119 rooms and suites and will be extensively renovated from mid-November onward, so that at the beginning of 2020, both the interior appearance of the hotel and its outdoor area will have a completely new design that is in line with the Hyatt Centric standards and meets the needs of the target group.

Guests can look forward to the new design of the hotel's public and F&B areas, created by the interior architects GEPLAN DESIGN from Stuttgart.

Hyatt has closed a long-term management agreement for the hotel with Feuring. Feuring has also taken on the Asset Management of the property on behalf of the owner.



CAPTION:

1. Hyatt Centric Venice
2. Museo del Vetro

3. Basilica di Santi Maria e Donato
4. Chiesa di San Pietro Martire

Welcome Hotel Euskirchen



Hotel Acquisition

The Welcome Hotel Euskirchen, previously known as the Parkhotel Euskirchen, is a luxurious four-star property with 92 rooms and suites as well as 4 function rooms. Perfectly located, the hotel offers professional MICE-services to both business and conference guests. The Kreissparkasse Euskirchen erected the entire building complex. The hotel was originally opened by the former lessee "West Paces Hotel Group" in 2005.

Welcome Hotel Group based in Frankfurt am Main, bought the building complex with hotel and office

spaces from Kreissparkasse Euskirchen in a structured bidding process on April 1st, 2018 and since then has operated the hotel under the Welcome Hotel brand. The Kreissparkasse Euskirchen is still represented in the building, amongst others, with its subsidiary S-Finanz Euskirchen GmbH.

Feuring represented the seller and advised him with hotel expertise during the transaction process.

HUB Portfolio

Transaction & Asset Management

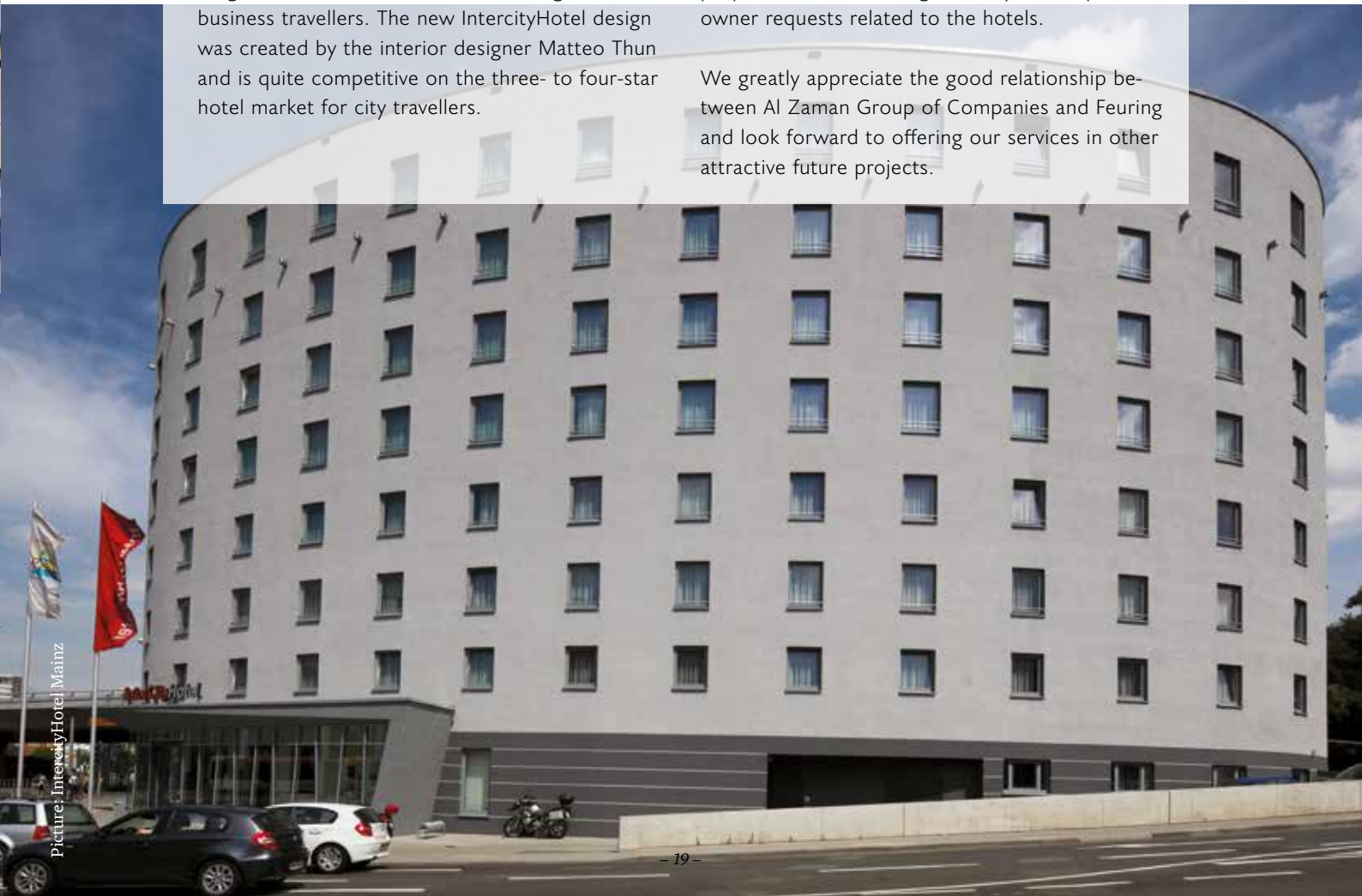
With the acquisition of four German IntercityHotel properties in February 2018, the Oman-based investor, Al Zaman Group of Companies, was able to extend and strengthen its European real estate portfolio and take over four hotels located in key primary and secondary markets in Germany. The portfolio, previously owned by Invesco Real Estate for three years, comprises a total of 868 keys operated on the basis of 30-year hybrid leases with the well-known German hotel operator, Deutsche Hospitality. In total, Al Zaman Group of Companies now owns five IntercityHotel properties in the regions of Frankfurt Airport, Mainz, Darmstadt, Rostock as well as in Enschede, the Netherlands.

IntercityHotel is one of the core brands by Deutsche Hospitality concentrating on primary and secondary markets, preferably located next to main railway stations or airports. The brand and its range of services address both leisure guests and business travellers. The new IntercityHotel design was created by the interior designer Matteo Thun and is quite competitive on the three- to four-star hotel market for city travellers.

Feuring has been advising the buyer on this important transaction right from the beginning. After the successful closing, Feuring took on the asset management mandate for the five-property-portfolio and works closely together with the management of each hotel. One year after the acquisition of the portfolio, our work in cooperation with Al Zaman Group of Companies is showing promising results and, especially in view of the planned modernisations on the properties, is expected to enhance the value of the portfolio.

Feuring's asset management duties include taking care of the properties' maintenance, repairs and refurbishments, as well as setting up regular reports on operations and lease performance. Feuring's role as asset manager has resulted in a close collaboration with the directors of each property, making it possible to maintain the hotels' yields in line with the budget. Moreover, Feuring is assisting in establishing corporate set-ups, in financing the properties and in dealing with any other special owner requests related to the hotels.

We greatly appreciate the good relationship between Al Zaman Group of Companies and Feuring and look forward to offering our services in other attractive future projects.



Due Diligence of Hotel Properties – the King’s Class

Within the field of project development, hotel properties are often referred to as the “king’s class”. The reason for this is the high complexity of the set-up of hotel businesses and in particular the required expertise in the field of operational hotel management. A hotel development can only be successful if all project participants – the investor, operator/hotel manager and the building contractors – work together hand in hand in order to realise the right concept for the location and market in question. This kind of complexity repeats itself in the transaction of hotels so that compared to other commercial properties there are numerous distinctive characteristics to be taken into consideration.

Commercial Due Diligence

Every investment decision is based on a commercial due diligence. In order to determine its purchase price, it is necessary to assess a hotel’s long-term income potential. The calculation of this potential is based on the local hotel market whose historical development allows to draw conclusions for the concept in question, the operator/hotel manager and their particular characteristics. However, such findings are only reliable if the assessor is familiar with the structures and mechanisms of international hotel markets: How many overnights can an operator/hotel manager expect for a specific micro location? The challenge is even higher if future earnings and cost structures are also to be projected. This requires an extensive knowledge of the market.

Legal Due Diligence

The legal assessment of hotel transactions is equally difficult as the wide variety of operator agreement structures are no longer based on pure lease relationships but meanwhile – not least because of limitations imposed by the German Investment Code – there also are multilevel structures consisting of lessees, franchisees and managers. The rights and obligations, costs incurred, stability of the lessee and in particular the security of the in-



Picture: Hyatt Centric Milan

vestor that are all part of these structures need to be carefully examined and determined. The hotel brand should also be secured on a long-term basis without the acceptance of any obligations by the owner. Management agreements generally require even more attention as in this case investors, but in particular institutional investors, need wide-ranging structures and creative solutions to be able to purchase. As guarantees or guarantee-like services

by the hotel manager are frequently not negotiated, securing the investor's interests is even more crucial.

Tax Due Diligence

As a first step in carrying out the tax due diligence of hotel transactions it is necessary to examine the formal framework, e.g. the commercial infection of the property company. In case of a share deal, the tax due diligence should moreover verify the asset for sale in question as FF&E might not be owned directly or indirectly by the target company, but nevertheless constitute an integral value for the property.

However, the latter might also cause latent capital gains if substantial parts of the overall purchase price are paid for depreciated assets. In general, the older a building is, the higher the risk of latent capital gains are. Uncovering hidden reserves and the tax burdens that go along with this should be avoided. Furthermore, if tax exemptions apply for the investors, comprehensive restructuring might become necessary.

Technical Due Diligence

The assessment of FF&E is also part of the technical due diligence and can in some cases cause very high re-investment costs – quite often from 15,000 EUR upward per room. It is therefore important to value the hotel equipment and furniture in terms of quality and remaining life span. The assessment in terms of second-party usability of the FF&E and property in question plays a major role in the long-term value of the property, in particular if an operator agreement is running out or a change of operator is planned on purpose. This kind of evaluation requires a deep knowledge of operator standards on behalf of the investor.

Hotel properties are also a lot more complex than others when it comes to their technical installations. Not only do they require a larger number of equipment but the performance of such equipment also needs to be a lot better as the hotel's achievable standard of guest comfort depends on reliable technical services. Apart from this, the technical experts involved should put a special focus on appropriate IT equipment, as it is extremely important for today's hotels to offer well-functioning IT services, ranging from WIFI to conference streaming.

Value Add or: Return on investment in times of low interest rates

Due to the low-interest environment on the capital markets and increased demand for property investments with higher yields, yield expectations for hotel properties have recently also dropped significantly. Purchasing factors of above 20, even for secondary locations, have meanwhile become the rule. It therefore requires all the more know-how in order to recognise investment opportunities, not only on the basis of the status quo but also by developing appropriate investment strategies. The success factors for these usually are:

- 1) High location and market quality
- 2) High second-usability
- 3) Added value by one or more of the following measures:
 - a) Conceptual re-design
 - b.) Change of operator
 - c.) Change of operator agreement type
 - d.) Soft refurbishments
- 4) Marketable legal and tax restructuring

At attractive purchase prices, conversion properties might also offer a high value add potential, especially if their repositioning can be executed with relatively low capital expenditure. Finally, all essential findings need to be brought together in order for a transaction to work out and be successful for the investor. Just like hotel developments, hotel transactions have to be tailor-made for the investor's requirements.

Feuring Group is specialised in the field of investment managements for hotel properties and as such is in a position to provide acquisition assessment reports up to complete transaction management as well as asset management during the entire life span of hotel investments.

Nico Schleucher, Senior Consultant,
Feuring Hotelconsulting GmbH

Non-Disturbance Agreements in Hotel Management Contracts

Influences on financing and exit

Typically, erecting a hotel will (also) require debt financing. Within the framework of a financing agreement, the owner will provide the hotel property as a security. In the event that at some point the owner is no longer able to pay off his loan, the financing institute will secure access to the property in order to obtain money.

The hotel manager, who closes a hotel management agreement with the owner of the property, will rely on having non-disturbed access to the hotel in order to be in a position to run it and generate his management fee. The hotel manager therefore depends on and must be able to rely on the owner always paying off his loan. Otherwise, the owner and, consequently, the manager will lose access to the hotel property.

This typical risk for the hotel manager makes him require certain regulations. For on the one hand, he is not the financing party's contract partner and in this capacity as an external third party, does not have any influence on the financing institute. On the other hand, the financing institute is not bound to any regulations in the management agreement. In order to limit the financing institute's access to the property and safeguard his own undisturbed management of the hotel, the manager will want to take influence on the agreements between the owner and the financing institute to his own benefit. These are the typical contents of so-called Non-Disturbance Agreements.

The hotel manager will rely on having non-disturbed access to the hotel.

With a view to future debt financing, such non-disturbance clauses can be incorporated in the management agreement. In cases where a financing institute has already been determined, tripartite agreements, involving the financing institute, have

become widespread. In the latter case, an agreement between the manager and the owner's financing institute is usually set up.

The typical contents of Non-Disturbance Agreements are:

- The manager's right to assess and approve the financing institute in advance
- The owner's obligation to provide the manager with any financing documents and – under some circumstances – to obtain the manager's approval
- Restriction of the owner to burden the hotel property with securities (in particular with land charges) that are above a certain value (loan to value-ratio)
- Mutual information rights and obligations between the financing institute and the manager, in case of any danger of the financing- and/or management agreement becoming non-existent
- Mutual rights on behalf of the financing institute and manager to fulfil any obligations resulting from the financing- or management agreement
- Restriction of the financing institute in utilising the hotel property
- Obligation to maintain the existing management agreement

These kind of requirements on behalf of the hotel manager must be carefully negotiated as any shortcomings in this respect might result in the owner having to pay more than usual for his loan or a financing institute even refusing to grant him a loan. In the event of an exit, potential buyers will also do a critical assessment of those regulations in a Non-Disturbance Agreement that are to be observed by the buyer so that these should be fair and reasonable.

It goes without saying that neither the financing institute nor the hotel manager can or want to be made responsible for the owner fulfilling his obligations in the financing agreement. The hotel manager and financing institute nevertheless depend on each other and are ultimately both interested in the hotel running successfully. Setting up a

Non-Disturbance Agreement with well-balanced mutual rights and interests between all parties involved, can largely contribute to this.

Dr. Frank Peter Ohler, Legal Counsel,
Feuring Hotelconsulting GmbH

Feuring Inside

Feuring Hotelconsulting GmbH in Mainz continues to grow. In the course of 2019, Mr. Jonas Heide and Mr. Ghislain Bussière joined the Feuring team in order to support the company in the fields of Hotel Development and Advisory Services



Jonas Heide

Since February 2019, Jonas Heide supports the Feuring Team as Junior Consultant. The 28-year-old can look back on several years' work experience in the hotel industry. Following his training as a hotel professional in the InterContinental Hotel Dusseldorf, he initially decided on pursuing his career in the field of Guest Services. For one and a half years, he worked at Grosvenor House, A JW Marriott hotel in London. This valuable international experience – in particular in view of his command of English – were a very good foundation for his successful fast track studies at the IUBH International University in Bad Honnef, Germany, where he obtained his bachelor degree in Hotel Management. Fascinated by the operational aspect of hotels, he returned to the InterContinental Hotel Dusseldorf in the role of Front Office Supervisor. He completed his operational experience, working as Assistant Front Office Manager in the SCHLOSS Hotel Fleesensee in the Mecklenburg Lake District. At Feuring, one of the sector's well known hotel specialists.

«I am looking forward to getting to know the world of hospitality from a completely different angle and to learning all about the overall complex structures in the hotel industry.»



Ghislain Bussière

Ghislain Bussière is Feuring's newest team member and supports the Hotel Development and Asset Management team. After obtaining his Bachelor Degree in International Hospitality Business from Glion Institute of Higher Education with a major in Finance and Hotel Development, the 23-year-old joined the Feuring team in the function of Junior Consultant in March 2019. During his studies, the native Frenchman gained valuable hotel experience in his role as Guest Relation Officer in the Ritz-Carlton Hong Kong and in the W Hotel Barcelona where he worked as Income Auditor in the financial department. Both his practical experience and his major during the final year of his Bachelor degree largely strengthened Mr. Bussière's aim to professionalize in the field of Hotel Consulting. At Feuring, he contributes his analytical skills and his knowledge of the international hotel markets. He does this with a lot of passion and a fascination for each individual hotel.

«To me my job is my vocational calling. I find great pleasure in helping to shape innovative and visionary concepts for the hotels of the future.»

Operational Asset Management is Growing Steadily

Since 2010, Feuring has consequently expanded its Asset Management services. The first Asset Management project was the IntercityHotel in Mainz in 2009, followed by the two Hilton hotels in the Squire at Frankfurt Airport in 2010. With the opening of the Hyatt Regency Dusseldorf in the following year, this business division grew from around 800 hotel rooms in 2010 to meanwhile 13 hotels with just under 2,400 rooms in seven European countries.

Feuring's task consists of the classical Asset Management of hotels, run by third parties under turnover lease agreements on the one hand, and on the other hand of representing the owners of hotels that are run by international hotel companies within a management agreement. Feuring sometimes also leases properties from the actual investor and takes advantage of an experienced international hotel operator's strengths and capacities, who runs the hotel under a management agreement. An example of this is the Hyatt Place Frankfurt Airport, developed by Feuring and sold to Union Investment Real Estate GmbH in 2018.

The aim of these activities is to maintain and increase the value of a property by continuously optimising operational processes and increasing the variable shares in income resulting from the operation of the hotel. The aggregated value of all hotel properties, we take care of, currently amounts to just under € 500 million. This not only gives institutional investors the opportunity to invest in new properties but - depending on the set-up of these solutions - also makes it possible to generate high yields on investments. On the following pages, we will give you some insight on some successful projects of this kind.



At the Heart of Madrid

NH Collection Madrid Suecia

Madrid is the capital city of Spain, residence of the Spanish monarchy and seat of the country's Government, making it to Spain's political, economic and cultural centre. The NH Collection Madrid Suecia is centrally located not far from the well-known shopping mile Gran Vía, the Retiro Park and the Plaza de Cibeles. The five-star hotel boasts 123 rooms, three function rooms, an all-day-dining restaurant, a cocktail bar and a welcoming lobby bar where Ernest Hemingway spent many hours enjoying himself. With its relaxing atmosphere, the rooftop patio on the 11th floor is the perfect locality for guests and special events and offers a unique view over the city of Madrid.

The hotel building has a long history and back in 1956, was erected by the Royal Family of Sweden,

which explains the affix Suecia, i.e. Sweden, at the end of its name. In 2016, the NH Collection Madrid Suecia underwent overall modernisation measures and as part of this improvement was repositioned as an NH Collection Hotel.

Feuring has been assigned with the asset management of the hotel property since June 1st, 2019.

We are really pleased to have been given the opportunity in further establishing the NH Collection Madrid Suecia together with the lessee NH Hotel Group on Madrid's attractive hotel market and are eagerly looking forward to our work together.



At the Roman Theatre

NH Santo Stefano Turin

Turin is the capital of Italy's Piedmont region and is the country's third largest city. Not only does it convince as one of the most important economic locations in Italy, but since the Winter Olympics 2016, it has also benefitted from the improved infrastructure and increased demand from leisure travel. The four-star NH Hotel Santo Stefano is located right at the centre of the city. From this perfect location, it is very easy to reach both the city's main sightseeing spots and the numerous nearby shops, restaurants and other outlets on foot. Spread over five floors, the hotel offers 134 rooms with an elegant and rustic design. Apart from these, there also are a restaurant with an attractive inner courtyard,

a bar and nine conference rooms. In the course of a minor refurbishment programme for the rooms in 2018, nine additional rooms were created in the former hammam area and the inner courtyard was also modernised.

Feuring has been providing its asset management services for the hotel property since June 1st, 2019.

Within this, we have our main focus on the long-term development of the property whilst bearing in mind the interests of all parties involved. We are really looking forward to our future work with NH Hotel Group as the lessee of the hotel.



Transfer of Accounting Information from Hotel to Investor

Due to the current global economic situation, hotel properties in Germany are a popular and secure investment for national and international investors. Usually, the investors do not operate these properties themselves but outsource this task to third parties by means of lease-, management- or franchise agreements. Depending on the implemented transfer of use, the investor also participates in the economic success of the hotel business. In order to be able to adequately portray this within the Asset Management, it should be considered early in the acquisition process, which member of the accounting department will have to provide which information at what stage and what it will be required for. Depending on the structure and existing contracts, there will be a multilevel need for information among the involved contracting parties. The required structures should therefore be established right from the beginning.

The database recorded at the hotel is adopted, analysed and further processed by the Asset Management team.

The data in the accounting department have their origin in the bookings recorded in the hotel's IT systems. At the hotel, figures are usually portrayed in accordance with the Uniform System of Accounts for the Lodging Industry (USALI). This is a cost accounting system for hotel businesses, using a standardised chart of accounts in which income and expenses are portrayed and evaluated according to profit centres, i.e. departments. The focus lies on the comparability on a monthly basis of the various departments and the determination of their profitability. The USALI also includes a definition of hotel-specific key figures. All this information also allows a good comparison with competitors.

The database recorded at the hotel is adopted, analysed and further processed by the Asset Management team. The scope of work differs depending on the existing contractual structures. Generally, the first task is to map the hotel's figures, i.e. assign

A clear classification of costs according to hotel operation or owning company is necessary.

the figures in a previously defined, consistent manner. If several hotels that belong to a portfolio are operated by different hotel managers, the allocation of costs to the different positions may vary from operator to operator. The challenge of the mapping is to ensure a consistent allocation of costs from the perspective of the investor, despite the contractual structure: in case of a lease agreement, for example, the investor will often receive both a fixed- and variable lease depending on the profit generated by the hotel business. If the investor closes a management- or franchise agreement with a hotel operator, the management fee or franchise fee will generally be calculated on the basis of contractually determined performance indicators, e.g. of the EBITDA calculated as a percentage. In a management agreement, the bookkeeping of the hotel must be amalgamated with the costs of the company (owner costs) in order to obtain the operating company's overall result. In this case, a clear classification of costs according to hotel operation or owning company is necessary.

The information that has to be reported to the investor also depends on the investor's internal regulations and requirements. As investors generally tend to be institutions who invest their funds in a diversified manner, they will already have set up structures to record and evaluate the return on

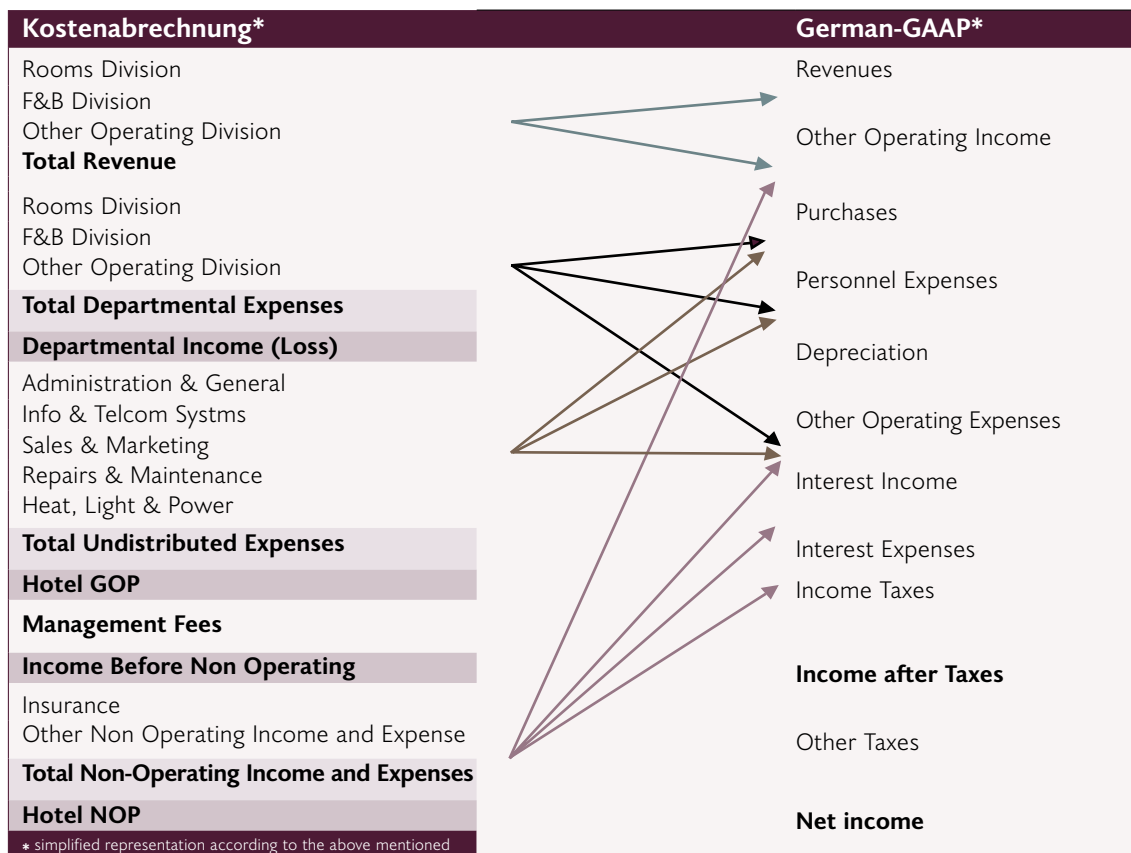
investment properties. Before transferring the hotel operations data to the investor, they must be adapted to his structures so that he can easily handle the figures provided.

Further information requirements by the investor may also arise from the underlying corporate structure and the connections between the real estate company, hotel operating company and investor. Companies are obliged by law to maintain a bookkeeping system and prepare annual financial statements in accordance with applicable accounting standards. If the investor is the holding company of the real estate or is the hotel operating company, not only the figures from the cost accounting will be required but also those for the external accounting. In this case, the figures from the cost accounting must be „translated“ to the external accounting, i.e. must be assigned differently according to the legal requirements. The portrayal in the cost accounting according to USALI frequently differs from the German-GAAP.

Conclusion

The transfer of information from the hotel via the asset manager to the investor must be individually designed for each existing corporate structure and contractual basis. Existing agreements and the investor's information requirements, need to be analysed and taken into account. In order for the Asset Management team to be able to monitor and control the investment, a uniform and hotel-specific portrayal of the figures is necessary. To standardize the compilation and presentation of data from hotel operations, Feuring has developed its own Excel-based tool, allowing easy and fast processing of the data provided by different hotel operators. It also serves as a basis for the calculation of key figures and success factors, with which the investment's performance can be determined.

Katrin Pfülb, Auditor | Tax Consultant | Contractor



me and all hotel Stuttgart

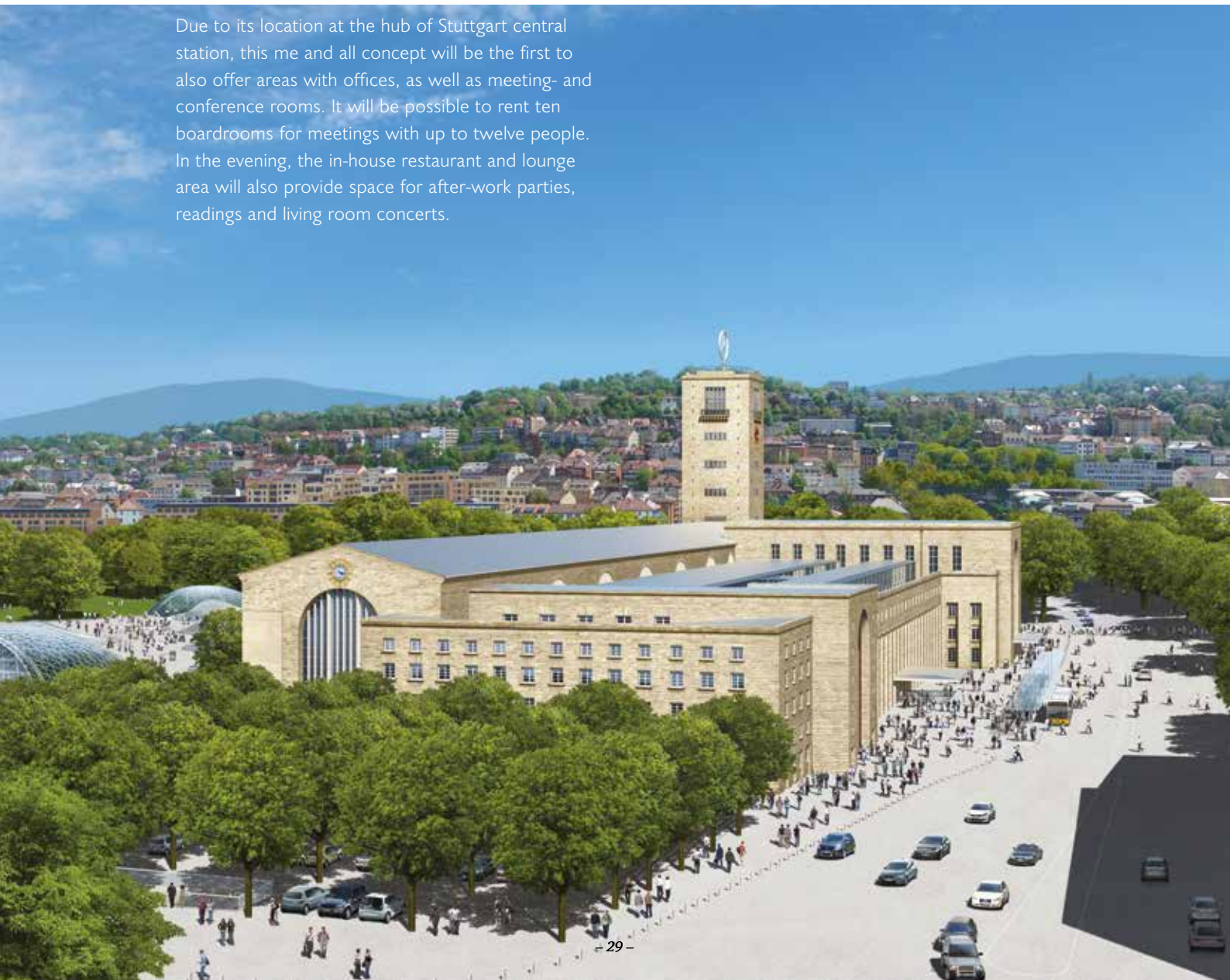
me and all hotels are to gain a new home in Stuttgart. A three-storey me and all hotel is currently being built in the historic Bonatzbau building at Stuttgart Central Station. The agreement for the me and all hotel with 152 guest rooms was signed with DB Station & Service AG.

As envisaged by the me and all concept, the hotel will open in a prime location in Stuttgart: In connection with the Stuttgart21 railway project, the Bonatzbau, the historic reception building of Stuttgart's main railway station, will receive a new main access level and will thus be directly connected to the newly built underground traffic station.

With their urban, casual and unconstrained flair, the hotels appeal to city and business travellers as well as urban locals who want to combine life, work and communication in a pleasant atmosphere. me and all hotels mean big city feelings as well as casual luxury that always feels good. And in future this experience will also be possible in Stuttgart ...

Feuring's services in connection with the new development of the me and all hotel Stuttgart included advisory services on the overall hotel concept as well as the procurement of the lessee.

Due to its location at the hub of Stuttgart central station, this me and all concept will be the first to also offer areas with offices, as well as meeting- and conference rooms. It will be possible to rent ten boardrooms for meetings with up to twelve people. In the evening, the in-house restaurant and lounge area will also provide space for after-work parties, readings and living room concerts.



Wolfsburg Allerpark

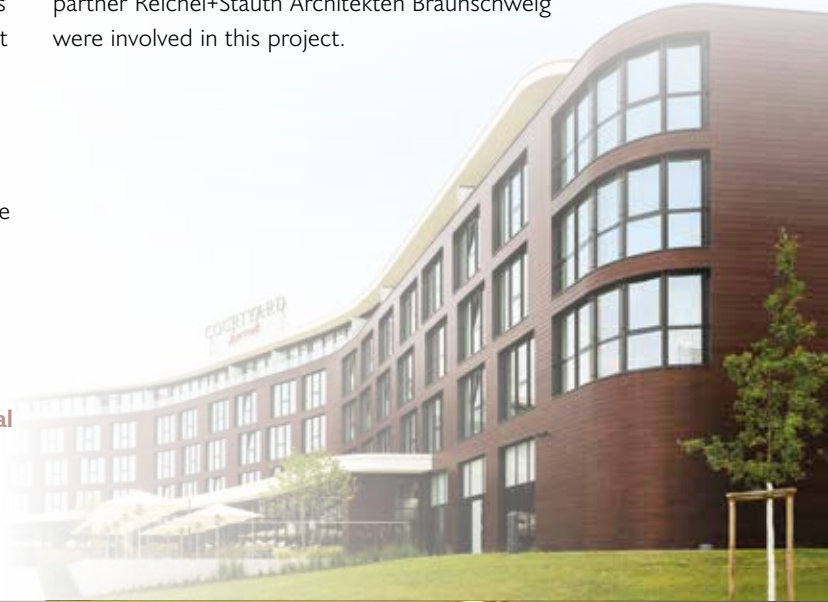
Courtyard by Marriott Wolfsburg

Wolfsburg is not only the residence of Europe's biggest car manufacturer and various suppliers, it also is the domicile of the brand new Courtyard by Marriott Wolfsburg Allersee.

Idyllically situated at the Allersee and conceived as a mixture of business and leisure hotel, the 152 comfortable rooms and long stay apartments serve as the ideal basis for demanding business customers and leisure travellers, who intend to enjoy the fantastic location at the lake.

Feuring supported the transaction for the new owner and evaluated sustainable growth potential as well as the operator concept and the lessee.

We are very pleased that our long-time business partner Reichel+Stauth Architekten Braunschweig were involved in this project.



Hamburg Eppendorf

the niu Bricks Hamburg

gross space of approx. 6,650 m², distributed over a ground floor, nine upper floors and an additional basement floor, will fit in perfectly with the existing area development. Meticulous and continuously optimised planning made it possible to create 192 guest rooms, resulting in an extremely high space efficiency. In addition, the midscale hotel will have a generously spaced reception area with an open Living Lobby and in-house bar on the ground floor.

Just in time before the end of 2016, OFFICE FIRST AG (formerly: IVG Immobilien AG) announced the signing of the lease agreement for the hotel "the niu Bricks" in Hamburg's Eppendorf district. Once completed at the end of 2020, the high-rise building with its elaborate clinker façade will be the new architectural landmark at the entrance of the Zeughaus Quartier and will be the second hotel in Hamburg to run under the "the niu" brand by NOVUM Hospitality.

Located on Christoph-Probst-Weg and as part of the Zeughaus Quartier, the building with a total

In the meantime, the project development has been successfully sold by OFFICE FIRST AG and is under construction. Within the framework of this mandate, **Feuring was fully responsible for the procurement of a hotel operator.** Our task included addressing potential lessees, assessing and pre-negotiating conditions, as well as advising on the final selection of the operator. In co-operation with OFFICE FIRST AG, we also carried out the negotiations of the lease agreement and largely contributed to setting up the execution version for the agreement, including all attachments.



Sheraton Offenbach

The Sheraton Offenbach, located in the heart of the city of Offenbach, welcomes its guests, as it were, in the middle of the adjacent Büsingpark and is very well-known in the Rhine-Main region. The 4-star hotel features more than 221 guest rooms, an all-day-diner restaurant, a snug bar as well as a newly designed executive lounge. Most of the thirteen function rooms are located in the adjacent Büsing Palais, a neo-baroque town palace dating back to the middle of the 18th century.

When it was first opened, the Sheraton hotel in Offenbach was initially operated by Arabella Hospitality but since the turn of the year 2015/16 the new leaseholder has been RIMC Hotels & Resorts. In the

course of the lease holder changeover, the hotel was completely modernised and in this process, the majority of the guest rooms and part of the public areas, i.e. the reception, restaurant and hotel bar, underwent an extensive renovation.

Feuring executed both the take-back from the previous leaseholder as well as the handover to RIMC on behalf of the owner and within this process, carried out extensive on-site inspections and compiled all required documents. Feuring was moreover involved in setting up the modernisation programme from a hotel-specific aspect and supervised its implementation.

Indian Hotels Company Limited

Feuring is proud to assist Indian Hotels Company Limited (IHCL) in its exercise to reimagine its Brandscape post their repositioning.

Within this mandate, Feuring developed an area program schedule adapted to each brand (Taj Hotels) and provided benchmarking against similar brands in Europe. This involved doing a close examination of the different brands and standards and compiling data sheets for each IHCL brand about all relevant hotel areas, including the required sizes according to European standards. Based on our experience and in-house database, we also set up an overall FF&E and SOE list for IHCL to upgrade and enhance their existing brand standards.

The Indian Hotels Company Limited was founded in 1899. It belongs to the global Tata-Group and has since established itself as one of the largest hotel groups in South Asia. The group's very first hotel was the legendary Taj Mahal Palace Hotel in Mumbai. Today, IHCL has a portfolio with 181 hotels in more than 80 locations in twelve countries across four continents and is forcefully looking at expanding in India and other international markets.

The Le Méridien Munich

Long time no see ...

The immediate neighbourhood of the main railway station in Munich and in particular the southern side of Bayerstraße were not exactly what you would call the perfect scene for a postcard of Bavaria's capital city. But for many years, nothing much had happened in Munich's hotel landscape and when the Le Méridien opened its doors in 2002, it was the first new hotel to be built within the boundaries of the so-called Münchner Ring in the centre of the city for years. The southern side of the station was a particularly suitable location for a hotel as at the time,

the Deutsche Bahn's Intercity Express trains stopped on the southern tracks and the southern exit of the main station also was the "ICE-exit". The renaissance of the German railway company, Deutsche Bahn, and the creation of the new train series "ICE" also resulted in a national upgrade of major German stations with important public transport connections. This in turn caused business travellers to alter their travel habits significantly and was one of the main reasons why Feuring was eager to purchase the former Hotel Metropol.

le MERIDIEN

In 1997, it was quite easy to procure Trusthouse Forte PLC as the lessee of the property. Shortly before, the international hotel operator had purchased the Le Méridien hotel brand from Air France. Forte had been interested in Munich for quite some time as the city fulfilled all their criteria for a hotel location. However, the quality of the location did not really convince Forte so that after a late dinner, their President insisted on visiting the existing building and in particular the station, at one o' clock in the morning when there were no longer any travellers around. And so a delegation of six people went to see Munich's main station at this unpleasant time of night. This presented itself in a completely smart condition and with a large team of cleaning staff just finishing their work. This impressed the last critics from Paris and London to such an extent that shortly afterwards the lease agreement for the original 330 rooms was signed.

Before this, Feuring had entered into a project partnership with Philipp Holzmann AG, who later erected the hotel. In the course of considerations about converting the old Hotel Metropol, it had soon become clear that too many compromises would have to be made, so that the decision fell for a new building. In order for the Munich building authorities to grant a building permission, it was necessary to agree to certain obligations with regard to reducing some of the existing parking and to paint the façade in the yellow tone customary to the architecture of the baroque period. Once the building permission was granted on May 25th, 2000, work on the new building could begin! Apart from the very mild winter in 2000/2001, meticulous planning within the project management also largely contributed to the completion of the building on schedule. This in turn made it possible to also hand over the hotel to Le Méridien and the owner, a real estate fund managed by Deutsche Bank, well in time.

In the course of the building project and various modifications to the available gross floor space due to the building laws, the number of finally completed rooms was increased to 381 units. This final situation resulted from a continuous optimisation process in the utilisation of the hotel so that a characteristic value of 58.6 sqm GFA per room was achieved. With an average room size exceeding 30 sqm this was very efficient and reasonable in terms of operating costs.

The hotel opened at the beginning of 2002, straight after the disaster of "9/11" and in a negative climate on all hotel markets. Contrary to the general trend, the hotel operated extremely successfully and Le Méridien themselves, considered it to be the most successful opening in 15 years.

Due to the very strong presence of the Le Méridien brand in the up-and-coming Emirates – above all in Dubai with seven hotels – Le Méridien could attract numerous Arabian guests to Munich as of the following summer. Today, the opening of the Le Méridien Munich is regarded to be the beginning of a continuously increased flow of guests from the Arabian countries. 30 years ago, the summer in Munich was truly "off-season". But this was to change very soon!

The hotel has meanwhile been sold several times and, up to this day, operates on a very high level. The high occupancy rates since the opening of the hotel have resulted in several renovation measures. Even the baroque yellow façade has given way to a different colour!



Interview with the Company Founder, Berno-H. Feuring, on the 60th Anniversary of the Company

For 60 years now, Feuring Group has stood for visionary hotel developments and expertise, collected in the course of more than 425 successfully consulted mandates and self-developed top class hotels. This makes the family business to one of the longest success stories in the sector.

It all started in 1959 when the then 22-year-old Berno-H. Feuring opened the Europahotel in Mainz and with this developed the very first hotel to belong to one of the first German hotel chains, which - by the early 1970s - was to have more than 20 hotels in Germany, Austria, Spain and Morocco. Built on this experience and parallel to the hotel operating business, a group of companies emerged in the 1970s that increasingly engaged in advising private and institutional investors. From then until the turn of the millennium, Feuring created numerous dazzling hotels, such as today's La Mamounia Hotel in Marrakech, the Grand Hotel du Cap Ferrat and the Le Royal Méri­dien Hotels in Warsaw and Hamburg. More recently, the consulting group hit the headlines with some new developments such as the Hyatt

Regency Dusseldorf, the IntercityHotel Berlin at the Chancellery, the Le Méri­dien Hotels in Vienna and Munich or the Hyatt Place Frankfurt-Airport. Since the 1960s, Feuring has also taken on the role of investor and investment manager with his business entities and also provided this experience to other investors. Over the last 10 years, this specific service segment has been in high demand again and - just between 2018 and 2019 - has resulted in a number of hotel transactions with a total of 9 hotels (including two portfolios) advised by the Feuring team. More and more often, Feuring is also appearing as hotel operator and lessee again and does this in cooperation with the most reputable international hotel operators and only in projects that are fully supervised by Feuring.

We asked our company founder for an interview and had the chance to also ask him some very personal questions. As always, such conversations with Mr. Feuring Senior are inspiring and a journey to a time when it was not even a matter of course for every hotel room to have its own toilet.

Mr. Feuring, thank you for taking the time to have this conversation with me. I have a question: You have already told us many details about the early days, but how exactly did everything get started with Feuring as a company?

Indirectly If I'm honest, the start of Feuring as a company was similar to the conversations we have today: I tell you what I think a hotel should look like and then we develop it that way. This is exactly what it was like 60 years ago. Early on, during my apprenticeship as a chef, I already told my father what I believed an ideal hotel in Mainz should look like. I told him what a hotel should offer: comfortably equipped guest rooms, i.e. all rooms with a bathtub or shower, a lift, a comfortable lounge in the lobby

and a 24hours beverage service. I was lucky to have the advantage that my father could provide me with a plot of land on which I was allowed to develop a hotel. At the time, there was press coverage of the opening all over Europe and we were very impressed by this, of course. Shortly after, I received a letter from an Alcalde in Spain. The letter was addressed to "Mr. Feuring, Germany". It's quite crazy what was possible at the time. In any case, the letter reached me with an invitation from this mayor to visit his city. I accepted the invitation, went to Spain and found out that he wanted a hotel exactly like the one I had developed in Mainz for his city. Unfortunately, nothing came out of the project, but this was the first time I offered my advisory services.



Today, your children have gone on to run the company. Back in 1959, did you think you were starting a family business?

Indirectly, yes, I think so. After our success in Mainz, I wanted to conquer the world and already dreamed of setting up a hotel group. I mean, we had already made the first step with our hotel chain. Of course, I'm pleased that my children have decided to continue our success story. You know, to me, the children's solidarity with the company is very important. I would not have wanted to start a family business where the family members just have a passive participation as shareholders and I much prefer them to actively contribute to the company. Today, I can see even the third generation already showing an interest in the company and business. I couldn't have asked for anything more pleasing and rewarding back in 1959.

Looking back, what were the three most important milestones in the company's 60-year history?

The first milestone was certainly the decision to create a consulting company. That was at the very beginning of my career. The second milestone was the establishment of our own investment com-

pany, with which we invested in hotel properties in Morocco and Spain. Of course, it was all a bit different from today's hotel funds, but we were already handling very large volumes back then. As a third milestone, I would name the expansion of the consulting company as a full-service provider for hotel project developments. In the 1970s, we started to assist investors from the concept planning to the opening and in doing this, developed new services. The idea of offering FF&E and SOE, which requires specific expertise in both procurement and installation, as a service for investors has its origin in this period. Today, several companies in Europe offer FF&E Procurement. In our case, my eldest son took over this business field within our company and he very successfully leads Feuring Projektmanagement GmbH in Kirchheim/Teck.

Many companies would dream of this: You have always had many longtime employees in your company. How do you manage to keep your employees and attract new ones?

Let me explain a principle that dates back to the time when as a hotel company we had a lot more employees: We take every employee - starting with the apprentice - seriously, as long as he is a member of our staff. The fruits of this attitude are also the basis for our special situation, in which more than half of our employees have been with us for more than 10 or 20 years. For an employer it's always important to see the people behind things. This helps, especially when things get more difficult in a project. „In good days as well as in bad days,“ we could say. The long company affiliation is also important to me as a confidence-building measure vis-à-vis our clients.

What were your biggest challenges? Were there situations when you thought about giving-up?

There certainly were some challenging situations, but it has never been my style to just give up. It was more a matter of "now, more than ever". Actually, one of my mottos is: „Can't be done, doesn't exist“. The question is always „HOW?“.

Which hotel project or achievement in the past 60 years are you most proud of?

The projects, we carried out on our own behalf, with a relatively free rein, are still our most successful pro-

jects to this day. One of the most attractive projects certainly was the Hotel La Mamounia in Marrakech, which we completely rebuilt and restored from an old palace. I also find the Hyatt in Dusseldorf has worked out very well because in this hotel a lot of things are different but nevertheless very good. The floor plans for the rooms and the ground floor, for example, are not only very attractive but also exceptionally efficient. Efficiency has always been our top priority, because in hotel construction the floor plans and the use of the areas determine the development of the hotel within the next 10-20 years.

In how far do you think has the hotel market changed during the last 60 years?

I could probably talk about this for several days. But I'd like to pick out what I believe has had and will continue to have an impact on the hotel industry, namely the increase in mobility in general and air transport in particular. Changes in air transport that have arisen over the past 60 years have clearly shaped the hotel industry in terms of both hotel capacity and quality. Over the last 60 years, we have really benefited from the expansion of airport capacities. Although things might move a little bit slower in future, I expect that in the next 50 years, especially through the Asian market, further positive effects will influence the hotel industry. I certainly expect 80 to 90 million passengers a year in Frankfurt, but as a citizen of Mainz, I also hope for a reduction in aircraft noise.

The hotel market is subject to constant changes. In which segment do you see special opportunities in future?

Looking at it through my glasses as a project developer, I always divide the hotel industry into four groups: luxury hotels, business hotels, touristic hotels and branded hotels - even if today there are of course huge intersections between these groups. The luxury hotels, i.e. the 5-star hotel industry, will always exist. I expect some albeit modest but quite outstanding developments as long as there are investors for such hotels. In my opinion, business hotels, the so-called 4-star hotels, are the most profitable. That will continue to be the case. The third group with touristic hotels, is still too little specialised and too individual to make a blanket statement. There are good and bad hotels. This will change in times of critical market observation, as we can already see. My fourth group includes all hotels that are increas-

ingly difficult to put into a star-classification but are rated by their brand. This is currently a rapidly growing segment and, in my opinion, requires a special hotel-related examination, as we have been experiencing a strong brand expansion for some time. Since the market is slightly distorted by capital market conditions, expansion is also slightly distorted. We'll see what the economic viability of some businesses looks like in the long term.

The luxury hotels will always exist. I expect some albeit modest but quite outstanding developments as long as there are investors for such hotels.

One last question: where do you see Feuring in 2030?

Over the past 60 years, our group of companies has often been unrivalled in terms of its services. Of course, the market environment has changed and meanwhile we have a lot of valued competitors in our various fields of services. Nevertheless, I believe that we still have many unique selling points in the way we work and through our scope of services. I sincerely hope that my descendants will be able to continue the company's history in good health and with just as many successful projects.

Thank you very much for this Interview.

This Interview was held by **Sandra Rainer-Pösel**,
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